Report of the
Comptroller and Auditor General of India

for the year ended March 2012

Government of the Union Territory of Puducherry

Report No. 1 of 2013

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PREFACE

1. This Report has been prepared for submission to the Lieutenant Governor under Section 49 of the Government of Union Territories Act, 1963. Audit observations on the Annual Accounts of the Union Territory Government would form part of a Report on Union Territory Finances which is being presented separately.

2. The Report starts with an introductory chapter outlining the Audit scope, mandate and the important Audit findings which emerged during the year long audit exercise. Chapter-II deals with the findings of Performance Audit, while Chapter-III discusses material findings emerging from Compliance Audit.

3. The observations arising out of Chief Controlling Officer based audit are included in Chapter IV of this Report.

4. The observations arising out of audit of revenue receipts of the Union Territory are included in Chapter-V of this Report.

5. The observations arising out of audit of commercial and trading activities of the Union Territory are included in Chapter-VI of this Report.

6. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be included in the previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever possible.

CHAPTER I

INTRODUCTION

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INTRODUCTION

1.1 About this Report*

This Report of the Comptroller and Auditor General of India (C&AG) on Government of the Union Territory of Puducherry relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government departments, Government companies and autonomous bodies.

The primary purpose of the Report is to bring to the notice of the Union Territory Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

Compliance Audit refers to examination of the transactions relating to expenditure, receipt, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance Audit examines whether the objectives of an organization, programme or scheme have been achieved economically, efficiently and effectively.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on the previous Audit Reports. Chapter-II of this Report contains findings arising out of Performance Audit of selected programmes/activities/departments. Chapter-III contains observations on Compliance Audit in Government departments and autonomous bodies. Chapter-IV deals with Chief Controlling Officer based audit of the Directorate of School Education. Chapter-V contains findings arising out of audit of revenue receipts of the Union Territory and Chapter-VI contains findings arising out of audit of commercial and trading activities of the Union Territory (UT).

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2011-12 as well as those which had come to notice in earlier years but could not be included in

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* Abbreviations used in this report are listed in the Glossary at Page 110

the previous Reports. Matters relating to the period subsequent to 2011-12 have also been included, wherever possible.

1.2 Profile of audited entity

There are 30 departments in the UT at the Secretariat level, headed by Development Commissioners/Secretaries, who are assisted by Directors and subordinate officers under them. There are 13 Government companies and 81 autonomous bodies. These entities are audited by the Principal Accountant General (General and Social Sector Audit), Tamil Nadu and Puducherry and the Principal Accountant General (Economic and Revenue Sector Audit), Tamil Nadu.

The comparative position of receipts of the UT Government and expenditure incurred by the Government during the year 2011-12 and in the preceding two years is given in **Tables 1 and 2** below.

Table 1: Comparative position of receipts

(₹ in crore)

Receipts	2009-10	2010-11	2011-12
Revenue receipts	2,841	3,200	2,771
Tax revenue	868	1,074	1,329
Non-tax revenue	643	743	153
Grants-in-aid and contributions	1,330	1,383	1,289
Capital receipts	33	--	--
Recovery of loans and advances	5	4	4
Public Debt receipts	659	854	788
Public Account receipts	836	393	1,059
Total receipts	4,374	4,451	4,622

(Source: Accounts of UT of Puducherry)

Table 2: Comparative position of expenditure

(₹ in crore)

Expenditure	2009-10			2010-11			2011-12		
	Non-plan	Plan	Total	Non-plan	Plan	Total	Non-plan	Plan	Total
Revenue expenditure									
General services	806	65	871	833	32	865	933	35	968
Social services	489	776	1265	578	801	1379	649	849	1,498
Economic services	696	247	943	904	388	1292	369	383	752
Grants-in-aid and contributions	4	--	4	4	--	4	4	--	4
Total	**1,995**	**1,088**	**3,083**	**2,319**	**1,221**	**3,540**	**1,955**	**1,267**	**3,222**
Capital Expenditure									
Capital outlay	(-) 4	373	369	2	369	371	(-)6	381	375
Loans and advances disbursed	*	*	2	2	--	2	2	--	2
Repayment of public debt	*	*	131	*	*	148	106	51	157
Contingency fund	--	--	--	--	--	--	--	--	--
Public account disbursements	*	*	613	*	*	772	*	*	795
Total	**(-) 4**	**373**	**1,115**	**4**	**369**	**1,293**	**102**	**432**	**1,329**
Grand Total	**1,991**	**1,461**	**4,198**	**2,323**	**1,590**	**4,833**	**2,057**	**1,699**	**4,551**

(Source: Accounts of UT of Puducherry)

* Bifurcation of Non-Plan and Plan not available.

1.3 Authority for audit

The authority for audit by the C&AG is derived from Article 149 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure and receipts of the departments of Government of Union Territory of Puducherry under Sections 13[1] and 16[2] of the C&AG's (DPC) Act. He is the sole auditor in respect of 17 autonomous bodies which are audited under sections 19(2)[3] and 20(1)[4] of the C&AG's (DPC) Act. In addition, the C&AG conducts audit of 64 other autonomous bodies, under

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[1] Audit of (a) all expenditure from the Consolidated Fund of UT having a legislative assembly, (b) all transactions relating to the Contingency Fund and Public Accounts and (c) all trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts kept in Government departments

[2] Audit of all receipts which are payable into the Consolidated Fund of UT having legislative assembly

[3] Audit of accounts of corporations established by or under law made by Parliament

[4] Audit of accounts of a body or authority at the request of the President or the Administrator of UT having a legislative assembly

Section 14[5] of the C&AG's (DPC) Act, which are substantially funded by the Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the C&AG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the C&AG as per provisions of Section 619 of the Companies Act, 1956. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Office of the Principal Accountant General, Tamil Nadu and Puducherry

As a part of restructuring of State Audit Offices by the C&AG, the erstwhile office of the Principal Accountant General (Civil Audit), Tamil Nadu and Puducherry and office of the Principal Accountant General (Commercial and Receipt Audit), Tamil Nadu were renamed as the Principal Accountant General (General and Social Sector Audit), Tamil Nadu and Puducherry and Principal Accountant General (Economic and Revenue Sector Audit) Tamil Nadu from 2 April 2012. Under the directions of the C&AG, these two audit offices conduct audit of Government departments, Corporations, Companies, Autonomous Bodies and Institutions under them which are spread all over the UT.

1.5 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments and corporations/companies of Government based on expenditure incurred, revenue collected, criticality, complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments/corporations/companies. The departments/ corporations/companies are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further

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5 Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of UT having legislative assembly

action for compliance is advised. Important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Lieutenant Governor of the Union Territory under Article 149 of the Constitution of India and Section 49 of the Union Territories Act, 1963.

During 2011-12, 158 units of various departments/organisations/ companies/corporations were audited for Compliance Audits and Performance Audits.

1.6 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through Performance Audits as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, deficiencies noticed during Compliance Audit of the Government departments/organizations are also reported upon.

1.6.1 Performance Audit of programmes/activities

The present Report contains one Performance Audit. The highlights of audit findings are given in the following paragraph.

1.6.1.1 Performance Audit on 'Functioning of the Government Industrial Training Institutes'

The Industrial Training Institutes in the UT function to ensure steady flow of skilled workforce to meet the growing manpower requirement of the industries. A Performance Audit on 'Functioning of the Government Industrial Training Institutes (ITIs) in the UT was taken up to assess whether the ITIs were managed efficiently as per the norms laid down by the Director General of Employment and Training, Government of India. The Performance Audit disclosed the following:

Against nine ITIs proposed to be opened during Eleventh Five Year plan period (2007-12), only two ITIs were opened.

The ITIs continued to offer some of the courses without National Council for Vocational Training affiliation and as a result the trainees were provided with provisional certificates in lieu of National Trade Certificates, which would deprive their job prospects at national level.

An amount of ₹ 10 crore released by Government of India to four ITIs for development of infrastructure and teaching facilities through Public Private

Partnerships was not utilized as Department could not ensure the active participation of industrial partners.

Though six trades were identified for upgradation under the scheme 'Vocational Training Improvement Project', the syllabus of the respective trades were not revised as envisaged in the scheme.

'Skill Development Initiative Scheme' introduced during 2009-10 to improve the skills of early school leavers and existing workers in the industries was not implemented effectively due to failure in identifying the needs of industry, form a registered society in time and other administrative delays.

There was shortfall ranging from 40 to 70 *per cent* in filling up of seats available under Apprenticeship Training programme indicating that ITIs did not ensure placement of their successful candidates with the industries for practical experience as apprentices.

(Paragraph 2.1)

1.6.2 Compliance Audit

Audit of financial transactions test-checked in various departments of the Government, their field offices and Government companies revealed instances of loss of revenue, wasteful/avoidable expenditure, blocking of funds and other irregularities. Some of the important audit findings are given below:

Injudicious termination of contract for construction of a fishing harbour at Mahe resulted in avoidable time and cost overrun of ₹ 33.63 crore.

(Paragraph 3.2.1)

The Chief Engineer's injudicious rejection of the contractor's claim under the agreement and statutory provision led to arbitration and avoidable interest payment of ₹ 1.10 crore.

(Paragraph 3.2.2)

Failure of the Land Acquisition Officer and the Executive Engineer, Public Works Department to acquire land by invoking urgency provision resulted in avoidable expenditure of ₹ 1.05 crore.

(Paragraph 3.2.3)

Failure of the Registrar of Co-operative Societies to get approval of the UT Government for enhancement of the authorized share capital of a society within the due dates for repayment of loan led to avoidable payment of penal interest and foregoing of rebate totaling ₹ 33.09 lakh and further liability of ₹ 13.02 lakh.

(Paragraph 3.2.4)

Failure of the Public Works Department to handover the land, free of encroachments, for formation of approach roads to a newly constructed bridge resulted in the bridge and road constructed at a cost of ₹ 23.90 crore idling.

(Paragraph 3.3.1)

Failure of the Principal, Pondicherry Engineering College, to utilise the grants in time for construction of a hostel for Scheduled Caste students, resulted in blocking of funds of ₹ 1.75 crore for six years.

(Paragraph 3.4.1)

Failure to conduct soil investigation before preparation of the estimate for work by Puducherry Municipality resulted in blocking of funds of ₹ 89.31 lakh for more than five years.

(Paragraph 3.4.2)

In four divisions of Public Works Department, 87.70 *per cent* of works were awarded on nomination basis compromising transparency in awarding the works. The Chief Engineer split up two works to bring the estimated value within his sanctioning powers while the Superintending and Executive Engineers exceeded their annual financial limits for awarding works.

(Paragraph 3.5.1)

PIPDIC deviated from the accepted principles of financial propriety and nominated a private party as a Joint Venture partner without following tender process. Further, failure to adhere to milestones led to cancellation of allotted coal block resulting in non accrual of envisaged benefit of availability of cheaper power.

(Paragraph 6.2)

Sanction of short term loan to a private company without adequate financial safeguards resulted in non-recovery of ₹ 2.51 crore.

(Paragraph 6.3)

1.6.3 Chief Controlling Officer based audit

The Report contains one Chief Controlling Officer based audit. The highlights of audit findings are given in the following paragraphs.

1.6.3.1 Chief Controlling Officer based audit of the Directorate of School Education

Education inculcates national and cultural values in students, provides them knowledge, skill and information. It further enables them to know their rights and duties and expands their vision and outlook, creates a spirit of healthy competition and desire to advance. The Union Territory Government of Puducherry implements various schemes through the Directorate of School Education to provide education to the students by spending about ₹ 300 crore per annum. Though preference to the Government schools was on the decline, the Government schools catered to 50 and 68 *per cent* of the students at the elementary and secondary levels respectively in the year 2011-12 and continued to play a major role. Some of the audit findings that resulted from the Chief Controlling Officer based audit of the Directorate of School Education are given below:

There was no Perspective Plan formulating long term strategies to deliver quality education. Delay in release of funds led to non-acquisition of lands for constructing class rooms and providing playgrounds and failure to ensure availability of land and feasibility of extending the existing buildings resulted in non-availing of the loan sanctioned by NABARD.

Enrolment in the Government schools showed a declining trend and they were far lagging behind the private schools in respect of pass percentage of students at Secondary and Higher Secondary level examinations. Though the gap in performance between the students belonging to scheduled castes and the general category students had reduced over the years at the Secondary school level, the gap between them remained static at about 16 *per cent* at the Higher Secondary level.

Shortfalls were noticed in provision of basic amenities such as classrooms, toilets, playgrounds and computers. Short fall was also noticed in implementing various schemes for the benefit of students. There were large scale vacancies in the posts of Principal and Vice Principal, Headmaster, physical education lecturer and instructors etc.

Thus, the Government schools suffered from inadequate infrastructure, insufficient number of teaching staff and deficient implementation of the schemes meant for benefit of the students.

(Paragraph 4.1)

1.6.4 Commercial and trading activities

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the Government companies are audited by Statutory Auditors appointed by CAG. These accounts are also subject to supplementary audit conducted by CAG. As on 31 March 2012, the Union Territory of Puducherry had 13 working PSUs, which employed 5,839 employees. These PSUs registered a turnover of ₹ 336.68 crore as per the latest finalised accounts. This turnover was equal to 2.39 *per cent* of State GDP for the year 2011-12. The PSUs incurred an overall loss of ₹ 55.81 crore and had accumulated losses of ₹ 449.45 crore as per their latest finalised accounts.

As on 31 March 2012, the investment (capital and long term loans) in all 13 PSUs was ₹ 726.25 crore. It grew by 16.95 *per cent* from ₹ 620.99 crore in 2007-08 to ₹ 726.25 crore in 2011-12. Financing and Manufacturing sectors accounted for 20.72 *per cent* and 55.09 *per cent* respectively of total investment in 2011-12. The Government contributed ₹ 82.24 crore towards equity, loans and grants during 2011-12.

As per the latest finalised accounts, two PSUs earned a profit of ₹ 5.31 crore and nine PSUs incurred loss of ₹ 61.12 crore. The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of the latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 1.99 crore which were controllable. The PSUs can discharge their role efficiently if they are financially prudent. There is a need for professionalism and accountability in functioning of PSUs.

Twelve PSUs had arrears of 21 accounts as of September 2012. Arrears need to be cleared by setting targets for PSUs and expediting the work relating to preparation of accounts.

(Paragraph 6.1)

1.7 Response of departments to the draft paragraphs

Draft Paragraphs/Performance Audit Report were forwarded demi officially to the Development Commissioners/Secretaries of the departments concerned between June and November 2012 with the request to send their responses within six weeks. Government replies have been received for only six out of 17 paragraphs/ Performance/CCO Audits featured in this Report. The replies, wherever received, have been suitably incorporated in the Report.

1.8 Follow up on the 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 for submission of Action Taken Notes on the recommendations of the PAC by the departments. The pendency of paragraphs/recommendations for which replies/Action Taken Notes had not been received is as follows:

(a) Out of 84 paragraphs included in the Audit Reports relating to the years from 2004-05 to 2009-10, departmental replies were not received for 53 paragraphs as of December 2012.

(b) Government departments had not furnished Action Taken Notes as of December 2012 on 291 recommendations made by the PAC in respect of Audit Reports pertaining to the period 1988-89 to 2003-04.

CHAPTER II

PERFORMANCE AUDIT

CHAPTER II

This chapter contains Performance Audit on 'Functioning of the Government Industrial Training Institutes'.

LABOUR DEPARTMENT

2.1 Performance Audit on 'Functioning of the Government Industrial Training Institutes'

Executive Summary

The Industrial Training Institutes in the Union Territory function to ensure steady flow of skilled workforce to meet the growing manpower requirement of the industries. A Performance Audit on 'Functioning of the Government Industrial Training Institutes (ITIs) in the UT was taken up to assess whether the ITIs were managed efficiently as per the norms laid down by the Director General of Employment and Training, Government of India. The Performance Audit disclosed the following:

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An amount of ₹ 10 crore released by Government of India to four ITIs for development of infrastructure and teaching facilities through Public Private Partnerships was not utilized as Department could not ensure the active participation of industrial partners.

Though six trades were identified for upgradation under the scheme 'Vocational Training Improvement Project', the syllabus of the respective trades were not revised as envisaged in the scheme.

'Skill Development Initiative Scheme' introduced during 2009-10 to improve the skills of early school leavers and existing workers in the industries was not implemented effectively due to failures in identifying the needs of industry and to form a registered society in time and other delays.

There was shortfall ranging from 40 to 70 *per cent* in filling up of available seats under Apprenticeship Training programme indicating that ITIs did not ensure placement of their successful candidates with the industries for practical experience as apprentices.

2.1.1 Introduction

A majority of the Indian workforce do not possess marketable skills, which is an impediment in getting gainful employment to improve their economic condition. In order to train more youth and help them to get gainful employment, the Union Territory (UT) Government runs nine Government Industrial Training Institutes (ITIs)[1] under the control of Labour Department. On an average, ₹ nine crore is spent on the ITIs per annum.

The main objective of the Department is to ensure a steady flow of skilled workforce to meet the growing manpower requirement in different trades through the system of vocational training. There are two major components of training in the ITIs viz., Craftsmen Training Scheme (CTS) and Apprenticeship Training Scheme (ATS), which are implemented in accordance with the guidelines issued by Director General of Employment and Training (DGE&T), Ministry of Labour and Employment, Government of India. CTS training is imparted in different skill trades in the nine Government ITIs and under ATS, the ITI trained personnel are placed in the Government departments and industries for Apprenticeship training. At present, the ITIs impart training in 23 trades with total capacity of 2053 seats. In the context that the ITIs are functioning for quite some time and some of them are being converted as centres of excellence, it was considered to undertake Performance Audit of functioning of the ITIs.

2.1.2 Organizational Structure

The Secretary to Government, Labour Department is in charge of policy formulation and monitors the activities of the ITIs. The Labour Department is headed by the Director of Employment and Training, who administers the ITIs. The Director is assisted by one Assistant Director (Employment and Training) and one Assistant Director (Training). The State Council for Vocational Training (SCVT) headed by the Labour Minister and with the Director as Member Secretary advises the UT Government in carrying out the training policy laid down by the National Council for Vocational Training (NCVT) and co-ordinates vocational training programmes throughout the UT.

Each of the ITI is headed by a Principal assisted by Group and Vocational Instructors. While the Principal is in-charge of managing the affairs of ITI, the Group Instructor is responsible for ensuring that proper co-ordination is maintained in all the sections and training programmes are carried out effectively. The Vocational Instructors impart actual training to the trainees in their respective trades.

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1 ITIs of Puducherry (Men), Puducherry (Women), Nettapakkam, Villianur, Bahour, Karaikal (Men), Karaikal (Women), Mahe and Yanam

2.1.3 Scope and methodology of audit

As the ITIs are major source for trained manpower and efforts are being made to convert them as centres of excellence, a Performance Audit on functioning of the Government ITIs was taken up to assess whether they meet the requirement of industry by providing qualified manpower. The Performance Audit was conducted between February and July 2012 covering the period 2007-08 to 2011-12 in all the nine ITIs and at the Secretariat of Labour Department. The Audit objectives and criteria were discussed with the Secretary to Government during an Entry Conference held on 5 April 2012. The Audit findings were discussed with the Secretary, Labour Department during the Exit Conference held on 8 October 2012. Response of the Department has been taken into account while finalising this report.

2.1.4 Audit Objectives

The objectives of the Performance Audit were to:

- examine whether the policy for supply of skilled workers in different trades to the industries was implemented effectively;
- assess the adequacy of infrastructure such as class rooms, workshops, tools and equipment;
- examine the economy, efficiency and effectiveness in implementation of the programmes for improving the standards of training;
- assess whether manpower was adequate and effective to provide support for efficient functioning of the ITIs and
- assess the adequacy and effectiveness of monitoring mechanism.

2.1.5 Audit Criteria

Terms and conditions contained in the following sources were used as criteria to assess the functioning of ITIs.

- Plan documents of the UT Government;
- Training Manual for Industrial Training Institutes and Centres;
- Guideline/Orders issued by GOI/UT Goverrnment/DGE&T from time to time and
- General Financial Rules and Receipts and Payment Rules of GOI.

Audit Findings

2.1.6 Planning

2.1.6.1 Shortfall in opening new ITIs and deficiencies in implementation of schemes

During the Eleventh Five Year Plan period, only two out of nine ITIs planned were opened

The Eleventh Five Year Plan (2007-12) envisaged providing at least one ITI in each of the five Municipalities and 10 Commune Panchayats in the UT. It was proposed to open nine more ITIs during the Eleventh Plan period in addition to the seven ITIs functioning in 2007. It was contemplated to provide facilities like land for construction of new ITIs, play grounds, noon meal facilities to the trainees, mini bus for field visits etc. Besides uplifting the women and weaker sections, it was envisaged to provide trainees of the ITI (Women), Karaikal with free mid-day meals and supply of computers at subsidized rate to the successful trainees of the computer based trades. In addition, the women trainees were to be provided with free supply of text books and stationeries, sanitary napkins, cycles, accident insurance policy and sewing machines.

An analysis of the achievements made during the Eleventh Five Year Plan period disclosed that

- Only two[2] ITIs were opened during the plan period leaving Karaikal Municipal area and six[3] other commune panchayats without ITIs.

- Due to non-allocation of funds, none of the free schemes envisaged for the ITI (Women), Karaikal were implemented.

The Director replied (October 2012) that skill survey mapping to identify the skills in demand in various sectors had been entrusted to a private agency in July 2012 and based on the report, action would be taken to start new ITIs. As regards free supply schemes, the Director stated that no funds were allocated for the schemes and hence the same were not implemented.

The reply is not acceptable, since such survey should have been taken up as early as in 2007, if there was real intention of opening new ITIs during the plan period and the Director should have ensured allocation of funds to implement the schemes.

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2 ITIs of Villianur and Bahour

3 Ariayankuppam, Mannadipet, Kottuchery, Neravy, Nedungadu and Thirunallar Commune Panchayats.

2.1.6.2 Non introduction of new courses

In order to ensure a steady flow of skilled workforce, which was one of the objectives of the craftsmen training scheme, the Department was to introduce new courses in the emerging areas of fast changing industrial environment by conducting skill assessment survey. Further, the DGE&T Manual specified setting up of Local Advisory Committee (LAC) to study the needs of industries and suggest measures to adopt the training programmes appropriate for local needs.

It was noticed that though DGE&T introduced various trades during 2007-12 *viz.* eight engineering[4] and seven non-engineering[5] trades, the Labour Department did not conduct any survey and none of the new courses was introduced in the UT. The Local Advisory Committees established in the ITIs were dysfunctional defeating the objective for which they were formed.

The Director replied (October 2012) that new courses would be introduced after obtaining the skill survey report and the Principals of respective ITIs were instructed to revive the LAC by reconstituting them.

2.1.7 Budget and expenditure

The details of allocation of fund and expenditure thereof during 2007-12 are given in **Table 1**.

Table 1: Budget allocation and expenditure

(₹ in lakh)

Year	Plan		Non plan		CSS		Total	
	Budget allocation	Expen-diture	Budget allocation	Expen-diture	Budget allocation	Expen-diture	Budget allocation	Expen-diture
2007-08	274.59	271.17	229.60	229.33	14.10	0.00	518.29	500.50
2008-09	404.77	402.42	346.28	346.13	80.50	16.95	831.55	765.50
2009-10	549.97	538.58	479.00	478.67	101.67	98.32	1130.64	1115.57
2010-11	515.76	512.44	532.41	531.61	80.33	54.51	1128.50	1098.56
2011-12	488.30	482.28	475.64	475.11	19.04	8.58	982.98	965.97
Total	**2233.39**	**2206.89**	**2062.93**	**2060.85**	**295.64**	**178.36**	**4591.96**	**4446.10**

(Source: Detailed Appropriation Accounts; CSS – Centrally Sponsored schemes)

Against the total provision of ₹ 45.92 crore, an expenditure of ₹ 44.46 crore was incurred during 2007-12. The increase in expenditure during

[4] Domestic Painter, Goldsmith, Industrial Painter, Marine Engine Fitter, Mechanic Mining Machinery, Rubber Technician, Textiles Mechatronics and Weaving Technician

[5] Finance Executive, Firemen, Fire Technology and Industrial Safety Management, Health Safety Environment, Human Resource Executive, Spa therapy and Marketing Executive.

2009-10 and 2010-11 was mainly due to implementation of the Sixth Central Pay Commission recommendations.

2.1.7.1 Failure to raise resource by way of interest

Failure to follow the DGE&T instructions resulted in loss of interest of ₹ 10 lakh

Under the scheme of upgradation of ITIs into centres of excellence through Public Private Partnership, DGE&T provided (April 2011) financial assistance of ₹ 2.50 crore to the ITI (Women), Karaikal with direction to invest upto 50 *per cent* of the amount in long term deposit and utilize the interest earned for development of the ITI. It was noticed that the Principal did not deposit any amount in long term deposit and kept the amount in current account in bank resulting in loss of interest of ₹ 10 lakh[6] during 2011-12.

On being pointed out, the amount of ₹ 1.25 crore was invested (July 2012) in fixed deposit. The status of implementation of this scheme is discussed in paragraph 2.1.8.1.

2.1.7.2 *Non-availing of central excise duty exemption*

Government of India notified in August 1995 that central excise duty exemption may be availed if goods are supplied to a project, which is approved by GOI or UT and financed by World Bank.

The Principal, ITI (Men) Karaikal, while purchasing four machinery worth ₹ 52.87 lakh during the years 2009 and 2010 under the Vocational Training Improvement Programme funded by World Bank failed to avail the above mentioned exemption and instead paid ₹ 4.36 lakh towards excise duty.

On being pointed out by Audit, the Director replied (October 2012) that the Central Excise Department would be approached to adjust the amount against future purchases. The reply is not acceptable as such adjustment is not permissible under the Central Excise Rules.

2.1.8 Implementation of the Centrally Sponsored Schemes

With a view to improve and strengthen the quality of vocational training programmes and to introduce new courses to meet the emerging requirement of industrial sector, GOI introduced four schemes for implementation in the UT. The implementation of these schemes in the UT is detailed in the following paragraphs:

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6 ₹ 1.25 crore x 8 *per cent* x 12 months

2.1.8.1 Upgradation of the ITIs through Public Private Partnership

Under the GOI scheme of "Upgradation of the ITIs into centres of excellence through Public Private Partnership" to upgrade the existing ITIs, four[7] ITIs were identified. Under this programme, the ITIs were to improve their performance by utilizing the amount released by GOI and by obtaining financial assistance from the industrial partners for installation of new machines/tools, provision of infrastructure and better teaching facilities. For this purpose an amount of ₹ 2.5 crore was released by GOI to each of the four ITIs as interest free loan to be repaid after 10 years.

As directed by DGE&T (April 2008), an Institute Management Committee was formed with an industry partner as chairperson in each of the four ITIs for

- assisting to improve the standard of vocational training and skill development,
- upgrading the ITI into a centre of excellence in such a way that training imparted would lead to better employability of the successful candidates and
- to manage the affairs in such a way that the ITIs become self supporting in due course.

GOI released interest free loan of ₹ 10 crore (₹ 2.50 crore for each ITI) between September 2009 and March 2012 to upgrade to ITIs into Centre of Excellence by providing necessary infrastructure. DGE&T instructed (June 2010) to keep upto 50 *per cent* of the amount as seed capital in long term deposits. The interest earned was to be utilised for upgradation of the ITIs as well as for repayment of the loan.

It was noticed that two[8] ITIs utilised an amount of ₹ 1.46 lakh and the balance was kept unspent in fixed deposits/current account indicating that no efforts were taken as envisaged in the scheme for upgrading the ITIs into Centre of Excellence.

When pointed out, the Department attributed lack of active participation of the industrial partners as the reason for non-incurring of expenditure. It was further stated that action had since been initiated to provide necessary infrastructure in the four ITIs.

The reply is not acceptable as such an action should have been initiated well in advance to ensure proper utilisation.

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7 ITIs of Puducherry (Women) (2008-09), Nettapakkam and Karaikal (women) (2010-11), and Yanam (2011-12)

8 ITIs of Puducherry (Women) and Nettapakkam

2.1.8.2 Upgradation of the ITIs through domestic fund and World Bank assistance

The scheme 'Externally aided project for reforms and improvement under Vocational Training Service rendered by the Central and State Governments' was designed with an objective of providing multi-skilled workforce of world standard by providing appropriate infrastructure, updated syllabus and introduction of new courses in selected ITIs. The scheme was to be implemented with domestic fund and World Bank assistance.

Centre of excellence

Lack of infrastructure was noticed though the project period was over

ITI (Men), Puducherry was selected in 2005-06 under domestic fund for upgradation into centre of excellence for producing multi-skilled workforce of world standard. For this purpose, a new trade 'Plastic Processing Sector' (two years course - 60 seats) was introduced in 2005-06 at the ITI (Men), Puducherry at a cost of ₹ 1.60 crore. The project cost was to be shared between GOI and UT of Puducherry in the ratio of 75:25. The project development period was four years (2005–09), which was extended by one more year (upto March 2010) and funds were to be released in three instalments based on the progress of work.

The course had six modules and nine instructors were to be appointed to handle the modules. However, only one post of instructor was filled up. As of March 2012, the Institute spent ₹ 1.42 crore (central share : ₹ 73.54 lakh and UT's share : ₹ 68.55 lakh) towards civil works (₹ 38.34 lakh), purchase of equipment (₹ 88.58 lakh) and other expenditure (₹ 15.17 lakh). So far, three batches have completed the course and the fourth batch is in progress. Scrutiny of the records disclosed that

- Due to non-completion of the work, GOI released only ₹ 73.54 lakh against its share of ₹ 120 lakh resulting in foregoing of GOI share of ₹ 46.46 lakh, despite extending the project period for a further period of one year upto March 2010. As a result, the UT Government had to incur additional amount of ₹ 28.55 lakh beyond its own due share of ₹ 40 lakh.

- Though construction of a workshop was completed in October 2010 at a cost of ₹ 48.20 lakh, the building remained incomplete as the provision of steel windows originally proposed

Incomplete building

were changed into aluminum windows and proposal for additional fund (₹ 0.52 lakh) was forwarded to the Director.

- Machinery and equipment worth ₹ 60.14 lakh were yet to be purchased, while a printing machine purchased in March 2010 at a cost ₹ 14.23 lakh was kept idle for want of space and technical staff.

- A single instructor handled all the six modules and despite repeated request by the Principal, the Department did not take any action to create the envisaged instructor posts.

NCVT allowed operation of plastic processing course on the condition that necessary infrastructure should be created by August 2012. In view of the above mentioned deficiencies still existing, there is every possibility of denial of affiliation by NCVT, which will result in non-issue of National Trading Certificate to the trainees of the current batch. In absence of adequate number of trainers and necessary equipment, it was observed that the quality of training imparted would not be satisfactory.

The Director replied (October 2012) that proposal for purchase of machinery for the trade was received and action would be taken for procurement of the same.

Vocational training improvement project

ITI (Men), Karaikal was selected in September 2008 for upgradation of the trades with World Bank assistance, at a total project cost of Rupees two crore shared between GOI and UT at the ratio of 75:25. The Project was to be completed by 31 December 2012. As per the scheme guidelines, the Institute Management Committee recommended six trades viz., turner, welder, machinist, mechanic (motor vehicle), instrument mechanic and mechanic (diesel) for upgradation. The revised Institute Development Plan was approved by DGE&T in June 2009 and during 2008-12 an amount of ₹ 1.20 crore was incurred towards creation of infrastructure. Following deficiencies were noticed in implementation of the programme:

- Though UT had committed (June 2008) to revise the syllabus on account of upgradation of the trades, no action was initiated and training was continued to be imparted with reference to the old syllabus.

  When pointed out, the Director replied (October 2012) that the Principal-in-charge had been instructed to prepare the curriculum for the upgraded trades.

- As the post of Principal (Group A) was lying vacant for more than nine years due to a court case, the Principal-in-charge had to get prior sanction of the Secretary to Collector, Karaikal, as he was not delegated with necessary administrative and financial powers leading to delay in carrying out the project activities.

When pointed out, the Director replied (October 2012) that action was under process to fill up the post with Principal (Group B).

- Against DGE&T direction to give stable tenure of atleast five years to the instructors in each institution, it was noticed that out of 11 units under six trades selected for upgradation, eight units were handled by more than one instructor within a period of four years, indicating frequent transfers of the instructors.

  When pointed out, the Director replied (October 2012) that action would be initiated to post regular Vocational Instructors.

- The programme envisaged training of instructors to improve the quality of vocational training and Central Institutes under DGE&T offered training courses such as 'Training in advanced module' and 'Refresher training'. However, only four out of 11 instructors were sent for training in advanced modules during 2008-12.

  When pointed out, the Director replied (October 2012) that action would be taken to depute the remaining Vocational Instructors for training in a phased manner.

The above mentioned deficiencies adversely impacted the performance of the ITI, Karaikal.

A comparative study of the pass percentage and dropout in the ITI for the six trades before and after implementation of the project is given in **Table 2.**

Table 2: Performance of the ITI during 2005-11

(Number of persons)

Year	Sanctioned strength	Admission	Drop out	Appeared for the examination	Pass	Pass percentage	Drop out percentage
2005-06	100	100	15	85	66	78	15
2006-07	100	104	20	84	63	75	19
2007-08	100	106	8	98	98	100	8
2008-09	132	132	27	107	97	91	20
2009-10	132	126	20	106	68	65	16
2010-11	132	131	35	96	82	85	27

(Source: Departmental data)

The above table indicates that implementation of the project had not contributed towards improving the performance of the ITI (Men), Karaikal, despite spending an amount of ₹ 1.20 crore.

2.1.8.3 Skill Development Initiative Scheme

There was shortfall in achievement of target under skill development initiative scheme

GOI introduced 'Skill Development Initiative Scheme' during 2009-10 with a view to improve the skills of early school leavers and existing workers in the industries by utilizing the infrastructure available in the ITIs. Under this scheme, demand driven short term training courses were to be offered on various Modular Employable Skills (MES) by vocational training providers, the acquired skills were to be tested and the successful candidates were to be given certificate under the aegis of NCVT. Further, the successful candidates were to be reimbursed with their respective course fees. To meet the training costs, DGE&T was to provide an amount of ₹ 15 per hour per trainee. Training targets were to be fixed and spaced throughout the year. In the UT, the scheme was introduced in four ITIs[9].

During 2008-09, DGE&T released one time advance of ₹ 10 lakh to each of the four ITIs towards imparting training on MES courses. During 2009-10, 296 trainees successfully completed the training and ₹ 13.65 lakh was reimbursed to the ITIs. However, as this scheme was introduced without any survey to identify and analyse the needs of industry, DGE&T stopped the scheme in May 2010 and hence the balance amount of ₹ 29.05 lakh (including interest earned) was remitted back (April 2011) to DGE&T.

For the year 2010-11, DGE&T requested (April 2010) the Director to prepare annual action plan after carrying out the skill gap survey indicating physical targets and financial resources. The Director was further requested (July 2010) to set up a registered society and to open an account in a Nationalised bank through which financial transactions were to be made. Though the Director fixed a target (March 2010) to cover 1980 trainees during 2010-11 based on the inputs received from the Principals of nine ITIs, no survey to identify the skill gap was conducted to assess the actual requirement of industry. Hence, based on the demographic parameters, DGE&T allocated an amount of ₹ 7.74 lakh to UT and requested (September 2010) to furnish details of the registered society for transfer of the allocated fund. However, the society was formed only in January 2011 and as the financial year was nearing end, DGE&T did not release the fund. Thus, no training was conducted during 2010-11 against the target of 1980 fixed by the Director.

For the year 2011-12, DGE&T released (May 2011) an amount of ₹ 8.16 lakh as first installment for implementing the scheme. Though the Director fixed (February 2011) a target of 920 trainees to be covered in

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9 ITIs of Puducherry (Men), Karaikal (Men), Mahe and Yanam

14 trades during 2011-12, the target was revised to 830 for 13 trades in September 2011 and it was decided to advertise about the courses in leading dailies. However, the advertisement was given at the end of December 2011 and the courses were commenced in February 2012 and only 125 trainees were covered against the target of 830 for the year 2011-12.

Thus, due to the above mentioned delays, the scheme to train 1,980 persons was not implemented at all during 2010-11 and only 125 out of 830 targeted persons (15 *per cent)* were covered during 2011-12.

The Director replied (October 2012) that the scheme could not be implemented as the model code of conduct came into place for the Legislative Assembly elections.

The reply of the Director is not acceptable, as DGE&T would have released the amount, had the registered society been formed much before January 2011 and the courses could have been commenced before the announcement for election (March 2011). Failure of the Director to do so, resulted in non-implementation of the scheme in 2010-11 and coverage of very few beneficiaries at the fag end of 2011-12.

2.1.9 Academic activities

The vocational training system constituted two major components viz. Craftsmen Training Scheme (CTS) and Apprenticeship Training Scheme (ATS). Through CTS, training was imparted in different trades in the ITIs. Under ATS, ITI trained personnel were selected and placed in the Government departments and industries for Apprenticeship training. The syllabus for the courses offered under CTS were evolved and monitored by the NCVT. The ITIs having infrastructure as per NCVT norms alone were accorded affiliation by NCVT.

Admission to ITIs is made during July every year. While the duration for engineering trade courses varies from one year to two years, the duration for non-engineering trades is one year. The minimum educational qualification for admission to the ITIs is 8th Standard to Higher Secondary (Plus two) level depending upon the trades. At present all the nine ITIs offer training in 23 trades.

As per Appendix VIII of the Training Manual for ITIs, the trainees admitted in NCVT affiliated trades alone were eligible to appear in the All India Trade Test conducted by NCVT for the award of National Trade Certificates (NTC). NCVT affiliation to a trade was subject to availability of sufficient infrastructure, trained instructors and required machinery/equipment. Whenever an ITI submits application for offering a trade, the Standing Committee constituted by the Regional Directorate of Apprenticeship Training (RDAT) would visit the ITI and after being satisfied regarding the facilities available as per NCVT norms, the trade would be granted affiliation by NCVT. Trainees join ITIs to get NTC which would brighten their job prospects as it is recognized at the National level. Without NCVT affiliation, NTC would not be awarded and hence obtaining NCVT affiliation is of foremost importance for offering the vocational training courses.

2.1.9.1 Teaching of trades without obtaining NCVT affiliation

ITIs continued to offer some of the courses without NCVT affiliation

The ITIs claimed that courses offered in various trades were approved by NCVT. However, it was noticed that during 2000-07, four ITIs offered training across eight trades without NCVT affiliation, as the same could not be obtained or affiliation was granted belatedly since the ITIs could not meet the norms of NCVT. As affiliation was not given with retrospective effect, 343 students who studied in these trades during the non-affiliated period were provided with provisional certificates only, thereby depriving them of benefits of prospective jobs (**Appendix 2.1**).

Despite being aware of the above situation, the ITIs continued to admit trainees in non-affiliated trades and during 2007-12 four ITIs admitted 87 students in four non-affiliated trades as given in the **Table 3**.

Table 3: Details of non-affiliated trades during 2007-12

S.No	ITI	Trade	Year	No of trainees	Remarks
1	ITI, Yanam	Wireman	2007-09	14	Affiliation granted w.e.f. August 2008 only
		Fitter	2007-09	16	Affiliation rejected (December 2008)
		Mechanic Motor Vehicle	2007-09	16	Affiliation rejected (December 2008)
2	ITI, Men, Karaikal	Fitter-Unit V	2009-11	17	Affiliation rejected (December 2010)
3	ITI, Nettapakkam,	Fitter (additional unit)	2010-12	20	Affiliation granted w.e.f. August 2011 only
4	ITI, Men, Puducherry	Plastic Processing Operator	2007-08	4	Affiliation granted w.e.f. August 2008 only

(Source: Data furnished by the Department)

The action of ITIs in admitting the trainees to non-affiliated courses and offering provisional certificates in lieu of NTC would have the risk of affecting their career prospects as only NCVT certificates have the national level recognition. Further, only the NCVT certificate holders are eligible for appearing in the National Apprenticeship Certificate examination.

The Director replied (October 2012) that provisional certificates were issued in anticipation of affiliation of trades with retrospective date, but

NCVT gave affiliation only with prospective date. He also stated that request had been made to reconsider the case to grant NCVT affiliation with retrospective effect. The reply of the Director is not acceptable as it is evident that NCVT issued affiliation with prospective effect only and the ITIs should not have admitted trainees in the non-affiliated trades in anticipation of NCVT affiliation with retrospective effect.

2.1.9.2 Failure to get NCVT affiliation for the trades conducted in new location

As per DGE&T instructions, whenever ITIs are shifted to new location, they have to apply afresh for affiliation in the new location. The standing committee constituted by NCVT would inspect the institute afresh and recommend for continuation of affiliation. The ITI, Yanam functioning in a rented building was shifted to a newly constructed own building in April 2010.

It was noticed that even after the lapse of two years, the Principal did not initiate any action to get fresh affiliation from NCVT. Delay in getting fresh affiliation might result in denial of NCVT certificate to the 51[10] trainees who joined the courses from 2010 onwards in the new location.

The Director replied (October 2012) that the Principal was instructed to expedite the proposal to get NCVT affiliation.

2.1.10 Deficiencies in infrastructure

The NCVT prescribed norms to provide basic infrastructural facilities such as classrooms and workshops. Deficiencies in infrastructural facilities in the ITIs noticed during the course of audit are discussed in the succeeding paragraphs:

2.1.10.1 Functioning of ITIs/trades in damaged buildings

Buildings in two ITIs were in dilapidated condition

A joint inspection of the buildings by Audit team and officials of the ITIs revealed that the buildings in ITI (Men) Puducherry (as seen from the picture) and ITI (Men) Karaikal were in dilapidated condition.

ITI operating in a dilapidated building

The Director replied (October 2012) that respective Principals have been instructed to send proposals for construction of additional class rooms/workshops.

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[10] Electrician (20), Electronic Mechanic (18) and Wireman (13)

2.1.10.2 Non purchase of tools kit/equipment

The syllabus for seven[11] engineering trades and two[12] non-engineering trades were revised between 2007 and 2012 by DGE&T necessitating procurement of additional tools and equipment such as discreet component trainer, hygrometer and 4 PORT switch with wireless connectivity etc. But additional tools/equipment required as per the revised syllabus were not procured in respect of three ITIs[13] for four trades[14]. As a result, training was continued to be imparted with old machinery, which did not conform to the revised syllabus.

The Director replied (October 2012) that Principals of the respective ITIs had been instructed to send proposals for purchase of toolkits/equipment.

2.1.10.3 Non availability of diesel generator

DGE&T manual prescribed that a diesel generator set with sufficient capacity was to be installed in each ITI to facilitate uninterrupted training activities.

Audit scrutiny revealed that out of nine ITIs, in seven ITIs no diesel generator sets were installed and in the ITI (Women), Puducherry, the diesel set installed was not in working condition since August 2009.

2.1.10.4 Non availability of prescribed books

The DGE&T manual prescribed the Instructional Media Packages prepared by National Instructional Media Institute as text books for theory and practical classes in the ITIs.

However, in all the nine ITIs, there was shortfall (eight to 100 *per cent*) in availability of these text books. Apart from this, according to the DGE&T Manual, ₹ five per month per trainee was to be allotted for purchase of books and trade-oriented magazines for the libraries in ITIs. However, it was noticed that during the last five years, two ITIs[15] did not purchase even a single book for their libraries. The action of the ITIs in not facilitating availability of text books in library for reference deprived the trainees the required benefit.

The Director replied (October 2012) that Principals had been instructed to purchase books for the library.

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11 Draughtsman (civil), Draughtsman (Mechanical), Electrician, Fitter, IT&ESM, Machinist and Turner

12 Computer Operator and Programme Assistant and Data Entry Operator

13 ITIs of Puducherry (Men), Puducherry (Women), and Mahe

14 COPA, Electrician, Fitter and Draughtman (Civil)

15 ITIs of Yanam and Bahour

2.1.11 Manpower management

2.1.11.1 Shortage of teaching staff

DGE&T prescribed a specific scale of technical staff for the ITIs depending upon the number of seats in the institute and the number of branches in various trades offered in the ITI. A comparative study of the sanctioned post *vis-à-vis* men in position indicated that many posts were lying vacant for periods ranging from six months to nine years. The vacancies in the technical cadres as on 1 August 2012 are detailed in **Table 4.**

Table 4: Details of vacancies in the technical cadres

Name of the post	Sanctioned strength	Number of posts filled up	Number of vacancy	Month of initial vacancy commencing
Principal Group 'A' Sr/Jr scale	2	1	1	From October 2003
Principal Group 'B' gazette	5	1	4	From February 2009
Group Instructor	12	6	6	From February 2011
Group Instructor (Computer)	4	2	2	From February 2004

(Source: Data furnished by the Department)

It was noticed that the post of Principals were not filled up for a long time and even the incumbent Principals[16] were holding additional charge of Inspector of Factories. Further, in order to tide over the shortfall of Principal in three ITIs[17], the Labour Department entrusted the additional charge of Principal to the Inspector of Factories\Group instructor\ Vocational instructor. The practice of engaging the Principals in the post of Inspector of factories and *vice versa* resulted in deprival of full time dedicated service to the institute. It was also noticed that in the ITI, Yanam, single vocational instructor was handling three different trades (Electronic Mechanic, Electrician and Wireman).

The Director replied (October 2012) that in respect of Principal Group A, a case was pending in a court of law and necessary action would be taken to fill up the posts of Principal Group B. He further stated that once the Recruitment Rules for the post of vocational instructors was finalized, the posts would be filled up.

2.1.12 Training

The success and sustainability of any training system depends upon, *inter alia*, availability of good and trained instructors. In this context, a new modular pattern of Craft Instructors Training in Engineering trades (December 2008) and non engineering trades (August 2010) was evolved

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16 ITIs of Puducherry (Men) and Puducherry (Women)

17 ITIs of Villianur, Bahour and Nettapakkam

by DGE&T. The training was to be conducted in four[18]/three[19] modules, each one having three/four months duration replacing the conventional one year training. The Craft Instructor Certificate was to be awarded only after successful completion of all the modules within a period of three years. As per DGE&T instructions (September 2010), all the existing vocational instructors should be trained in all the modules within a period of three years. After three years, there would be no untrained instructors for the already affiliated trades/branches in the institutes.

2.1.12.1 Shortfall in imparting of training

Out of 114 Group/Vocational Instructors (8+106), only 30 Group/ Vocational Instructors (2+28) completed all modules of the training. 40 Group Instructors/Vocational Instructors (2+38) completed one module of the craft instructors training and they have to complete the remaining three modules before 2013 to become trained instructors. The remaining 44 Group Instructors/Vocational Instructors (4+40) did not attend any of the modules of craft instructors training. Though DGE&T had instructed in December 2008 itself, nomination of the trainers for the training was made in November 2011 only, after a delay of over three years, which would result in non-achievement of the target fixed by DGE&T i.e., all the trainers should be trained within the period of three years.

The Director replied (October 2012) that due to shortage of vocational instructors, they were not sent to training for two years. He further stated that the all the remaining vocational trainers would be sent for training in a phased manner.

2.1.13 Apprentice Training Scheme

2.1.13.1 Shortfall in Apprenticeship Training

There was shortfall ranging from 40 to 70 *per cent* in sponsoring candidates for the apprentice training in industries

After passing the trade tests under CTS, candidates are required to undergo practical training in industries as apprentices under ATS to enhance their skills. Thereafter, the apprentices become eligible for appearing in the All India Trade Tests conducted by DGE&T and the successful apprentices are awarded National Apprenticeship Certificates by NCVT.

Seats identified by the Assistant Director (Training) in the industries are to be filled up by the candidates from the ITIs. The number of seats identified for apprentice training and actually filled up between 2007 and 2012 is given in the following **Table 5**.

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18 (i) Training methodology, (ii) Engineering Technology, (iii) Trade Technology – I and (iv) Trade Technology – II

19 (i) Training methodology (including soft skills), (ii) Trade skill I and (iii) Trade skill II

Table 5: Details of seats identified and filled up

Year	Seats available for ATS	Seats filled up	Shortfall	Shortfall in percentage
2007-08	1320	499	821	62.19
2008-09	1335	800	535	40.07
2009-10	1407	503	904	64.25
2010-11	1644	520	1124	68.36
2011-12	1499	456	1043	69.57

(Source: Data furnished by the Department)

The above table shows that there was large scale shortfall ranging from 40 to 70 *per cent* in filling up of the seats identified by the Assistant Director (Training) indicating that ITIs did not ensure placement of the successful candidates for the Apprentice training, denying the candidates the scope to appear in the National Apprenticeship Certificate (NAC) examination. The Director, while accepting the fact (October 2012), replied that short fall was due to lock out of industries and few other industries had stopped engaging apprentices for many reasons.

2.1.13.2 Poor pass percentage in NAC Examination

The details of trainees appeared and passed in the NAC Examinations during the years 2007-08 to 2011-12 were given in **Table 6.**

Table 6: Details of trainees passed in NAC Examination

Year	No. of trainees appeared for NAC examination	No. of trainees		Percentage of failure
		Passed	Failed	
2007-08	707	372	335	47.39
2008-09	535	364	171	31.97
2009-10	440	337	103	23.41
2010-11	425	309	116	27.30
2011-12	191	160	31	16.23

(Source: Data furnished by the Department)

It is evident from the above table that the failure rate was substantial reflecting the quality of training imparted to them.

The Director attributed (October 2012) poor performance to abolishing the related instructions classes by DGE&T since 2007 for taking up the NAC examination.

2.1.14 Monitoring

2.1.14.1 Lack of monitoring by SCVT

DGE&T manual prescribes *inter alia* that the State Council for Vocational Training (SCVT) has to carry out the policy and implement the norms laid down by NCVT in respect of syllabus, equipment, scale of accommodation, duration of courses and method of training. Further, it was to ensure that standards prescribed by NCVT were maintained by periodical inspections of the training institutes.

However, during the last 10 years, SCVT had met only once in June 2009. The Director replied (October 2012) that SCVT had been reconstituted recently (August 2012) and action would be taken to conduct meetings.

2.1.14.2 Lack of inspection of the ITIs

As per DGE&T norms, the inspecting officers of the Department have to conduct quarterly inspection of the ITIs and give suitable advice on training. It was noticed that during 2008-12, the Directorate conducted inspection of all the ITIs in Puducherry and Karaikal regions only in June/July 2011. The ITIs in the other regions (Mahe and Yanam) were not inspected at all by the Directorate during the same period. Apart from this, regular internal inspections of the institutes were to be carried out at the levels of Group Instructor and Principal for ensuring smooth working of the learning program and to increase the efficiency of administration. However, out of nine ITIs, such inspection was conducted only at ITI (Women), Karaikal.

The Director replied (October 2012) that a committee headed by the Deputy Labour Commissioner would conduct internal audit and the Principals were also instructed to carry out internal inspection.

Audit observed that in the absence of monitoring and direction by SCVT and by the officials of Directorate, the ITIs continued to operate non-affiliated courses, without sufficient infrastructure and failed to carry out the schemes effectively.

2.1.14.3 Non establishment of Management Information System

DGE&T Manual prescribes the establishment of Management Information system (MIS) in the Headquarters for networking between the State Training Directorate, industries and DGE&T to facilitate the planning and decision making.

It was noticed in audit that the MIS has not been established in the Directorate resulting in non availability of centralized data in the Directorate. Further, during a sub-committee meeting of NCVT (September 2009) it was instructed to upload the details of affiliation since opening of each ITI including revised syllabi of trades in the State Government/UT website. However, the instructions were not adhered to and the details were not uploaded in the website.

The Director replied (October 2012) that orders had been placed for purchase of computers for MIS and development of website content was under progress.

2.1.15 Conclusion

Though the UT Government proposed to provide all the Municipalities and Commune Panchayats with atleast one ITI each during the Eleventh plan period, only two new ITIs were started. The free schemes to the women students of ITI, Karaikal, envisaged in the plan, did not take off due to non-allocation of funds. Many new trades introduced by DGE&T during 2007-12 were not introduced in the UT due to failure to conduct skill assessment survey. The ITIs were allowed to admit trainees in courses that did not have NCVT affiliation thereby jeopardizing their job prospects at National level. Poor implementation of the Centrally Sponsored Schemes resulted in non-achievement of the objectives of the schemes. Funds remained unspent and Government of India's assistance was not availed to the maximum extent. Sufficient infrastructure like building, tools/machinery and teaching staff were found to be wanting in some of the ITIs. There was shortfall ranging from 40 to 70 *per cent* in sponsoring candidates for apprentice training in industries. The SCVT which had to play a major role in implementing and monitoring functions of the ITIs was not active and periodical inspections by the Directorate were not done.

2.1.16 Recommendations

- Government need to ensure that all trades/courses offered by the ITIs have affiliation of the competent body.

- Government need to effectively monitor implementation of the schemes by the ITIs so that they improve their infrastructure and teaching facilities.

- The Apprenticeship training programme needs to be strengthened by encouraging the industries to actively engage the apprentices.

CHAPTER III

COMPLIANCE AUDIT

CHAPTER III

COMPLIANCE AUDIT

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

3.1 Undue favour to contractor

PUBLIC WORKS DEPARTMENT

3.1.1 Unjust enrichment to the contractors

Imprudent action of the Chief Engineer, Public Works Department, in applying the amended clause with retrospective effect resulted in unjust enrichment of ₹ 83.18 lakh to the contractors.

In Union Territory of Puducherry, the Public Works Department (PWD) follows Central Public Works Department (CPWD) manual for all civil and irrigation works. CPWD introduced (September 2004) a new clause 10 CA which provided for price variation for cement and steel during the stipulated period of contract. This was further amended (March 2007) by CPWD to include price variation for all materials and covering the justified extended period also beyond the stipulated period of contract.

The Chief Engineer (CE), PWD, clarified (June 2007) that clause 10 CA would be applicable only for those contracts which had clause 10 CA in the agreement and stated that (October 2008) the amended clause would be applicable only for the new works started on or after 13 March 2007. However, the CE later on instructed (April 2010) to extend the amended provisions of clause 10 CA for the works executed between 2004 and 2007 in contravention to the earlier clarification given by him in October 2008.

Scrutiny of records revealed (March 2012) that during 2010-12, EEs of three divisions[1] made excess payment ₹ 83.18 lakh to the contractors in

[1] (i) Building and Roads (South) Division, Puducherry; (ii) Irrigation Division, Puducherry; and (iii) Public Works Division, Yanam

respect of six works[2] executed during 2004-07 based on the direction given by CE in April 2010. It was noticed that out of these six works one work did not have the Clause 10 CA in agreement while one work was foreclosed.

Thus, the action of CE in applying the amended clause with retrospective effect even for the completed works resulted in unjust enrichment of ₹ 83.18 lakh to the contractors.

When pointed out by Audit, Government replied (December 2012) that the Department followed its own modified clause 10 CA, which was a totally different version from the clause 10 CA introduced by the CPWD. However the reply was silent about payment (₹ 35.86 lakh) made to a work which did not have Clause 10 CA in the agreement and for making payments with retrospective effect in respect of the other said works.

The reply is not acceptable, as PWD has to follow only the provisions contained in CPWD Manual and could not have a modified clause 10 CA of its own. Further, the modified clause 10 CA introduced by PWD (June 2007) did not provide for payment with retrospective effect.

3.2 Avoidable expenditure

PUBLIC WORKS DEPARTMENT

3.2.1 Avoidable cost and time overrun

Injudicious termination of contract for construction of a fishing harbour at Mahe resulted in avoidable time and cost escalation of ₹ 33.63 crore.

Government of India (GOI) accorded (October 2005) administrative approval for establishing a fishing harbour at Mahe at a cost of ₹ 22.60 crore with 100 *per cent* assistance under "Centrally sponsored scheme of Development of Marine Fisheries, Infrastructure and Post Harvest Operations". The project was to be completed in four years. GOI suggested (October 2005) to avail technical consultancy from the Harbour Engineering Department (HED) of Kerala and instructed to execute the

[2] (i) Construction of 18 numbers of police quarters-Type II at police campus at Yanam, (ii) Construction of sub-jail at Yanam, (iii) Construction of Backward class students Hostel at Yanam (iv) Construction of indoor stadium at Yanam (v) Construction of bed dam-cum-briddge across Pambaiyar near confluence point at Sellipet, Puducherry and (vi) Providing road and drainage facilities to the internal streets of Poornankuppam village in Ariankuppam Commune, Puducherry.

project in accordance with the Detailed Project Report prepared by the Central Institute of Coastal Engineering for Fishery (CICEF), Bangalore. GOI released the first instalment of ₹ two crore in December 2005.

Without engaging HED, Kerala as consultant, PWD awarded (September 2006) the sub-work of "Construction of Northern breakwater, Southern breakwater and groyne to Mahe river" to a contractor at a cost of ₹ 25.39 crore with instruction to complete the work by April 2008. The work could be commenced only in February 2007 due to delay in contacting the HED for fixing the alignment of breakwater[3]. Though HED fixed the alignment in January 2007, it did not come forward to provide technical consultancy. PWD did not opt for any other consultancy.

Though the work was commenced in February 2007, PWD contacted CICEF only in January 2008 and obtained a part of the plan, drawings and structural details from it. Due to these delays the work progressed at a very slow pace and the contractor requested (April 2008) for extension of time upto 31 March 2009. PWD, however, terminated (September 2008) the contract after incurring ₹ 3.38 crore on the ground that the contractor would not complete the work even if extension of time was granted. Based on the request of the contractor, the CE appointed a sole arbitrator in April 2011.

The sole arbitrator concluded (December 2011) that termination of the contract was illegal and arbitrary and passed an award of ₹ 3.29 crore in favour of the contractor. PWD filed (April 2012) an appeal in the Court of Law, against this award which is still pending. Meanwhile, PWD revised the estimate to ₹ 71.62 crore and sought for (February to September 2010) additional grants from GOI. Though GOI approved (September 2010) the revised estimate, it restricted its contribution to the originally sanctioned amount of ₹ 22.60 crore and the UT Government had to obtain a loan of ₹ 49.02 crore from HUDCO to complete the project.

PWD entrusted (February 2011) the entire project to another contractor at a cost of ₹ 68.04 crore, which included ₹ 55.64 crore for the balance work that remained to be completed by the pervious contractor. As of May 2012, 43 *per cent* of the work was completed and an expenditure of ₹ 31.34 crore had been made.

Thus, the failure of PWD to engage a consultant and to obtain plan, designs and drawings before commencing the work led to slow progress of work. Further, termination of the first contract led to time overrun and cost escalation of ₹ 33.63 crore[4], as it took nearly two years to engage another contractor and as a result the fishermen were deprived of better berthing facilities as the work was delayed.

3 structures constructed on coasts to protect an anchorage from the effects of weather

4 ₹ 55.64 crore + ₹ 3.38 crore - ₹ 25.39 crore

Government replied (October 2012) that HED, Kerala had not come forward to offer consultancy services and the contract was terminated due to slow/poor progress of work.

The reply was not acceptable, as it was silent about reasons for not opting for any other consultancy and for the delay in obtaining the drawings and designs as these were the two major factors which contributed to the delay in execution of the project.

3.2.2 Avoidable payment

The Chief Engineer's injudicious rejection of the contractor's claim under the agreement and statutory provision led to arbitration and avoidable interest payment of ₹ 1.10 crore.

Government sanctioned (January 2004) ₹ 35.16 crore for the work 'Construction of women and children hospital at Ellaipillaichavady'. Public Works Department (PWD) awarded (October 2004) the work to a contractor with instructions to complete the work by April 2006. The agreement for the work, *inter alia*, provided for (a) use of cold twisted bars (CTD) for all the reinforced cement concrete works to be procured from the primary steel manufacturers such as SAIL, TISCO and VIZAG steel plant and (b) price variation under clause 10 C which allowed price variation for any material incorporated in work and for wages as a direct result of coming into force of any fresh law or statutory rule.

As the primary steel manufacturers had stopped manufacturing CTD bars, the contractor used Thermo Mechanically Treated (TMT) bars for the concrete works and claimed (January 2006) the difference in cost between CTD bars and TMT bars. He further claimed additional expenses towards payment of minimum wages under clause 10 C due to change in Statutory wages based on the revised notification issued (January 2005) by Labour Department. The CE rejected (June 2006) the claim stating that the rate quoted by the contractor was only for TMT bars, even though it was mentioned as CTD bars in his quote and that payment under clause 10 C could not be agreed upon.

The contractor filed (January 2008) a petition in the High Court of Madras to appoint an independent sole arbitrator. Based on the court order (December 2008), the CE appointed (February 2009) a sole arbitrator. The contractor claimed ₹ 39 crore as compensation for eight[5] claims including

[5] Claims on 10 C modified condition of contract, Change of CTD to TMT, additional expenses on machineries/ plant /equipment, labour force, overheads , loss of profit, loss due to locked deposits and loss of interest

interest. The arbitrator passed (November 2010) the award for ₹ 21.05 crore including interest and after deducting ₹ 2.48 crore already paid to the contractor, the net amount payable to the contractor was ₹ 18.57 crore. On negotiation (February 2011), the amount was brought down to ₹ 16.17 crore which included interest of ₹ 1.10 crore and the department paid (March 2012) the negotiated amount. Meanwhile, the work was completed (July 2011) at a cost of ₹ 36.49 crore after a delay of five years.

The CE failed to consider the known fact that the primary manufacturers had stopped manufacturing CTD bars and to take cognizance of the revised statutory order for payment of wages to the labourers. Injudicious action on the part of the CE by rejection of the contractor's claims on above counts led to the eventual dispute, arbitration and avoidable interest payment of ₹ 1.10 crore.

The matter was referred to Government in August 2012; reply was not received (December 2012).

PUBLIC WORKS AND REVENUE AND DISASTER MANAGEMENT DEPARTMENTS

3.2.3 Avoidable expenditure on acquisition of land

Failure of the Land Acquisition Officer and the Executive Engineer, Public Works Department to acquire land by invoking urgency provision resulted in avoidable expenditure of ₹ 1.05 crore.

The Ministry of Shipping, Road Transport and Highways, Government of India (MOSRTH) approved (May 2006) formation of a bye-pass road to NH 45 A from CH 179/700 to 183/00 KM, as the then existing carriage way with 150 years old small bridge traversing through T.R.Pattinam in Karaikal was unfit for free vehicular traffic. GOI sanctioned (January 2008) ₹ 3.04 crore towards acquisition of land for formation of bye-pass road and released first instalment of ₹ 2.58 crore which was deposited (February 2008) with the Land Acquisition Officer, Karaikal (LAO).

The Executive Engineer, Public Works Department (EE) sought (January 2008) administrative approval of the Chief Secretary for acquisition of the land invoking urgency provision[6] of the Land Acquisition Act, 1894. The Chief Secretary directed (April 2008) the Collector, Karaikal to submit suitable proposal for approval of Government for invoking urgency provision. However, the LAO did not forward any proposal to invoke urgency provision on the ground that no such proposal was forwarded by

[6] Land could be acquired immediately on payment of 80 *per cent* of land value

the EE and initiated (October 2008) the land acquisition proceedings under normal clause. The Section 4(1)[7] notification under the Act was issued on 15 February 2009 and declaration under section 6[8] was issued on 4 March 2010. Meanwhile MOSRTH released (May 2009) the balance amount of ₹ 37.10 lakh which was also deposited with the LAO.

In December 2010, the old bridge was found to be unfit and traffic was suspended immediately. After carrying out temporary restoration work, at a cost of ₹ 89.50 lakh light traffic was restored on 16 February 2011. Despite urgent requirement of the work and availability of funds, the LAO passed the award only on 5 March 2012, the last date[9] within which the award had to be passed. The award amount of ₹ 5.97[10] crore included ₹ 1.31 crore paid towards Additional Market Value (AMV) on the land cost, at the rate of 12 *per cent* for 1115 days from the date of Section 4(1) notification to the date of passing of the award. As MOSRTH did not come forward to meet the additional expenditure, the UT Government had to meet the same.

Had the LAO and EE acquired the land by invoking urgency provisions in February 2009 itself, the AMV could have been limited to ₹ 0.26[11] crore. Their failure to do so resulted in additional payment of ₹ 1.05 crore. Further, due to delay in land acquisition, the work could not be commenced and the public continued to utilize the old bridge, which was unfit and insufficient to handle the traffic.

When pointed out, Government replied (December 2012) that urgency provision was not invoked in order to give sufficient time to the residents and land owners in the alignment proposed to be acquired and invoking urgency provision would be more effective if the lands acquired were empty lands.

The reply is not acceptable as the site selection committee had recorded in September 2007 that the land involved was mostly fallow except for two terraced buildings and was originally proposed to be acquired by invoking urgency provision.

7 Preliminary notification that land is likely to be acquired for public purposes
8 Declaration that land is required for a public purpose
9 Two years from the date of declaration under section 6 (*i.e*) from 4 March 2010.
10 ₹ 3.58 crore (land cost) + ₹ 1.08 crore (solatium) + ₹ 1.31 crore (AMV)
11 (₹ 3.58 crore – ₹ 2.86 crore (80 *per cent* of land cost))*(12/100)*(1115/365 days)

CO-OPERATION DEPARTMENT

3.2.4 Avoidable payment

Failure of the Registrar of Co-operative Societies to get approval of the UT Government for enhancement of the authorized share capital of a society within the due dates for repayment of loan led to avoidable payment of penal interest and foregoing of rebate totaling ₹ 33.09 lakh and further liability of ₹ 13.02 lakh.

National Co-operative Development Corporation (NCDC) sanctioned (March 2006) financial assistance of ₹ 25.63[12] crore and released ₹ 22.25 crore during 2006-08 to UT Government for rehabilitation and modernization of Pondicherry Co-operative Spinning Mills Limited (SPINCO), a society. In addition, SPINCO also availed (June 2007) working capital loan of ₹ seven crore from NCDC. The loans were sanctioned at interest rates that were one *per cent* below the prevailing rate of interest and in case of default, normal rate of interest would be applied along with penal interest at the rate of 2.5 *per cent* for the period of delay.

As SPINCO did not have the capacity to pay back the loan, NCDC rescheduled (February 2010) the outstanding loan of ₹ 20.31 crore to be repaid in six yearly installments starting from March 2011 and the first installment of ₹ 8.02 crore was due on 5 March 2011. SPINCO, running at loss, approached (July 2010) the UT Government for release of share capital assistance of ₹ 4.17 crore to meet the first installment (₹ 3.85 crore was already provided in the Budget for 2010-11). The Finance Department directed (September 2010) SPINCO to increase its authorized share capital of ₹ 20 crore, as the paid up share capital (₹ 22.90 crore) was more than the authorized share capital.

SPINCO raised (October 2010) the authorized share capital to ₹ 50 crore by amending its bye-laws with the approval of Registrar of Co-operative Societies (RCS) and submitted the proposal to UT Government for release of share capital. The Finance Department directed (November 2010) that Government order be obtained for enhancement of the authorized share capital. But RCS resubmitted (January 2011) the proposal without Government approval contending that under the Puducherry Cooperative Societies Act, 1972, he was the competent authority to give approval to amend the bye-laws for enhancement of the share capital.

The Finance Department, however, opined (February 2011) that enhancement of authorised share capital was hitherto done with the approval of Government which was also accepted by the law Department. Ultimately, the Government order enhancing the authorised share capital was issued on 28 March 2011 and share capital of ₹ 8.02 crore was released on 30 March 2011.

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[12] ₹ 11.80 crore term loan, ₹ 8.85 crore investment loan and ₹ 4.98 crore subsidy.

Due to this avoidable delay in obtaining Government order, SPINCO paid the first installment of ₹ 7.83 crore (after adjusting the rebate) only on 5 April 2011 i.e., after a month's delay beyond the due date. As a result, NCDC disallowed the rebate and levied penal interest amounting to ₹ 33.09 lakh which was included in the second installment of ₹ 7.68 crore, due on 5 March 2012.

Though part payment of ₹ 4.15 crore was made to NCDC in October 2011 towards the second installment, RCS approached the UT Government only on 2 March 2012 for additional fund towards the balance payment (₹ 3.40 crore after rebate). The amount was released on 16 March 2012 and paid to NCDC on 20 March 2012, viz., 15 days after the due date. As a result, NCDC demanded (April 2012) further payment of ₹ 13.02 lakh by disallowing the rebate and claiming penal interest against the second installment, which was yet to be paid.

Thus, failure of RCS to obtain Government order in time to increase the share capital during 2010-11 and approaching the Government at the fag end of 2011-12 to meet the balance amount of second instalment resulted in belated release of share capital assistance and consequent delay in payment of instalments. This not only led to foregoing of the rebate but also attracted penalty totaling ₹ 33.09 lakh towards the first installment and liability of ₹ 13.02 lakh in respect of the second instalment.

The matter was referred to Government in September 2012; reply was not received (December 2012).

3.3 Idle expenditure

PUBLIC WORKS DEPARTMENT

3.3.1 Idling of a bridge due to non-completion of the approach roads

Failure of the Public Works Department to handover the land, free of encroachments, for formation of approach roads to a newly constructed bridge resulted in the bridge and road constructed at a cost of ₹ 23.90 crore idling.

Section 15.1 of the Central Public Works Department Manual stipulates that before calling tenders for execution of work, the availability of clear site should be ensured. The Public Works Department (PWD) awarded (December 2004) the work of 'construction of a bridge across the river Ariankuppam and its approach roads on either side of the bridge at Murungapakkam in Puducherry' to a contractor at a cost of ₹ 15.80 crore with instructions to complete the work by July 2006.

Though PWD stated (August 2004) in the pre-bid meeting that the site was free from encumbrances, it handed over only the land required for construction of the bridge at the time of commencement of the work (January 2005) due to encroachments in the land required for approach roads. PWD handed over the land for approach roads only in May 2007, after a delay of one year beyond the scheduled date of completion. However, the Government Poramboke land so handed over for formation of the approach road on the southern side of the bridge still had encroachments.

Meanwhile in September 2006, due to the above mentioned delay and increase in the cost of materials, the contractor demanded higher rates for executing the work, which was rejected (December 2006) by PWD. As the contractor's request (November 2007) for nomination of an arbitrator was also not entertained by PWD, the contractor requested (February 2008) PWD to foreclose the contract. PWD foreclosed (July 2009) the contract and paid ₹ 6.38 crore to the contractor for the value of work done by him.

PWD revised the estimate in October 2009 to ₹ 25.76 crore and the work was split into two portions (i) balance work of construction of the bridge (₹ 17.47 crore) and (ii) formation of approach roads on either side of the bridge (₹ 5.45 crore) and other allied works (₹ 2.84 crore). PWD entrusted (March 2010) the work of completing the bridge to a new contractor at a cost of ₹ 14.25 crore. The bridge work was completed in February 2012 and as of March 2012, the contractor was paid ₹ 13.69 crore. PWD entrusted (January 2011) the work of formation of approach roads to another contractor at a cost ₹ 6.16 crore on the assurance that encroachments on the southern side of the bridge would be cleared in two months time to facilitate formation of the approach road. However, PWD failed to clear the encroachments and the work could not be commenced on a portion (400 metres) of the southern side as of June 2012. The approach roads on the northern side and on a portion of southern side (450 metres out of 850 metres) have been completed in February 2012 at a cost of ₹ 3.83 crore.

It was noticed that the encroachers were provided with alternative land and financial assistance. Despite this, they refused to vacate the land and the department could not evict them. Thus, the work commenced in January 2005 remained incomplete even after seven years, due to the failure of the department to ensure availability of land free from encumbrance before awarding the contract. As a result the approach road could not be completed and the bridge and portion of road constructed at a cost of ₹ 23.90 crore remained idle. Further, the delay also led to avoidable cost overrun of ₹ 10.43[13] crore due to re-tendering and the old bridge was continued to be used with inconvenience to the Public.

Government stated (November 2012) that efforts were being made to settle encroachers in the alternate site already identified and on completion of this

13 ₹ 6.38 crore + ₹ 13.69 crore + ₹ 6.16 crore – ₹ 15.80 crore

activity the bridge would be put to use. It was further stated that the construction work was taken up in anticipation that land acquisition for road portion would be completed when the bridge work reached completion stage.

The reply is not acceptable, as the department should have ensured that the earmarked land was free from encroachment before commencement of the work as envisaged in the manual provision.

3.4 Blocking of funds

EDUCATION DEPARTMENT

PONDICHERRY ENGINEERING COLLEGE

3.4.1 Failure to utilise the grants

Failure of the Principal, Pondicherry Engineering College, to utilise the grants in time for construction of a hostel for Scheduled Caste students.

The General Financial Rules (GFR) stipulate that release of funds should be made only on the basis of viable and specific schemes drawn up in sufficient details by the grantee organisation. As per the Rule 212 of GFR, the utilization certificate for non-recurring grant should be submitted within 12 months of the closure of the financial year by the institution or organization that received the fund.

Directorate of Higher and Technical Education (DHTE), proposed (28 March 2006) to transfer the unspent amount of ₹ 1.25 crore available under the Special Component Plan of 'Perunthalaivar Kamarajar Financial Assistance Scheme[14]' to the scheme 'Development of Pondicherry Engineering College'. The Principal of Pondicherry Engineering College (PEC) sent (29 March 2006) proposal to DHTE seeking release of the amount for creation of basic amenities and additional infrastructure in the college so as to convert it into a Deemed University. As the Planning Department did not agree for diversion of the funds under Special Component Plan for non-SCP purpose, DHTE obtained (31 March 2006) another proposal from the Principal for construction of hostel for the Scheduled Castes/Scheduled Tribes students in the college and released the amount of ₹ 1.25 crore on 31 March 2006. Thus, the amount was released on the last day of 2005-06 essentially to avoid lapse of budgetary allocation.

14 The scheme meant for release of financial assistance to the students undergoing professional courses in various private unaided professional colleges

The estimate initially prepared for ₹ 3.50 crore was finally reduced to ₹ 1.40 crore on the ground of paucity of funds. Technical sanction was obtained in April 2008 and the lowest tender (₹ 1.46 crore) for the work was approved (October 2008) by the Chief Engineer. PEC, without awarding the work, sought (October 2008) for additional funds of ₹ 53 lakh from DHTE for anticipated extra and substituted items, electrical works, etc. Though the proposal for additional funds were forwarded (December 2008) to the Adi-dravidar Welfare Department (ADW), which is the nodal department for implementation of schemes for the SC/ST under SCP, additional funds were not released. In the meantime, the contractor extended the validity of his tender for several times upto August 2009, and finally requested (September 2009) PEC to refund the earnest money deposit of ₹ 2.29 lakh. PEC refunded the same in October 2009.

The Director, ADW Department made a suggestion in a meeting convened (September 2011) by the Minister for Social Welfare, to increase the accommodation of students in the college hostel from 50 to 120 so as to release additional fund. Accordingly, the Principal made a proposal to construct a hostel for 100 students at an estimated cost of ₹ five crore and requested (September 2011) ADW Department to release additional fund which was still pending for release (July 2012).

Thus, the grant of ₹ 1.25 crore released in March 2006 along with interest earned (₹ 0.50 crore), without getting sufficient details to ensure viability of the scheme, remained unutilized for more than six years outside Government account and the students were forced to stay in excess of capacity in the available hostel rooms. Further, the casual approach of the Principal, PEC, in changing the plan of hostel from time to time led to non-utilisation of the fund and consequent escalation of the estimated cost of hostel from ₹ 1.40 crore (April 2008) to ₹ five crore in 2011.

The matter was referred to Government in September 2012; reply was not received (December 2012).

LOCAL ADMINISTRATION DEPARTMENT

3.4.2 Blocking of Government funds

Failure to conduct soil investigation before preparation of the estimate for work by Puducherry Municipality resulted in blocking of funds of ₹ 89.31 lakh for more than five years.

Under the scheme of 'Financial Assistance to municipalities for creation of infrastructural facilities in Tsunami affected areas', the UT Government released (March 2007) grant-in-aid of ₹ 50 lakh as first installment to the Puducherry Municipality (Municipality) to construct a multipurpose hall at Marapalam, Puducherry. As there was no response to the first four[15] tender calls, the Municipality awarded (November 2009) the work to a contractor, who responded to the fifth call, at a cost of ₹ 101.06 lakh with instruction to complete the work by September 2010.

During commencement of work, it was noticed that soil at the site was unfit to bear the load of the proposed building. Hence, the Municipality engaged (October 2010) a consultant at a cost of ₹ 0.86 lakh to ascertain the strength of soil at the site and to suggest suitable changes in the design. Due to poor bearing capacity of the soil, the consultant recommended (October 2010) for pile foundation instead of open foundation as proposed in the original estimate. Meanwhile, the UT Government released (December 2010) ₹ 39.31 lakh as second installment and ordered the Municipality to meet out the balance expenditure from the Municipality's own fund. As change in the foundation required extra items of work costing an additional amount of ₹ 77.61 lakh, the Commissioner requested (July 2011) the Director of Local Administration Department to seek additional funds from Government or to drop the proposal. As no further decision was taken in this regard, the work was not commenced.

In December 2011, the contractor citing failure of the Municipality to handover the site, sought refund of the Earnest Money Deposit and Performance Guarantee. The Municipality cancelled the work order (February 2012) and revised (March 2012) the estimates for the work to ₹ 211.06 lakh at 2011-12 schedule of rates, which was yet to be submitted to the Government for approval.

Scrutiny of records revealed that the site selected for construction was adjacent to two large water bodies. Despite this, the estimate was prepared with open foundation without conducting soil investigation. The CPWD Manual (Section 2.5.1) stipulates that the authority competent to accord technical sanction shall ensure that the design, specification etc. adopted in the detailed estimate are adequate for the building to last till its desired life. The Superintending Engineer, in disregard to this provision, accorded

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15 13 July 2007, 31 August 2007, 16 November 2007 and 07 February 2008

technical sanction mechanically based on the defective estimate prepared by the Engineers of Municipality without assessing the actual site condition.

Thus, the above failures led to time over run of 18 months and estimated cost over run of ₹ 1.10 crore as of March 2012. Further, Government funds of ₹ 89.31 lakh was blocked outside the Government account for three to five years and the objective of providing multipurpose hall to the public has not been achieved.

The matter was referred to Government in June 2012; reply was not received (December 2012).

3.5 Regulatory Issue

PUBLIC WORKS DEPARTMENT

3.5.1 Award of work without calling for tenders

3.5.1.1 Introduction

Tendering is a formal invitation of technical and financial quotes from the contractors for specified works/supply of materials etc. The public authorities inviting tenders have the responsibility and accountability to ensure efficiency, economy and transparency; provide fair and equitable treatment to the bidders; promote competition and maintain integrity and public confidence in the tendering process.

Central Public Works Department (CPWD) manual stipulates that normally tenders should be called for all works costing more than ₹ 50,000. In urgent cases or when the interest of the work so demands or where it is more expedient to do so, works may be awarded without inviting tenders i.e. on nomination basis. The Central Vigilance Commission stipulated (July 2007) that tendering process or public auction was a basic requirement for the award of contract by any Government agency as any other method, especially award of contract on nomination basis, would amount to breach of Article 14 of the constitution guaranteeing right to equality.

The Public Works Department (PWD) of the UT of Puducherry executes construction and maintenance of buildings, roads, water supply and drainage schemes. The Department follows the provisions of CPWD code and manual for execution of works. The Department consists of 12 divisions headed by Executive Engineers (EEs) functioning under the supervisory control of three Superintending Engineers (SEs). The Chief

Engineer (CE) is the technical head of the Department, while the Secretary to Government (Public Works) is the administrative head.

Audit of award of works during 2009-2012 in nine[16] out of 12 divisions conducted between May and August 2012 disclosed the following:

3.5.1.2 Large scale award of works on nomination basis

The total number of works awarded by calling tender and award of works on nomination basis during the period 2009-12 in the nine test checked divisions are given in **Appendix 3.1**. Out of 7,658 works valuing ₹ 1,116.35 crore awarded during the period 2009-2012, 4,350 works valuing ₹ 125.88 crore were awarded on nomination basis and the remaining 3,308 works valuing ₹ 990.47 crore were awarded by inviting tenders.

Scrutiny of the records revealed that in four divisions[17], out of 3,668 works involving ₹ 393.17 crore, 3,217 works costing ₹ 87.01 crore (87.70 *per cent*) were awarded on nomination basis and the remaining 451 works costing ₹ 306.16 crore (12.30 *per cent*) were awarded after calling tenders.

3.5.1.3 Award of works on nomination basis in excess of the prescribed limit

The CPWD manual, 2007[18] prescribes annual financial limit as ₹ 45 lakh and ₹ 15 lakh to the SE and EE respectively in addition to their sub-divisional powers for award of work on nomination basis. However, it was noticed that SEs exceeded their financial limit by ₹ 7.67 lakh to ₹ 1,975.84 lakh and EEs exceeded their annual financial limit by ₹ 5.85 lakh to ₹ 215.04 lakh in excess of the prescribed annual financial limit during 2009-12 as shown in **Table 1**.

16 Special Buildings Division-I and II, Public Health Division, Puducherry, National Highways Division, Buildings and Roads (South) Division, Buildings and Roads (North) Division, Buildings and Roads (Central) Division, Public Works Division, Yanam, and Irrigation and Public Health Division, Karaikal

17 Special Building Division-I, Puducherry, Buildings and Road Division (Central), Puducherry, Public Works Department, Yanam and Irrigation and Public Health Division, Karaikal

18 CPWD manual was revised in 2010 and 2012 and proposal to adopt the same is pending with Government

Table 1 – Divisions where SEs/EEs exceeded their annual financial limit

(₹ in lakh)

Sl.No	Division	Value of works sanctioned in excess of annual financial limit during		
		2009-10	2010-11	2011-12
1.	SE, Circle I	34.40	29.79	7.67
2.	SE, Circle II	459.10	1975.84	135.20
3.	SE, Circle III	--	382.14	137.39
4.	EE, B&R (Central), Puducherry	79.77	78.23	74.43
5.	EE, PH Division, Puducherry	22.17	17.58	11.45
6.	EE, Irrigation and PH Division, Karaikal	--	14.17	5.85
7.	EE, PWD, Yanam	140.36	215.04	39.58

(Source: Compiled from details furnished by the Department)

When pointed out by Audit, the EE, Public Health Division, Puducherry stated that strict adherence to the CPWD manual was not possible in water supply and sewerage works and the CPWD manual was meant specially for building works. This reply is not acceptable as the CPWD manual is applicable to all works. In respect of other divisions, reply was not received (August 2012).

3.5.1.4 Splitting of works

The CPWD manual stipulates that Chief Engineer can award works without calling of tenders under his own authority upto ₹ 10 lakh. In case, work is to be awarded without call of tenders in excess of the above prescribed limit, sanction has to be obtained from the next higher authority i.e. Works Board. According to Rule 130 of the General Financial Rules, 2005, for purpose of approval and sanction, a group of works which forms one project shall be considered as one work. Approval or sanction of higher authority to a project which consists of such a group of works should not be avoided on the ground that the cost of each constituent works in the project is within the powers of approval or sanction of the lower authority.

Scrutiny of records in two divisions[19] revealed that the CE split up the following two works with an intention to bring the estimated value of works within his power of acceptance (₹ 10 lakh) and awarded the works without calling for tenders, denying scope for competition and compromising transparency.

(i) Setting up of camp office at Kamban Kalaiarangam

The improvement works estimated to cost ₹ 55.20 lakh in Kamban Kalaiarangam at Puducherry was split up into six works each valued between ₹ 8.22 lakh and ₹ 9.79 lakh. All the six works were commenced

[19] Buildings and Roads (North) Division and Special Buildings Division, Puducherry

and completed during July to November 2009. *Ex post facto* sanctions for the six works each valued between ₹ 8.26 lakh and ₹ 9.95 lakh were issued by Chief Engineer during January and March 2010.

When Audit pointed out that the work was split up to bring the value of work within the powers of the CE, he stated that the work was awarded on nomination basis as it was to be completed in time to accommodate the office of the Union Minister.

This reply is not acceptable as the electrical and acoustic work should have been carried out either by obtaining sanction from the Works Board for awarding the work on nomination basis or the CE should have resorted to competitive bidding. The urgency was also not evident from the fact that the works were carried over a period of five months. Thus, failure of the CE to adhere to the codal provisions denied the scope to get competitive rates and compromising transparency in the procedure followed.

(ii) Modification of a floor into conference hall

Based on the request of Director, Tourism Department to take up the work on nomination basis, the work of converting the second floor of the tourism building into a mini conference-cum-training hall by removing old asbestos cement sheet and providing panel to the halls (total estimate value: ₹ 29.94 lakh), was split into three works each valued between ₹ 9.97 lakh to ₹ 9.98 lakh and awarded to the same contractor. The works were commenced and completed between June 2011 and January 2012. *Ex post facto* sanctions order was yet to be accorded by the Tourism Department. The CE, instead of splitting the work, should have obtained approval of the Works Board treating the work as a single work.

On being pointed out, CE stated (August 2012) that all the three works were different kind and were executed at considerable time intervals.

The reply is not acceptable as the works of 'providing false ceiling' and 'wall paneling' were inter related and awarded to the same contractor.

The matter was referred to Government in October 2012; reply was not received (December 2012).

CHAPTER IV

CHIEF CONTROLLING OFFICER BASED AUDIT

CHAPTER IV

This chapter contains Chief Controlling Officer based audit of the Directorate of School Education.

EDUCATION DEPARTMENT

4.1 Chief Controlling Officer based audit of the Directorate of School Education

Executive Summary

Education inculcates national and cultural values in students, provides them knowledge, skill and information. It further enables them to know their rights and duties and expands their vision and outlook, creates the spirit of healthy competition and desire to advance. The Union Territory Government of Puducherry implements various schemes through the Directorate of School Education to provide education to the students by spending about ₹ 300 crore per annum. Though preference to the Government schools was on the decline, the Government schools catered to 50 and 68 *per cent* of the students at the elementary and secondary levels respectively in the year 2011-12 and continued to play a major role. Some of the audit findings that resulted from the Chief Controlling Officer based audit of the Directorate of School Education are given below:

There was no Perspective Plan formulating long term strategies to deliver quality education. Delay in release of funds led to non-acquisition of lands for constructing class rooms and providing playgrounds and failure to ensure availability of land and feasibility of extending the existing buildings resulted in non-availing of the loan sanctioned by NABARD.

Enrolment in the Government schools showed a declining trend and they were far lagging behind the private schools in respect of pass percentage of students at Secondary and Higher Secondary level examinations. Though the gap in performance between the students belonging to scheduled castes and the general category students reduced over the years at the Secondary school level, the gap between them remained static at about 16 *per cent* at the Higher Secondary level.

Shortfalls were noticed in provision of basic amenities such as classrooms, toilets, playgrounds and computers. Shortfall was also noticed in implementing various schemes for the benefit of students. There were large scale vacancies in the posts of Principal and Vice Principal, Headmaster, physical education lecturer and instructors etc.

Thus, the Government schools suffered from inadequate infrastructure, insufficient number of teaching staff and deficient implementation of the schemes meant for benefit of the students.

4.1.1 Introduction

Education plays a vital role in the economic, social and cultural development of a country. It moulds the character and values of citizens and is a basic pre requisite to build a just and equitable society. Towards achieving this end, the Government of the Union Territory of Puducherry (UT) envisioned offering quality education from Primary to Higher Secondary level. The UT comprises four regions namely Puducherry, Karaikal, Mahe and Yanam. While the schools in Puducherry and Karaikal regions follow the pattern of education prevalent in Tamil Nadu, the schools in Mahe and Yanam regions follow the pattern of Kerala and Andhra Pradesh respectively. As of March 2012, there are 249 Government Primary[1] Schools (GPSs), 52 Government Middle[2] Schools (GMSs), 73 Government High[3] Schools (GHSs) and 57 Government Higher Secondary[4] Schools (GHSSs) in the UT, in addition to the 34 aided schools and cater to 1,38,355 students. The Director of School Education (DSE) is responsible for providing quality education at all levels of schooling and is vested with the responsibility of supervision and inspection of all the schools as per the provisions of Pondicherry School Education Rules, 1996. Audit was taken up to see how far the Directorate was successful in achieving the broad objective of providing quality education.

4.1.2 Organisational set up

The Secretary to Government, Department of Education is the administrative head of the Department. The DSE is in charge of the school education, assisted by one Joint Director, six Deputy Directors (Administration, Elementary Education, Women Education, Sports and Youth Services, French Education and Adult Education); two officers on special duty (Plan and State Training Centre); three Chief Educational Officers one each in Puducherry, Karaikal and Mahe; one Delegate to the DSE at Yanam; and seven Deputy Inspector of Schools. The Principals/Head masters are the heads of the schools.

4.1.3 Audit Objectives

The audit objectives of the Chief Controlling Officer (CCO) based audit were to examine

- the efficacy of planning for implementation of the education policy and programmes;
- financial management and utilization of the financial resources;

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1 With classes upto V standard
2 With classes upto VIII standard
3 With classes upto X standard
4 With classes upto XII standard

- the efficiency and effectiveness of implementation of programmes for improving the standards of education;
- the adequacy of infrastructure such as class rooms, libraries, toilets, playgrounds, etc.,
- the adequacy of manpower to provide effective support for achieving the objectives of the Department and
- the existence of internal controls and monitoring system in the Department.

4.1.4 Audit Criteria

Terms and conditions contained in the following sources were used as criteria to assess the functioning of educational institutions in the UT.

- Plan documents of the UT Government;
- Pondicherry School Education Act, 1987 and Pondicherry School Education Rules, 1996;
- Guidelines and orders issued by GOI/UT Government;
- National policy on Education, 1986 as amended in 1992 and
- General Financial Rules and Receipt and Payment Rules of GOI.

4.1.5 Audit coverage and methodology

The CCO based audit is an audit of a fair number of offices in a department in an integrated manner to have common audit findings, if any, from the selected sample offices. The Directorate of School Education was selected for the CCO based audit in view of magnitude of investment (about ₹ 300 crore per annum) in the sector and its importance to socio economic transformation.

An Entry Conference was held with the Secretary to Government in April 2012 wherein the purpose of audit, audit objectives, criteria and scope of audit, etc., were discussed. Audit of the transactions of the period 2007-12 was conducted during March to July 2012 covering the offices of the Secretary (Education Department), Directorate of School Education, Joint Director and Deputy Directors. The records of 27 out of 71 Drawing and Disbursing Officers, three offices of the Deputy Inspectors of Schools at Puducherry (2) and Karaikal (1), 17 Higher Secondary, 19 High, 15 Middle and 15 Primary schools were selected for detailed audit. The offices of DDOs and schools were selected for CCO based audit on simple random sampling basis covering the four regions of UT. The training activities of District Institute of Education and Training were also covered.

The audit findings were discussed in the Exit Conference held with the Secretary on 7 November 2012. The views/reply of the Department have been taken into consideration while finalising the report.

Audit findings

4.1.6 Planning

4.1.6.1 Non-preparation of perspective plan

No perspective plan was prepared as envisaged in the XI Five Year Plan

The XI Five Year Plan (FYP) for the UT of Puducherry covering the period 2007-12 envisaged that a perspective plan would be prepared to identify the requirement of buildings, furniture and teachers for all the schools for five years and implemented. However, the Directorate of School Education (DSE) did not prepare any perspective plan for implementation, till completion of the Plan period 2007-12. In the absence of a perspective plan, long-term strategies fixing milestone, timeframe etc., to accomplish the goals of Department were not formulated.

The Secretary to Government, while accepting the fact that perspective plan was not prepared, stated (November 2012) that preparation of the perspective plan for a period of 10 years is at the proposal stage.

4.1.6.2 Non formation of the State Council for Education, Research and Training

The Directorate proposed (October 2005) setting up of a State council for Education, Research and Training (SCERT) by converting the existing State Training Centre (STC) to suggest educational policies, implement training programmes for the teachers, encourage the teaching community to undertake research oriented innovative projects and to strengthen the monitoring and evaluation system so as to provide quality education. However, Audit noticed that the proposal sent by the DSE for conversion of the STC into SCERT in the year 2005 to the Secretary, Education was lost and no follow up action was taken thereafter. On being pointed out, the Officer on Special duty, STC stated (August 2012) that a new proposal was sent to the Directorate in February 2012.

During the Exit Conference, the DSE stated (November 2012) that the new proposal for setting up SCERT would be sent to the Government. However, the fact remained that the failure of the DSE to take initiative to set up SCERT for seven long years had resulted in non-achieving of the intended objectives.

4.1.6.3 Defective planning in availing of loan

The UT Government proposed (December 2009) to avail loan assistance of ₹ 43.07 crore from the National Bank for Agriculture and Rural Development (NABARD) for taking up civil works in 105 Government schools. Based on the Detailed Project Report (DPR) prepared by PWD and forwarded to Government through the Education Department, NABARD gave approval (March/ September 2010) for the works valuing ₹ 27.89 crore in 54 schools. Funds were to be released by NABARD on reimbursement basis against expenditure incurred and the works were to be executed by the Public Works Department.

PWD expressed (October 2011) its inability to take up nine out of the 54 works costing ₹ 3.82 crore, citing non-availability of sites and non-feasibility of vertical expansion of the existing buildings. Therefore, DSE sent (August 2012) a proposal to the Government for dropping of works in the nine schools from the scope of NABARD assistance. Defective planning and preparation of DPR without ensuring feasibility and availability of land resulted in dropping of the works in nine schools, two years after the loan was sanctioned.

The DSE stated (November 2012) that the Directorate was under the impression that vertical expansion was possible in the existing buildings, which were not agreed to by PWD on technical grounds. This implied that the DPR was prepared without ascertaining the site conditions in co-ordination with PWD.

4.1.6.4 Upgradation of schools

Norms for upgradation of schools were not framed

To enable the students to continue their studies at next level in the same school, upgradation of Government High Schools to the next level was being done under the UT scheme of conversion of High Schools into Higher Secondary Schools and improvements to the existing Higher Secondary Schools. Though 28 GHS schools were planned to be upgraded to GHSS during 2007-12, only 10[5] GHSs were upgraded as GHSS.

Audit noticed that the Directorate did not frame any norms or guidelines for upgradation of the schools. Proposals for upgradation were not initiated on the basis of actual assessment of requirement, but based on the assurances given on the floor of the Legislative Assembly. To a specific query about the basis for fixing target as 28 schools, the Joint Director (School Education) replied that the basis for identification of 28 GHSs for upgradation as GHSSs was not available. Though the UT Government sent proposals to GOI for creation of posts projecting the student strength in each group of the higher secondary schools as 50, the enrolment in class XI in four upgraded GHSS[6] across all the groups ranged between 24 and 49.

In GHS, Kottucherry, Karaikal, upgraded to a GHSS in 2010-11, classes for XI and XII were not started even in the academic year 2011-12 as the

5 Kalapet, ThiruvandarKovil, Ariyur, Karikalampakkam, Nonankuppam, P.S. Palayam, Karayamputhur, Kirumampakkam, Thalatheru and Kottucherry

6 GHSS at Ariyur (38), Karayamputhur (49), Karikalampakkam (20) and Kirumampakkam (24)

required lecturers could not be drafted from the other schools. The Joint Director stated that approval of GOI for creation of the posts was awaited and the services of lecturers from other institutions were spared to handle classes for the students of upgraded GHSSs. Thus, the action of DSE in upgrading the schools without fixing norms and the required number of lecturers resulted in poor enrolment of students to these schools.

During Exit Conference, the DSE stated (November 2012) that pending framing of norms, upgradation of schools had been stopped and attributed the low enrolment to non-availability of teaching staff and delay in clearance of the proposal for creation of posts by GOI.

4.1.7 Finance

4.1.7.1 Budget outlay and expenditure

The budget provision vis-à-vis actual expenditure for school education[7] during 2007-12 is given in **Table 1.**

Table 1 – Budget provision and expenditure

(₹ in crore)

Year	Budget Provision				Expenditure
	Plan	Non-Plan	CSS	Total	
2007-08	47.34	114.37	1.73	163.44	162.23
2008-09	66.29	184.09	2.38	252.76	249.41
2009-10	90.91	215.49	0.66	307.06	305.53
2010-11	103.75	243.85	1.07	348.67	348.00
2011-12	84.66	238.53	2.67	325.86	323.06

(Source: Appropriation Accounts)

It may be noted from the above that the allotment of funds and expenditure per annum ranged between ₹ 162 crore to ₹ 348 crore during the last five years. The Department managed the expenditure within the budget provisions.

4.1.7.2 Incorrect booking of expenditure

The Directorate operated a common accounting head "Free supply of books, stationery, uniforms and footwear to poor children (2202-01.108(1))" for free supply items such as uniforms, text books and stationery to the students and provision of funds for the items was made on *ad hoc* basis. This deficiency was pointed out in Para 3.1.4 of the Report of the Comptroller and Auditor General for the year ended 31 March 2000 and the Public Accounts Committee recommended (April 2004) preparation of budget as per the provisions of GFR to avoid such deficiency in future.

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7 Excluding Sports and Youth Welfare, French Education and Adult Education

Audit scrutiny revealed that the Directorate continued to operate the common head for all types of the free supply items. Besides, though no free supply was involved, the expenditure on 'operation of special buses for students (₹ 6.97 crore)' and 'provision of firefighting equipment in Government schools (₹ 0.69 crore)' were incorrectly booked under the free supplies scheme during 2009-12.

On being pointed out, the DSE replied (November 2012) that separate heads were being operated now for booking the expenditure on operation of special buses for students and for provision of firefighting equipment. However, the reply was silent about other free supply items.

4.1.7.3 Inadmissible revision of pay scale of librarians

As per GOI clarification (September 1988), the miscellaneous categories of teachers whose pay scales were upgraded with effect from 5 September 1981 were eligible for senior scale on completion of 12 years of service in the revised basic scale and hence their pay scales were to be revised on 5 September 1993. In the light of the above clarification, the school librarians of different grades, whose pay scales were revised in July 1997 with retrospective effect from 24 July 1990, were to be granted senior scale only from July 2002.

It was, however, noticed that 76 school librarians were granted senior scale during October 2007 to July 2009, with retrospective effect from 5 September 1993 by equating them to miscellaneous/allied category of teachers, on the ground that as the pay scale of miscellaneous/allied category of teachers was upgraded with effect from 5 September 1981, it was logical to upgrade the pay scale of librarians on par with them from the same date. This led to avoidable payment of arrears to school librarians. However, such revision of pay scales of librarian was in total violation to the GOI clarification which had clearly stated that Senior scale would be granted only on completion of 12 years of service in the revised basic scale.

The Secretary stated (November 2012) that the matter would be examined and reply furnished to Audit. However, no reply was received till date (January 2013).

4.1.7.4 Non-acquisition of land due to belated release of funds

As per the Land Acquisition Act, 1894 any land acquisition process has to be completed within three years from the date of notification under section 4(1) of the Act, failing which the entire proceedings for the acquisition of land shall lapse. The purpose of land acquisition and funds released by the Department to the Land Acquisition Officer (LAO) is given in **Table 2.**

Table 2 – Purpose of land acquisition and amount released to LAO

Purpose	Date of 4(1) Notification	Stipulated date of completion of acquisition	Actual date of release of funds	Amount deposited with LAO (₹ in lakh)
Provision of playground facilities to GPS, Rayampalayam	20.2.2007	20.2.2010	11.3.2010	13.44
Construction of classroom for GMS, Kothukulam	13.2.2007	13.2.2010	14.3.2011	86.59
Provision of playground facilities to GPS, Puthakudy	16.10.2007	16.10.2010	14.3.2011	0.78
Provision of playground facilities to GPS, Periyapet	17.6.2008	17.6.2011	14.3.2011	10.48
Total				**111.29**

(Source: Figures furnished by the Department)

Scrutiny of records revealed that, though 4(1) notifications were issued and LAO had warned (September 2009) that land acquisition process would be dropped if funds were not released, the DSE did not follow up the issue and released the amount belatedly. However, Revenue Department discontinued (October 2011) the land acquisition processes in the above mentioned cases, stating that the funds were released after the expiry of three years since the date of 4(1) notification. The Department requested (November 2011) the Revenue Department to restart the land acquisition process and further action was awaited. Thus, failure to release the required funds in time after initiation of land acquisition process reflected deficient planning on the part of department.

The Director attributed (November 2012) the belated release of funds to financial constraints.

The reply is not acceptable, as non-provision of funds in time had resulted in blocking of ₹ 1.11 crore with the LAO and it would also result in additional liability to the Government due to appreciation in the value of land cost over three years.

4.1.8. Performance of Schools

4.1.8.1 Enrolment of students in Government and private Schools

The details of enrolment of students at primary and secondary level in UT during 2007-12 is given in **Table 3** and depicted in the charts.

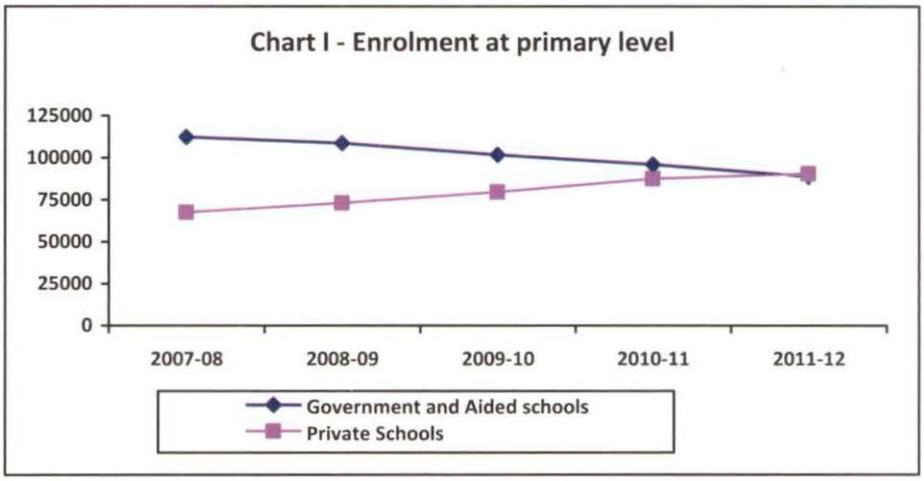
Declining trend in enrolment in Government schools

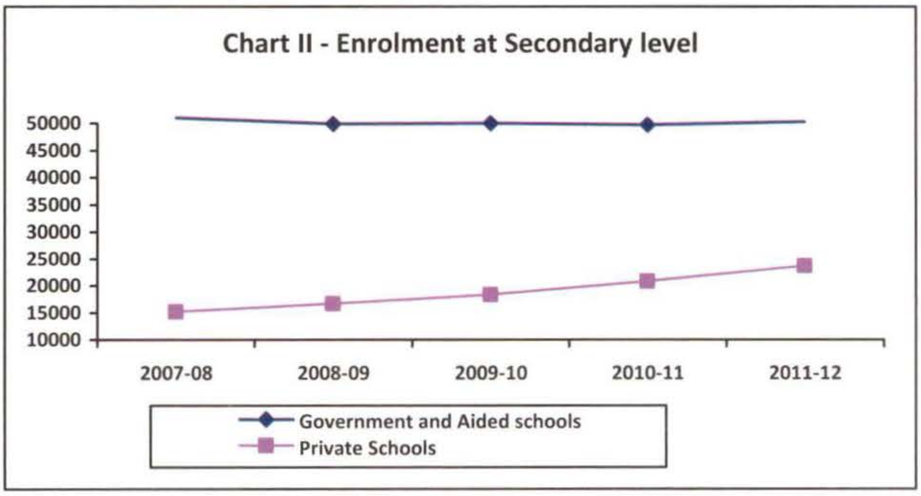
Table 3 – Details of enrolment in Government, aided and private schools

(enrolment in numbers)

Level	Schools	2007-08	2008-09	2009-10	2010-11	2011-12	Decrease/ increase in 2011-12 as compared to 2007-08
Elementary Education							
Primary	Government	46755	43598	39735	35235	31635	(-)15120 (32)
	Aided	15681	15680	15111	14700	14171	(-)1510 (9)
	Private	47871	51548	55731	60880	62460	(+)14589 (30)
Middle	Government	38890	37831	35722	34160	31552	(-)7330 (19)
	Aided	10458	10967	10527	11226	10863	(+)405 (4)
	Private	18848	20836	23110	25794	27265	(+)8417 (45)
Total		**178503**	**180460**	**179936**	**181995**	**177946**	**(-) 557 (1)**
Secondary Education							
High	Government	25399	23951	23489	24191	24535	(-) 864 (3)
	Aided	6049	6183	6140	6533	6752	(+) 703 (12)
	Private	9183	9859	10750	12192	13942	(+) 4759 (52)
Hr. Sec	Government	16951	16856	17411	16016	16071	(-) 880 (5)
	Aided	2416	2692	2795	2810	2776	(+) 360 (15)
	Private	5743	6504	7289	8348	9478	(+) 3735 (65)
Total		**65741**	**66045**	**67874**	**70090**	**73554**	**(+) 7813 (12)**

(Source: Figures Furnished by the Department; figures in bracket indicate percentage of variation)





It is evident that the enrolment in Government schools during 2007-12 showed a declining trend at all levels with a maximum decline of 32.34 *per cent* at the primary level and 18.87 *per cent* at the middle school level. During the same period, the enrolment in private schools increased by 30.48 *per cent* at the primary level and 65.03 *per cent* at the Higher Secondary level. Though the enrolment continued to decline in Government schools, the same raised in private schools during 2007-12.

The overall number of students in a year in the elementary stage remained at about 1.80 lakh and in the secondary level at about 0.70 lakh. In 2011-12, Government schools including the aided ones catered to 50 and 68 *per cent* of the students at the elementary and secondary levels respectively, which were 63 and 77 *per cent* in 2007-08. This reflected decline in popularity of the Government schools, though they continue to serve majority of the students in UT.

The Secretary to Government stated (November 2012) that suitable action would be taken to improve the situation. This showed that the Government had not done any analysis to address this issue despite extending the benefits of various free supply schemes such as free supply of uniforms, foot wear and operation of special school buses, etc. to attract students to Government schools.

4.1.8.2 Performance of the Government school students

The overall performance of the students of Government schools in all the four regions of UT in terms of pass percentage in SSLC (Standard X) and HSC (Standard XII) Board examinations during 2007-12 is given in **Table 4.**

Table 4 – Pass percentage in Government schools of UT

(in percentage)

Region	SSLC (Std. X)					HSC (Std. XII)				
	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
Puducherry	70.57	75.93	77.75	83.75	88.28	66.33	71.94	61.44	73.19	74.87
Karaikal	71.69	72.50	77.19	77.09	80.97	78.45	80.00	72.63	79.19	78.44
Mahe	99.03	99.55	97.91	98.69	98.37	68.16	65.15	60.59	77.28	84.47
Yanam	56.52	82.86	66.59	68.07	70.50	21.53	32.29	48.98	31.47	35.63

(Source: Figures Furnished by the Department)

From the above, it could be seen that the performance of the Government schools in all the regions in XII public examination was comparatively lower than in X public examination, except in Karaikal region during 2007-09 and 2010-11. While Mahe topped the list of good performance, Yanam region was lower in the list and there the performance in HSC in particular was very poor.

Performance of the students of Government and private schools

Government schools lagged behined the private schools in academic performance

The students of Government and private schools in Puducherry and Karaikal regions constitute a major portion of the students appearing in the Government public examinations from UT. Their pass percentage in SSLC and HSC during 2007-12 has been compared in **Table 5.**

Table 5 – Comparison of pass percentage between Government and Private schools

Year	Puducherry			Karaikal		
	Govt.	Private	Gap	Govt.	Private	Gap
SSLC (Std. X)						
2007-08	70.57	94.64	**24.07**	71.69	96.58	**24.89**
2008-09	75.93	94.22	**18.29**	72.50	96.46	**23.96**
2009-10	77.75	95.46	**17.71**	77.19	97.92	**20.73**
2010-11	83.75	95.85	**12.10**	77.09	97.15	**20.06**
2011-12	88.28	97.21	**8.93**	80.97	97.66	**16.69**
HSC (Std. XII)						
2007-08	66.33	92.13	**25.80**	78.45	95.54	**17.09**
2008-09	71.94	94.55	**22.61**	80.00	86.22	**6.22**
2009-10	61.44	93.36	**31.92**	72.63	95.19	**22.56**
2010-11	73.19	95.73	**22.54**	79.19	93.77	**14.58**
2011-12	74.87	95.34	**20.47**	78.44	92.16	**13.72**

(Source: Extracted from the figures furnished by the Department)

An analysis of the above data disclosed the following:

- In both the regions, while private schools achieved a pass percentage of more than 90 *per cent* in both X and XII standards during the past five years, 80 was the highest pass percentage achieved by Government schools in respect of XII standard and 88.28 *per cent* in X standard during the same period.

- Though the gap between Government and private schools in X standard in Puducherry region decreased from 24.07 in 2007-08 to 8.93 *per cent* in 2011-12, the gap in XII standard still remained at 20 *per cent*. In Karaikal the gap remained around 20 and 14 *per cent* in respect of standards X and XII respectively.

In the Exit Conference, the DSE stated (November 2012) that majority of private schools had science groups where the scope of getting high marks by way of internal assessment was bright and further stated that efforts would be taken to minimise the gap.

This reply is not acceptable as 48 out of 57 GHSSs in the UT offered science groups and the opportunity of scoring high marks was available for the students of GHSSs also.

Performance of the SC students

In order to assess the performance of SC students in the Secondary and Higher Secondary Examinations, a comparative analysis between Non-SC and SC students was done, the results of which are given in **Table 6.**

Table 6 –Pass percentage between SC and Non-SC students

Year	Pass percentage in X standard (Secondary)		Pass percentage in XII standard (Hr. Secondary)		Percentage of students who scored more than 90 *per cent* in XII standard		Percentage of students who scored below 60 *per cent* in XII standard	
	Non-SC	SC	Non-SC	SC	Non-SC	SC	Non-SC	SC
2007-08	74.65	59.41	72.04	56.29	0.90	0.24	38.27	54.71
2008-09	78.26	65.82	76.54	62.11	1.50	0.13	36.53	49.75
2009-10	80.50	67.97	67.10	52.01	0.84	0.11	47.13	62.86
2010-11	84.64	75.80	77.70	62.79	1.44	0.00	41.32	60.80
2011-12	88.83	81.13	78.96	63.62	1.14	0.00	41.48	59.44

(Source: Figures Furnished by the Department)

It could be seen from the above that the performance of SC students was not on par with that of Non-SC students. Though the gap between the performance of SC and Non-SC students at Secondary level reduced over the years, the gap between them remained static at around 16 *per cent* at Higher Secondary level. It was noticed that in the XII standard examination only about one *per cent* of the Non-SC students scored more than 90 *per cent*, while not even a single SC student scored more than 90 *per cent* in the past two years. The percentage of students (SC and Non-SC) scoring less than 60 *per cent* has increased. These statistics reflect poorly on the quality of education imparted by the Government schools.

4.1.8.3 Educational Indicators

Educational indicators such as Gross Enrolment Ratio, Gender Parity Index and Gross dropout rate would give the extent of progress made in educational development in the UT of Puducherry.

➢ **Gross Enrolment**

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 computed for the period 2007-12 indicated achievement of more than 100 *per cent* in enrolment from classes I to VIII as given in the **Table 7.**

Table 7 – Gross enrolment ratio

Year	Gross Enrolment Ratio			
	Primary	Middle	High	Higher Secondary
2007-08	111.17	102.77	99.3	53.1
2008-09	113.64	105.35	96.1	53.9
2009-10	101.41	96.19	93.4	55.1
2010-11	105.20	106.80	99.3	54.3
2011-12	105.48	106.20	NA	NA

(Source: Figures Furnished by SSA)

The reason attributed for more than cent *per cent* GER in Primary and Middle levels was the location of four regions of UT amidst thickly populated areas of the respective neighbouring States *viz.,* Tamil Nadu, Andhra Pradesh and Kerala, leading to enrolment of students belonging to these states in the Government schools of UT. However, cent *per cent* GER was not achieved at High School level even after taking into account the enrolment of students from the neighbouring States, although the administration aimed at achieving universalisation of secondary education by 2012.

Audit observed that admission to Higher Secondary classes was made based on the residency certificate to the effect that the student belongs to UT and hence GER at Higher Secondary level was less when compared upto secondary level and DSE has to take necessary initiative to increase GER.

➢ Gender Parity

The Gender Parity Index (GPI) is calculated by dividing Girls Gross Enrolment Ratio by Boys Gross Enrolment Ratio at a given level of education. It measures progress towards gender equity in education. The details in respect of GPI in the UT and that of in Government schools are given in **Table 8.**

Table 8 – Gender Parity Index in UT

Year	GPI in UT				GPI in Government Schools			
	Primary level	Middle level	High school	Hr. Sec	Primary level	Middle level	High school	Hr. Sec
2007-08	0.94	0.92	0.97	1.13	1.07	0.98	1.01	1.20
2008-09	0.94	0.91	0.96	1.16	1.08	0.97	1.01	1.22
2009-10	0.95	0.94	0.99	1.16	1.09	1.00	1.05	1.23
2010-11	0.96	0.93	0.97	1.18	1.11	1.02	1.03	1.32
2011-12	0.94	0.95	0.95	1.17	1.11	1.05	1.01	1.31

(Source: Compiled from the details furnished by the Department)

It could be seen that the GPI in Government Schools was higher than that of all schools in UT, as girls seem to have more inclination to continue their studies upto Higher Secondary level. Thus, Government schools cater to more girl students at all levels.

➢ **Gross Dropout**

Gross Dropout Rate (GDR) represents the percentage of students who drop out from a given grade or level of education in a given cycle/school year. The region-wise dropout rate relating to primary and upper primary (middle) levels are given in **Table 9.**

Table 9 – Region-wise Gross Dropout Ratio in UT

Region	Primary					Middle				
	2007-08	2008-09	2009-10	2010-11	2011-12	2007-08	2008-09	2009-10	2010-11	2011-12
Puducherry	2.51	3.16	2.93	1.92	2.03	2.49	3.21	2.69	2.67	2.31
Karaikal	3.51	2.17	2.77	2.59	1.30	5.44	2.26	3.88	3.07	1.91
Mahe	6.89	0.16	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00
Yanam	8.46	11.07	9.62	3.44	6.24	8.06	6.94	5.50	0.58	6.55
UT in total	4.98	3.18	3.00	2.04	2.02	4.26	3.00	2.90	2.53	2.34

(Source: Figures Furnished by SSA)

Though the drop out rate at middle level had decreased by 1.92 *per cent* during the period 2007-12, the dropout rate in the major region *viz.,* Puducherry, only a marginal decrease of 0.18 *per cent* was noticed. Similarly, at primary level, the drop out rate in Puducherry region in 2011-12 had increased over that of 2010-11. In Yanam region, the GDR at both primary and middle levels continued to be on the higher side. In Mahe, the drop out was nil both at the primary and middle levels during the last three years.

Prevalence of GDR above zero at primary and middle level in the UT other than Mahe region as of March 2012 indicated that the UT Government had not achieved its objective of providing education to all upto middle level *viz.,* universalisation of elementary education by the year 2012.

4.1.9 Infrastructural facilities in schools

There was Shortfall in infrastructure facilities

The District Information System on Education (DISE) is the core component of Management Information System of Sarva Siksha Abhiyan (SSA) in all the States in the country and forms the unitary mode of data capture, which also forms the basis for all planning and budget of SSA. Sufficient number of classrooms[8]/toilets[9], necessary furniture, playground, library and compound wall are basic prerequisites for smooth functioning of a school. The deficiencies in infrastructural facilities in the 431 Government schools including 66 sample schools, as per the data captured by DISE and as noticed by Audit are given in **Table 10.**

[8] The requirement was assessed on the basis of one classroom for one section

[9] Three latrines seats for every 100 boys and five latrines seats for every 100 girls

Table 10 – Shortfall in infrastructural facilities at Government schools

Sl.No.	Facility	Shortfall in infrastructure	
		out of 431 Government schools	out of 66 sample schools
1.	Classrooms	1306	270
2.	Furniture	9	Nil
3.	Toilets	25	1
4.	Playground	213	20
5	Compound wall	50	2
6	Computers	15	4
7	Library	37	6

(Source: Figures compiled from the details collected under DISE)

- Against the requirement of 4,121 classrooms, only 2,815 classrooms were available leading to a shortfall of 1306 class rooms (31.69 *per cent*). During field visit to schools, instances of conducting classes in verandahs/open yards of the schools were noticed by audit.
- Shortage in the number of toilets ranging from one to 53 was noticed in 377 schools to meet the student strength and the available toilets were poorly maintained. As regards the position in the sample schools, shortfall in boys' and girls' toilets was noticed in 33 and 35 schools respectively.
- 213 out of 431 schools in UT did not have playgrounds. As Physical Education is also a part of school curriculum, students of these schools were deprived of the benefit of sports activities.
- Library was not available in 37 schools. Fifty schools did not have compound wall.

Class conducted in verandah
GHS, Mettupalayam

Toilet in poor condition
GHSS Bahour

- Out of 15 schools, which had no computers, eight GHSS offered computer science subject, though imparting quality education was not practically feasible in the absence of computers.

4.1.9.1 Maintenance of school buildings

Poor maintenance of Government school buildings

Out of 431 Government Schools, 414 had own buildings, four functioned in rent free buildings and eight functioned in rented buildings. Buildings for five schools were under construction. A visit by the Audit team to the test checked schools indicated that school buildings in Puducherry and Karaikal regions were not maintained well. Poor utilization of funds as discussed in the next two paragraphs was one of the reasons for shortfall in infrastructure and poor maintenance of the facilities.

Broken parapet and sunshades in GPS, Muthirapalayam

Damaged ceiling of verandha GHSS, Sultanpet

The Secretary to Government stated (November 2012) that no survey had been done so far to identify the school buildings in poor condition and that a detailed study would be undertaken to this effect.

This indicated that the Heads of the Institutions and the respective Inspecting Officers had not bothered about providing a safe and pleasant ambience to the students for pursuing their studies in Government schools.

4.1.9.2 Non-utilisation of the approved outlay for creation of amenities

The provision of ₹ 20 crore earmarked in the approved outlay of XI FYP to provide the schools with benches/desks, toilets and water supply facilities was not at all utilised.

When this was pointed out, the Directorate replied that these facilities were being covered under supplies and materials component of the existing schemes meant for elementary, secondary and higher secondary education.

Audit scrutiny, however, revealed that only ₹ 6.06 crore was spent by the Department under supplies and materials component of the schemes during 2007-12. While deficiency in provision of infrastructural facilities still persisted as elucidated in **Table 10**, non-implementation of the scheme exclusively meant for creation of amenities and relying on other schemes for funds was not justified.

4.1.9.3 Non-utilisation of grants by schools

Under Sarva Siksha Abiyan (SSA) and Rastriya Madhyamik Shiksha Abhiyan (RMSA), the programmes implemented by GOI, grants were released to Government schools for carrying out various activities for the welfare of the students and for creation and maintenance of school buildings with community participation. However, Audit observed that in Puducherry and Karaikal regions, there was shortfall in utilization of the funds by the schools for creation and maintenance of infrastructure. An amount of ₹ 83.30 lakh under SSA (244 schools) and ₹ 1.65 crore under RMSA (118 schools) released during 2007-12 were lying in the bank accounts of the schools as of March 2012. Audit observed that non-utilisation of the grants for the specified purposes like maintenance, minor repairs, purchase of laboratory articles, etc., has the risk of denial of congenial atmosphere to the students for learning.

When Audit pointed out the reluctance of the Heads of Institutions to spend the funds for the development of the school, the Secretary to Government (November 2012) instructed the DSE to initiate suitable action against them if the funds were not spent.

4.1.9.4 Non-acquisition of land for construction of school buildings

The XI Five Year Plan document contemplated acquisition of lands for the GPS at Ouppalam, Muthupillaipalayam, Mulla Street, Chettipet, Gueriampeta and GMS at Nellithope, Manalipet, Nallavadu and Farempeta. It was, however, noticed that none of the proposals materialized so far due to non-provision of funds, non-receipt of requisition/ proposal from the Controlling Officers and non-transfer of land. Thus, there was non-achievement of providing infrastructural facilities to the schools, despite an official at the rank of Tahsildar was exclusively sanctioned for looking after the land acquisition matters of the Education Department. During inspection of sample schools by Audit, it was noticed that the steel *almirahs* were being used as partition between classrooms in GPS at Mullah Street and Ouppalam.

Classrooms with Almirahs as partition
GPS, Mullah Street, Puducherry

During the Exit Conference, the Secretary to Government stated (November 2012) that due to financial constraints the acquisition proposals did not materialise.

4.1.10 Implementation of schemes

4.1.10.1 Scheme of incentive to the SC girls in Secondary Schools

There were delays in implementation of incentive and free supply schemes, leading to deprival of benefits to the students

In order to promote enrolment of the girl students belonging to SC/ST communities and to reduce dropout at secondary level, GOI introduced (July 2008) the centrally sponsored scheme of 'Incentive to SC/ST girls for Secondary Education' from the academic year 2008-09. Under the scheme, a sum of ₹ 3,000 would be deposited in bank in the name of each eligible SC/ST girl below the age of 16 years who had passed VIII standard and enrolled in IX standard from the academic year 2008-09. The interest on the fixed deposit would be added from the date the amount was deposited in the bank. The girl receiving incentive would be entitled to withdraw the amount with interest on attaining 18 years of age, provided she passed at least X standard Board examination.

GOI released an amount of ₹ 45.78 lakh for 1526 students in March 2009 to the UT Government with instructions to deposit the amount in the State Bank of India and give details of the beneficiaries to the bank in order to facilitate issue of Fixed Deposit Certificate to the beneficiaries. However, on deleting 11 ineligible students, DSE deposited an amount of ₹ 45.45 lakh in respect of 1515 students in the bank in September 2010, after a delay of 17 months due to delay in verification of the beneficiaries of SC students covered under the scheme. The inordinate delay in depositing the amount in the bank deprived the benefit of accrual of interest of ₹ 5.15 lakh[10] to the beneficiary students.

The DSE accepted (November 2012) the fact and stated that issue of FD certificate to the students would be ensured.

4.1.10.2 Delay in supply of footwear to the students

Supply of footwear every year to the students of Government and aided schools is one of the components under the free supplies scheme implemented by the Directorate to attract and retain the poor children in schools. On an analysis of the implementation of the scheme, Audit noticed that footwear to the students was not supplied by the Directorate during 2007-08, 2009-10 and 2011-12 due to delay in finalization of the rates and consequent delay in sending proposals to the Government for obtaining expenditure sanction. While the proposals sent (September 2007/March 2010) for the year 2007-08 and 2009-10 materialised only during the subsequent years, no proposal was sent to the Government for the year 2011-12 as the rates were finalized only at the fag end of the financial year.

On this being pointed out, the Director attributed (November 2012) non-implementation of the component during 2011-12 to enforcement of

[10] ₹ 45, 45,000 x 8 *per cent* /12 x 17 months

model code of conduct for elections. However, he could not provide reasons for non-supply during 2007-08 and 2009-10. The reply is not acceptable as election was over by May 2011 during 2011-12 and there was enough time to implement the scheme during the remaining part of 2011-12.

4.1.10.3 Operation of the Students' special buses

The UT Government had a scheme of providing transport facilities at concessional rate to the students of Government and aided schools in Puducherry (January 2010) and Karaikal (August 2010) by engaging private operators exclusively for this purpose through the Puducherry Road Transport Corporation (PRTC). The private operators were paid fixed amount per month for the allotted routes classified on the basis of distance covered per day. PRTC was paid service charges at the rate of 8.5 *per cent* of the total monthly payments made to the private bus operators. Scrutiny of records relating to the scheme revealed the following:

A crowded students special bus without door

- The scheme was being operated for the past three years without any formal tripartite agreement between the Directorate, PRTC and the private bus operators.

- As against deducting at the rate of ₹ 1,000 as expenditure towards diesel cost per day per bus, deduction of only ₹ 7,000 was made from the monthly bills relating to summer vacation period, as demanded by the bus operators, instead of ₹ 22,000 (for 22 working days) required to be made. This resulted in unintended benefit of ₹ 24.15 lakh[11] to the private bus operators.

- Consequent upon an accident that occurred on 31 October 2011 to a special bus, which claimed the life of a student and injured 62 other students, the Directorate instructed (November 2011) the operators to restrict the load and not to allow more than 80 (55 + 25) students to travel at a time. However, it was noticed that the private operators did not follow the norms as is evident from the picture.

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[11] ₹ 15,000 X 161 buses (21 in 2009-10 and 70 each during 2010-11 and 2011-12)

Neither the Directorate nor PRTC took any steps to ensure that the buses were operated as per the prescribed norm.

- Information as to how many students were actually availing the transport service was not available with DSE or PRTC. Though the Directorate deducted ₹ 100 per day as charges for 50 students towards to and fro trip from the monthly bill of the bus operator, it did not have any mechanism to assess the number of students actually covered under the scheme. In the absence of such a mechanism, it was not possible to ensure correctness of payments particularly when the private operators overloaded the buses and had unintended benefits by way of collection of fare from the students in excess of the seating capacity of buses.
- The school buses were not operated in conformity with the directions of the Supreme Court of India. Firefighting equipment and first aid box were not found in the buses, students were allowed to board in excess of the permitted capacity and some of the buses had no doors.

The DSE accepted (November 2012) the observation and stated that finalization of tripartite agreement was in progress. He further stated that inspection of buses as per the norms and guidelines was to be done and monitored by PRTC.

The reply is not acceptable as pending finalization of the tripartite agreement, the Directorate could not shirk its responsibility of monitoring the implementation of its own scheme.

4.1.11 Manpower Management

Large scale vacancies in the posts of Principal, Vice Principal and Headmaster

The details of sanctioned posts and men in position and vacancy as of March 2012 in respect of various teaching staff are given in **Table 11**.

Table 11 – Men-in-position in respect of teaching staff

Designation	Sanctioned strength	Men in position	vacancy	Percentage of vacancy
Principal	35	27	8	23
Vice-Principal	48	34	14	29
Head Master-I	73	27	46	63
Lecturer	588	534	54	9
Trained Graduate Teacher	2266	2053	213	9
Head Master-Primary	186	179	7	4
Physical Education Lecturer	46	33	13	28
Physical Education Teacher	199	173	26	13
Primary School Teacher	2165	1824	341	16
Instructor	66	19	47	71
Fine Arts, Performing Arts and Sewing Teacher	292	160	132	45
School Librarian	122	108	14	11
Balasevika	245	141	104	42
Conductress	233	99	134	58

(Source:- Figures furnished by the Department)

4.1.11.1 Non revision of the Recruitment Rules

In the light of implementation of sixth central pay commission and changes brought out in the other orders/instructions of GOI, suitable amendments have to be made in the Recruitment Rules so that steps like holding of Departmental Promotion Committee etc., could be taken to fill up the posts. It was, however, noticed that the revised Recruitment Rules had been notified (July 2012) by the UT Government only for the cadres such as Librarian, Physical Education Teacher and Instructor (Vocational). The proposals relating to revision of Recruitment Rules in respect of rest of the posts submitted between July 2009 and April 2012 were pending either with the UT Government or with the Directorate. As a result, important posts such as Principal, Vice Principal and Headmaster could not be filled up, which would have impact on the performance of the schools.

4.1.11.2 Non filling up of the posts of Principal

The Principal (Group A cadre) is the administrative head and overall in-charge of the Higher Secondary school. There were 57 GHSS in the UT as of 31 March 2012. However, there were only 35 sanctioned posts of Principal of which eight were vacant (December 2011) for the period ranging from three to 19 months. Of the available 27 Principals, four incumbents were working on other assignments[12]. Though it was contemplated in the XI Five Year Plan to create 40 posts of Principal, no post was created despite upgradation of 10 GHSs into GHSSs during 2007-12.

In the absence of adequate number of Principals, the schools were finding it difficult to manage the students. The action of DSE in upgrading the schools without creating the posts of Principals and deputing the existing principals to other assignments, when there was severe shortfall, reflected poorly on the man management by DSE.

The Secretary to Government accepted (November 2012) the fact and stated that there was delay in taking up the matter with UPSC for direct recruitment, which has been taken up recently.

4.1.11.3 Drafting of teachers to SSA and other administrative works

According to the Regulations and Bye-laws of SSA, the mode of recruitment for the Mission is either by transfer on deputation or short term contract. However, it was noticed that 15 teaching staff were diverted from the Government schools to the SSA by issuing routine office orders instead of sending them on deputation or on transfer to work in the SSA units at Puducherry, Karaikal, Mahe and Yanam. As SSA is a separate

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12 One on deputation to Government of Haryana and another on deputation to DIET, Puducherry. The third one was working as Joint Director (School Education) and the other on placement to SSA as State Project Director.

Autonomous Body registered under the Societies Act to which funds are released as grants by GOI as well as UT, sparing the services of the teaching staff to the SSA was not in order. The expenditure incurred on the staff so diverted was continued to be drawn in their respective Government schools.

On being pointed out, the Secretary to Government directed (November 2012) the State Project Director, SSA to invite applications from the teaching staff to be appointed in SSA on deputation/ transfer basis and not on service placement based on office orders.

4.1.12 Training

In the XI Five Year Plan, it was stated that all teachers would be given intensive training so as to improve the quality of education. In the UT, the District Institute of Education and Training (DIET), State Training Centre (STC) and SSA have been given the role of conducting in-service training programmes to all the teaching staff. A review of performance of these agencies disclosed the following:-

4.1.12.1 District Institute of Education and Training (DIET)

DIET is the nodal agency at the district level to conduct in-service training to the elementary and middle school teachers of Government and aided schools. The Annual Action Plan prepared by DIET, as stipulated in GOI guidelines, should include detailed plan for imparting in-service training to the school teachers. The DIET was to be overall responsible for activities relating to teacher education and school quality/school improvement in the district and work with the Block Resource Centres (BRC) and Cluster Resource Centres (CRC). Scrutiny of functioning of DIET revealed the following:

- No in-service training programme was conducted by DIET during 2007-12.
- DIET had not prepared the Annual Action Plan by taking into account the budget provisions under SSA.
- There was no linkage between DIET and BRCs/CRCs established by SSA.
- Though GOI released ₹ 25 lakh (₹ five lakh every year) during 2007-12 towards conduct of in-service training, the same was diverted for meeting the establishment expenditure of DIET.

In the absence of training by DIET, the trainings arranged by SSA became the only avenue for teachers to improve themselves. However, computerised database regarding the Primary School Teachers/Trained Graduate Teachers

(TGTs) so far trained and yet to be trained under each training programme was not available with SSA.

4.1.12.2 State Training Centre

The State Training Centre (STC) was aimed at improvement of the academic standard of teachers working at secondary level and other functionaries. STC was also the nodal agency for implementation of all programmes, schemes and projects for development of curriculum, evaluation etc. Scrutiny of records of STC revealed the following:

- The target group for training programmes conducted by STC was stated to be Trained Graduate Teachers and special teachers. Though there were 2053 TGTs and 160 special teachers as of March 2012, no plan of action to arrange for imparting training to all of them in a phased manner was available.

- The calendar of training programmes for the ensuing year was not prepared in advance by STC. Instead, the programmes planned during a financial year were got approved by the State Level Programme Advisory Committee only after commencement of the year leading to delay in organizing the programmes and completing the training schedule within the year.

- STC had not maintained any database to retrieve the details of training programmes conducted, number of participants attended, duration of training programme, faculty handled the training programme etc.

- There was no mechanism to obtain any performance assessment from the Heads of respective schools in respect of the teaching staff who attended the training.

On being pointed out, the Officer on Special Duty, STC stated (November 2012) that in future, annual plan of action would be initiated well in advance as suggested by Audit.

4.1.12.3 Under-utilisation of the services of Regional Institute of English, South India

The DSE proposed in November 2006 to become a member of the Regional Institute of English, South India (RIESI) in Bangalore with a view to improve the quality of English language teaching in the schools. As the expenditure of the Institute was to be shared between the member States, UT Government paid a sum of ₹ 21.94 lakh[13] towards its contribution for the period 2007-12. The details of number of programmes

[13] ₹ 1.94 lakh in 2007-08 and ₹ five lakh each during 2008-09 to 2011-12

to which participants were nominated and participation of nominees in the programmes during 2007-12 are given in **Table 12.**

Table 12 – Details of participants nominated for training at RIESI

Year	Programmes allotted by RIESI	Number of participants nominated	Number of participants attended	Absentees	Percentage of absentees
2007-08	3	115	102	13	11
2008-09	4	60	19	41	68
2009-10	3	115	101	14	17
2010-11	4	47	13	34	72
2011-12	6	67	24	43	64
Total	**20**	**404**	**259**	**145**	**36**

(Source:- Figures furnished by the Department)

It could be seen from the above that there were large number of absentees ranging from 11 to 72 *per cent.* No action was taken by DSE against such mass absenteeism. To an audit query, the Office on Special Duty stated (May 2012) that the training programmes organized by RIESI were of longer duration and hence the nominated teachers were not willing to attend the same. It was further stated that action had not been taken against the defaulters as the said training was not made mandatory.

The reply is not acceptable as the teaching profession requires acquisition of skills and periodical updation of knowledge to meet the changing roles and functions within the teaching system. Non-utilisation of the services of RIESI by the teachers indicated their non-cooperation and failure to make use of the training despite paying charges to RIESI. On being pointed out, the Secretary to Government instructed (November 2012) to take severe action on the participants for willful absence.

4.1.13 Monitoring and Evaluation

4.1.13.1 Internal Audit

Internal audit is an important management tool to examine and evaluate the compliance of departmental rules and procedures by the schools. The Internal Audit wing of the DSE consisting of a Superintendent and an Upper Division clerk was functioning under the control of a Junior Accounts Officer. The Directorate did not prepare any annual audit plan. Registers to monitor the number of auditable units and periodicity of audit and to watch settlement of internal audit observations were also not maintained. Out of 180 institutions/schools to be inspected, the wing was able to cover 68 institutions apart from conducting 42 surprise inspections of the Government schools/branch offices. The reason for shortfall was stated to be shortage of manpower due to non-filling of two posts of Assistant.

4.1.13.2 Non formation of Parent Teacher Associations

Parent and Teacher Association (PTA) had to be established and managed in every Government and private school mainly with the following objectives.

- Creating awareness about importance of education among the people and to make them to effectively participate in the activities of the school
- Ensuring 100 *per cent* enrolment, attendance and retention in the school
- Developing co-operation between the parents and teachers which would ultimately lead to improve the standards of education

Despite instructions of DSE (December 2003) that compliance report should be submitted within three months regarding formation of PTAs in all schools, Audit noticed that as of March 2012, PTAs were not established in 36 schools (11 GPSs, 14 GMSs and 11 GHSs) out of 264 schools for which information was furnished to Audit. This indicated lack of monitoring by DSE to ensure formation of PTAs in all the schools.

4.1.14 Conclusion

The Directorate did not have any Perspective Plan to formulate long term strategies. Failure to ensure availability of land and feasibility of extension of the existing school buildings led to non-availing of loan assistance extended by NABARD. Land acquisition proceedings were delayed due to belated release of funds. Schools were upgraded to next levels without any norms leading to poor patronization of the upgraded schools. The enrolment in Government schools decreased over the years due to lack of proper infrastructure/amenities and poor implementation of the schemes. The performance of the students of Government schools at Secondary/Higher Secondary examinations was found to be lagging behind the students of Private schools due to lack of adequate infrastructure and teaching staff. Many schools did not have enough classrooms, playgrounds and computer facilities. Funds allotted for maintenance of the schools were not utilized and few school buildings were found to be in poor condition. There were large scale vacancies in the posts of Principal and vice Principal, Headmaster, Physical education lecturer, Instructors and specialized teachers. Large scale absenteeism was noticed in the case of teachers nominated for training programmes conducted by RIESI. Parent Teacher Associations were not formed in some schools to improve the standards of education.

4.1.15 Recommendations

- Perspective Plan should be prepared and implemented to ensure that there is no gap in infrastructure, teaching quality and adequate amenities.
- Proper co-ordination between Education, Revenue and Public Works Departments and availability of funds should be ensured for acquisition of land and providing necessary infrastructure.
- Efforts should be taken to arrest the decline in the enrolment in Government schools by improving the academic performance and proper implementation of free schemes in time.
- Shortfalls in provision of basic amenities should be addressed to provide a pleasant and hygienic environment to students.
- Efforts should be taken to fillup the vacancies in the posts of Principal, Headmaster and Lecturers.

CHAPTER V

REVENUE RECEIPTS

CHAPTER V

REVENUE RECEIPTS

5.1 Trend of revenue receipts

The tax and non-tax revenue raised by the Government of the Union Territory of Puducherry and the grants-in-aid received from the Government of India during the year 2011-12 and the corresponding figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Category	2007-08	2008-09	2009-10	2010-11	2011-12
I	**Revenue raised by the Government**					
	(a) Tax revenue	652.85	725.35	867.74	1,074.47	1,329.43
	(b) Non-tax revenue	625.82	628.64	642.93	742.78	153.31
	Total (I)	**1,278.67**	**1,353.99**	**1,510.67**	**1,817.25**	**1,482.74**
II	Receipts from the Government of India – Grants-in-aid	856.95	1,104.51	1,330.66	1,382.78	1,288.68
III	**Total receipts of the Government (I + II)**	**2,135.62**	**2,458.50**	**2,841.33**	**3,200.03**	**2,771.42**
IV	**Percentage of I to III**	**60**	**55**	**53**	**57**	**54**

(Source: Finance Accounts of the respective years)

The above table indicates that during the year 2011-12, the revenue raised (₹ 1,482.74 crore) by the Union Territory Government was 54 *per cent* of the total revenue receipts (₹ 2,771.42 crore) as against 57 *per cent* in the preceding year. The balance (₹ 1,288.68 crore) 46 *per cent* of the receipts during 2011-12 was obtained from the Government of India.

5.1.1 The details of tax revenue raised during the year 2011-12 along with the figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Heads of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+)/ decrease (-) in 2011-12 over 2010-11
1	Taxes on sales, trade, etc.	354.98	381.86	453.11	595.00	750.15	(+) 26.07
2	State excise	224.02	279.60	329.06	378.55	447.27	(+) 18.15
3	Stamp duty and registration fees	41.37	30.80	50.15	51.93	77.43	(+) 49.10
4	Taxes on vehicles	31.60	32.46	34.75	48.27	53.55	(+) 10.93
5	Land revenue	0.54	0.38	0.54	0.62	0.80	(+) 29.03
6	Others	0.34	0.25	0.13	0.10	0.23	(+) 130.00
	Total	**652.85**	**725.35**	**867.74**	**1,074.47**	**1,329.43**	

(Source : Finance Accounts of the respective years)

The reasons for variation in receipts in 2011-12 over 2010-11 as furnished by the Departments concerned are mentioned below:

Taxes on sales, trade, etc.: The increase (26.07 *per cent*) was due to strict compliance of payment and collection of tax.

State excise: The increase (18.15 *per cent*) was due to upward revision of Excise Duty and additional Excise Duty on Indian Made Foreign Liquor (IMFL) and beer.

Stamp duty and registration fees: The increase (49.10 *per cent*) was due to sale of more non-judicial stamps.

Taxes on vehicles: The increase (10.93 *per cent*) was due to registration of more number of new vehicles and revision of taxes.

The other Departments did not furnish (December 2012) the reasons for variation despite being requested (July 2012).

5.1.2 The details of the non-tax revenue raised during the year 2011-12 along with the figures for the preceding four years are given in the following table:

(₹ in crore)

Sl. No.	Heads of revenue	2007-08	2008-09	2009-10	2010-11	2011-12	Percentage of increase (+) / decrease (-) in 2011-12 over 2010-11
1	Power	570.36	545.90	549.39	662.71	58.73	(-) 91.13
2	Interest receipts, dividends and profits	21.41	47.60	56.98	42.15	38.72	(-) 8.13
3	Medical and public health	7.83	6.55	6.58	10.77	8.46	(-) 21.4
4	Education, sports, art and culture	0.48	0.46	0.45	0.61	0.84	(+) 37.70
5	Crop husbandry	0.34	0.29	0.39	0.41	0.48	(+) 14.63
6	Other receipts	25.40	27.84	29.14	26.13	46.08	(+) 76.38
	Total	**625.82**	**628.64**	**642.93**	**742.78**	**153.31**	

(Source : Finance Accounts of the respective years)

The reasons for variation in receipts in 2011-12 over 2010-11 as furnished by the departments concerned are mentioned below:

Power: The decrease (91.13 *per cent*) was due to utilising the receipts on sale of power for purchase of power.

Medical and public health: The decrease (21.40 *per cent*) was due to belated receipt from the Employees Insurance Corporation for the fourth quarter towards reimbursement of expenditure incurred by the Union Territory of Puducherry.

The other Departments did not furnish (December 2012) the reasons for variation despite being requested (July 2012).

5.2 Variation between the budget estimates and actuals

The variation between the budget estimates and actual revenue receipts for the year 2011-12 in respect of the principal heads of tax and non-tax revenue are given in the following table:

(₹ in crore)

Sl. No	Heads of Revenue	Budget estimates	Actuals	Variation excess (+) or shortfall (-)	Percentage of variation excess (+) or shortfall (-)
1	Taxes on sales, trade, etc.	1244.83	750.15	(-) 494.68	(-) 39.74
2	State excise	778.00	447.27	(-) 330.73	(-) 42.51
3	Stamp duty and registration fees	113.96	77.43	(-) 36.53	(-) 32.06
4	Taxes on vehicles	89.86	53.55	(-) 36.31	(-) 40.41
5	Land revenue	1.42	0.80	(-) 0.62	(-) 43.66
6	Interest receipts, dividends and profits	71.91	38.72	(-) 33.19	(-) 46.15
7	Medical and public health	10.04	8.46	(-) 1.58	(-) 15.65
8	Education, sports, art and culture	1.19	0.84	(-) 0.35	(-) 29.41
9	Crop husbandry	0.48	0.48	0.00	0.00

(Source : Annual Finance Statement and Finance Accounts of the respective years)

The Departments did not furnish (December 2012) reasons for variation despite being requested (July 2012).

5.3 Analysis of collection

The break-up of total collection at the pre-assessment stage and after regular assessment under the Pondicherry General Sales Tax Act and Puducherry Value Added Tax Act for the year 2011-12 and the corresponding figures for the preceding two years as furnished by the Department are given in the following table:

(₹ 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 col. 2 to 6
1	2	3	4	5	6	7
2009-10						
ST	5.68	---	0.43	0.13	5.98	94.98
VAT	232.80	---	0.39	---	233.19	99.83
Non-VAT	213.76	---	0.18	---	213.94	99.92
2010-11						
ST	4.72	---	0.43	0.04	5.11	92.37
VAT	288.64	---	0.66	---	289.30	99.77
Non-VAT	300.14	---	0.44	---	300.58	99.85
2011-12						
ST	2.73	0.37	0.19	0.03	3.26	83.78
VAT	383.03	0.01	1.35	--	384.39	99.65
Non-VAT	360.93	0.54	1.02	--	362.50	99.57

The above table shows that the collection of revenue at the pre-assessment stage ranged between 83.78 and 99.92 *per cent* during 2009-10 to 2011-12.

5.4 Arrears of revenue

The arrears of revenue pending for collection as on 31 March 2012 under the principal heads of revenue, as reported by various Departments was ₹ 465.16 crore as indicated below:

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
(1)	(2)	(3)	(4)	(5)
1.	Commercial Taxes	204.50	22.69	The arrears related to collection of tax under PGST/CST and VAT Acts and major portion was covered under court cases.
2.	Electricity	227.60	55.96	Reasons for pending arrears on account of sale of power to consumers were not furnished by the Department.

(1)	(2)	(3)	(4)	(5)
3.	State Excise	18.77	9.66	Arrears were mainly due to non payment of *kist* by the lessees of arrack and toddy shops.
4.	Public Works	10.23	3.39	The arrears related to water charges due from consumers.
5.	Government Automobile Workshop	2.88	0.42	The arrears were due from Government departments towards sale of petrol, oil and lubricants.
6.	Port	0.59	0.57	Arrears were mainly due from M/s Container Corporation of India Limited, Government of India undertaking, towards land rent.
7.	Stationery and Printing	0.16	0.02	The arrears related to amount due from Government departments.
8.	Town and Country Planning	0.13	0.13	The arrears related to final cost of plots due from the allottees of various housing schemes.
9.	Tourism	0.08	0.04	The arrears were mainly due from guests/Government Officials/MLAs and Ministers towards room rent.
10.	Co-operation	0.07	0.02	Arrears related to audit fees and other receipts due.
11.	Judicial	0.04	0.03	In some cases, the accused were undergoing imprisonment and in some cases, appeals were pending in courts, etc.
12.	Industries and Commerce	0.11	0.11	Arrears related to rent due from defunct industrial units and to be recovered under the Revenue Recovery Act.
	Total	**465.16**	**93.04**	

The other Departments did not furnish (December 2012) the details of arrears of revenue, if any.

5.5 Fraud and evasion of tax

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

Cases pending as on 1 April 2011	Cases detected during 2011-12	Total	Number of cases in which assessments/investigations were completed and additional tax and penalty levied		Number of pending cases as on 31 March 2012
			Number of cases	Amount demanded	
123	44	167	33	₹ 39.71 lakh	134

5.6 Failure to enforce accountability and protect the interest of the Government

Principal Accountant General (Economic and Revenue Sector 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, rectify the defects and omissions promptly and report compliance to the office of the Principal 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 Principal Accountant General.

A review of IRs issued upto December 2011 disclosed that 558 paragraphs involving ₹ 236.48 crore relating to 158 IRs remained outstanding at the end of June 2012. The Department-wise break up of the IRs and audit observations outstanding as on 30 June 2012 are as given in the following table:

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales tax	45	278	93.46
3	Stamp duty and registration fees	58	123	2.67
4	Taxes on vehicles	32	112	4.18
5	State excise	23	45	136.17
	Total	**158**	**558**	**236.48**

5.7 Status of recovery against audit observations accepted by the Government

A review of the replies of the Government to the paragraphs of the Audit Reports for the last five years from 2006-07 to 2010-11 shows that against the revenue effect of ₹ 93.78 crore pointed out by audit, the department accepted observations of ₹ 77.77 crore but the actual recovery was only ₹ 0.29 crore. The year-wise break up of the recovery of revenue till October 2012 is given in the following table:

(₹ in crore)

Year of Audit Report	Revenue effect of the chapter	Amount accepted by the department	Amount recovered
2006-07	1.13	0.00	0.00
2007-08	9.49	1.80	0.20
2008-09	73.28	73.28	0.01
2009-10	0.34	0.06	0.04
2010-11	9.54	2.63	0.04
Total	**93.78**	**77.77**	**0.29**

It is recommended that the Government may revamp the recovery mechanism to ensure that the amount involved in accepted cases is promptly recovered.

5.8 Results of audit

Test check of the records of sales tax, state excise, stamp duty and registration fees and taxes on vehicles conducted during the year 2011-12 revealed under assessment/short levy/loss of revenue amounting to ₹ 132.98 crore in 38 audit observations. During the course of the year, the Departments accepted ₹ 17.21 lakh in 11 audit observations of which ₹ 3.65 lakh pertaining to seven cases were pointed out during the year and the rest in earlier years. ₹ 5.01 lakh was recovered by the Department.

This Chapter contains four paragraphs on "Sales Tax/Value Added Tax" and "Taxes on Vehicles" involving money value of ₹ 78.59 lakh.

Commercial Taxes Department

Sales Tax / VAT

5.9 Non-levy of penalty

As per Section 27(3) of the Pondicherry General Sales Tax Act, 1967, if the tax assessed under this Act or any instalment thereof is not paid by any dealer or person within the time specified therefor in the notice of assessment or in the order permitting payment in instalment, the dealer or person shall pay by way of penalty, in addition to the amount due, a sum equal to two *per cent*, of such amount for each month or part thereof after the date specified for its payment.

During audit in Mahe assessment circle (December 2010) it was noticed that two assessees paid tax dues for the years 2005-06 and 2006-07 after the dates prescribed for payment. The belated payment of tax though, warranted levy of penalty, the assessing authority omitted to levy the penalty of ₹ 3.53 lakh.

The matter was communicated (January 2011) to the Department. The Department levied penalty for ₹ 3.53 lakh and collected an amount of ₹ 2.87 lakh (August/September 2012). Further report is awaited (January 2013).

The matter was reported (July 2012) to the Government and their reply is awaited (January 2013).

5.10 Non-payment of purchase tax

As per Section 24 of the Puducherry Value Added Tax Act, 2007, every registered dealer shall file a tax return within 15 days after the end of the month for which it relates and the returns submitted by the dealer along with tax due thereon shall be accepted as self-assessed.
According to entry 1 of Part B of second schedule to the Act *ibid*, old and beaten gold or silver jewellery are taxable at the rate of one *per cent* at the point of last purchase.

During test check of records (October 2012) in the Office of the Commercial Tax Officer-I, Puducherry, it was noticed that three assessees purchased old gold and silver from the customers for ₹ 68.92 crore, during the years 2010-11 and 2011-12. The dealers reported this turnover in their returns but they did not pay tax on the purchase value even though they were liable to pay tax at last purchase point. The non-payment of tax worked out to ₹ 68.92 lakh.

This was pointed out to the Department (November 2012) and their reply is awaited (January 2013).

The matter was communicated to the Government (November 2012) and their reply is awaited (January 2013).

Transport Department

Taxes on Vehicles

5.11 Non-levy of penalty

As per Section 6A of the Pondicherry Motor Vehicles Taxation Act, 1967 the tax due in respect of transport vehicles is to be paid within thirty days from the commencement of the quarter. As per Section 9 where there is default/delay in payment of such quarterly payment, the registered owner is liable to pay along with the arrears, penalty at prescribed rate.

The Government of Puducherry vide notifications[1] extended the date of payment of tax in respect of two quarters October-December 2010 and January-March 2011 by one month.

During test check (October 2011) of records in the Regional Transport Office (RTO), Puducherry for the period from April 2007 to March 2011, it was noticed that in respect of 195 vehicles, tax has been paid belatedly, the delay ranging from one month to one year. However, penalty from 25 *per cent* to 100 *per cent* depending upon the period of delay though leviable was not levied. This resulted in non-levy of penalty of ₹ 4.46 lakh.

On this being pointed out, the Department replied (October 2011) that the Government of Puducherry has granted extension of time for payment of quarterly tax in two quarters and in respect of the remaining periods, the details will be examined and penalty will be collected wherever applicable. The reply requires reconsideration since the notifications referred were considered by audit while calculating the period and quantum of levy of penalty. Further report is awaited (January 2013).

The matter was reported to the Government (November 2011), and their reply is awaited (January 2013).

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1 G.O.Ms.No.23/2010/Tr.Sectt. Puducherry dated 14.10.2010
G.O.Ms.No.2/Tr.Sectt/2011 Puducherry dated 28.1.2011

5.12 Short collection of life time tax

> With effect from 1 October 2010, the rates of life time tax for motor vehicles were revised. In respect of non-transport vehicles costing ₹ 20 lakh and above, the rate of life time tax is ₹ 50,000.

During test check (October 2011) of records in the office of the RTO, Puducherry it was noticed that in respect of four non-transport vehicles registered after 01 October 2010, even though the cost of each vehicle was more than ₹ 20 lakh life time tax of ₹ 8,000 was collected based on the laden weight of the vehicle. This resulted in short collection of life time tax amounting to ₹ 1.68 lakh.

On this being pointed out, the Department collected the differential life time tax of ₹ 42,000 in July 2012 in respect of one vehicle. The Department further replied that demand notices in respect of the other vehicles have been issued. Further report is awaited (January 2013).

The matter was reported to the Government November 2011, and their reply is awaited (January 2013).

CHAPTER VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER VI

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6.1 Overview of Union Territory of Puducherry Public Sector Undertakings

Introduction

6.1.1 The Union Territory Public Sector Undertakings (PSUs) were established to carry out commercial activities keeping in view the welfare of people. As on 31 March 2012, there were 13 Government companies (all working) and none of them was listed on the stock exchange(s). These PSUs registered a turnover of ₹ 336.68 crore as per their latest finalised accounts (September 2012). This turnover was equal to 2.39 *per cent* of Gross State Domestic Product (GSDP) for 2011-12. The major activities of PSUs are concentrated in Financing and Manufacturing sectors. The PSUs incurred an aggregate loss of ₹ 55.81 crore as per their latest finalised accounts (September 2012). They had employed 5,839 employees as of 31 March 2012.

6.1.2 No PSU was either established or closed during 2011-12.

6.1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company includes a subsidiary of a Government Company.

6.1.4 The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956.

Investments in State PSUs

6.1.5 As on 31 March 2012, the investment (capital and long-term loans) in 13 PSUs was ₹ 726.25 crore as per details given below:

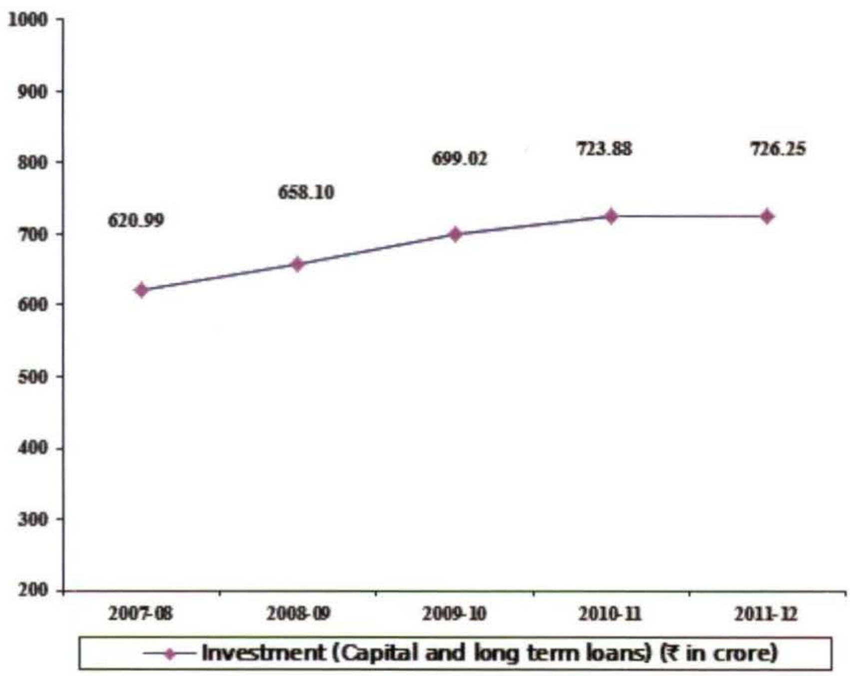
(₹ in crore)

Type of PSUs	Capital	Long Term Loans	Total
Working PSUs	710.90	15.35	726.25

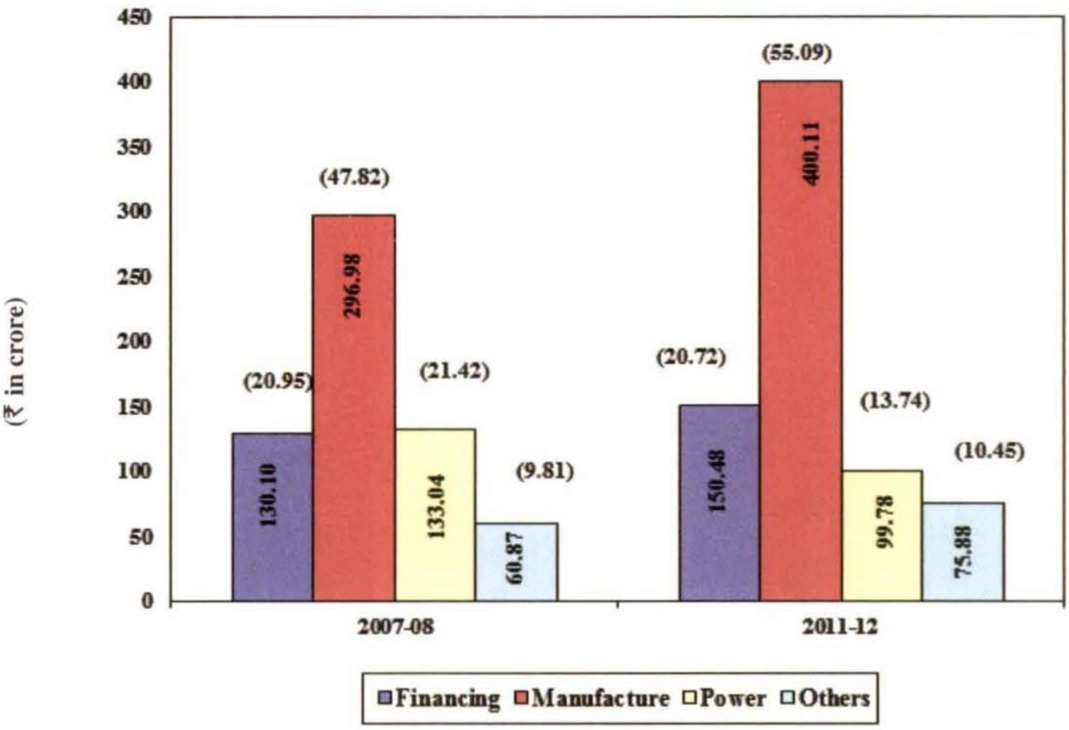
(Source : Details furnished by the Companies)

A summarised position of Government investment in PSUs of UT of Puducherry is detailed in **Appendix 6.1.**

6.1.6 Of the total investment in the 13 PSUs as on 31 March 2012, 97.89 *per cent* was towards capital and 2.11 *per cent* in long-term loans. The investment has grown by 16.95 *per cent* from ₹ 620.99 crore in 2007-08 to ₹ 726.25 crore in 2011-12.



6.1.7 The investment in various important sectors and percentage thereof at the end of 31 March 2008 and 31 March 2012 are indicated in the bar chart.



(Figures in brackets show the sector percentage to total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

6.1.8 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Appendix 6.3**. The summarised details of budgetary support from Government of UT of Puducherry are given below for three years ended 31 March 2012.

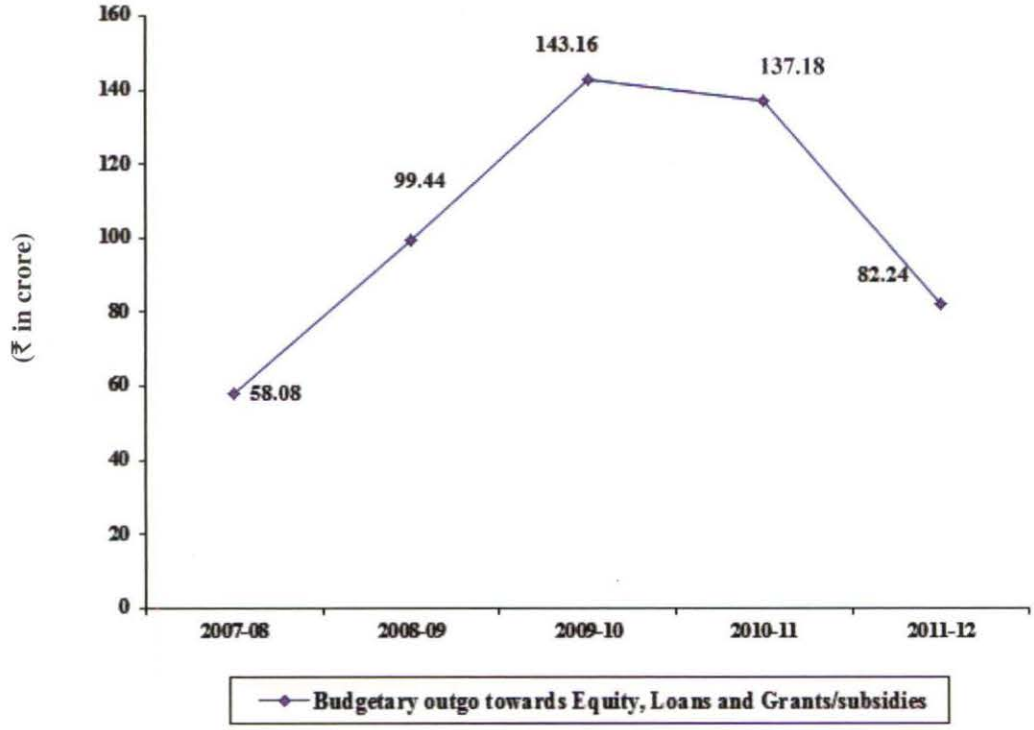
(Amount - ₹ in crore)

Sl.No	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity Capital outgo from budget	7	65.72	7	17.72	5	6.73
2	Loans given from budget	--	--	1	0.32	--	--
3	Grants/Subsidy received	5	77.44	6	119.14	6	75.51
4	Total Outgo (1+2+3)	8[1]	143.16	8[1]	137.18	8[1]	82.24
5	Loan converted into equity	--	--	2	4.01	--	--
6	Guarantee Commitment	1	4.97	1	4.97	1	3.64

(Source : Details furnished by the Companies)

[1] These are the actual number of companies which have received budgetary support in the form of equity, loans and grants/subsidies from the UT Government during the respective years.

6.1.9 The details regarding budgetary outgo towards equity, loans and grants/subsidies for the past five years are given in the graph below:



In respect of Pondicherry Corporation for Development of Women and Handicapped Persons Limited and Puducherry Backward Classes and Minorities Development Corporation Limited, the entire loss is met by the Government of UT of Puducherry by way of subsidy.

6.1.10 As regards guarantee commitment, only Puducherry Adi Dravidar Development Corporation Limited availed the Government of India guarantee against which ₹ 3.64 crore was outstanding as on 31 March 2012. No guarantee commission was payable to the UT Government by the Company.

Absence of accurate figure for investment in PSUs

6.1.11 Figures in respect of equity and loans outstanding as per records of UT PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of UT of Puducherry. In case the figures do not agree, the concerned PSUs and the Finance Department should reconcile the differences. The position in this regard as on 31 March 2012 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts 2011-12	Amount as per records of PSUs	Difference
Equity	700.23	700.53	0.30
Loans	0.94	--	0.94
Guarantees	4.28	3.64	0.64

(Source: Finance Accounts for 2011-12 and details furnished by the Companies)

6.1.12 Audit observed that the differences occurred in respect of three PSUs and the differences were pending reconciliation over a period of five years up to 2011-12. The UT Government and PSUs may take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

6.1.13 The financial results of PSUs are detailed in **Appendix 6.2**. The ratio of PSUs turnover to State GDP shows the extent of PSUs activities in the State economy. Table below provides the details of PSUs turnover and GSDP for the period 2007-08 to 2011-12.

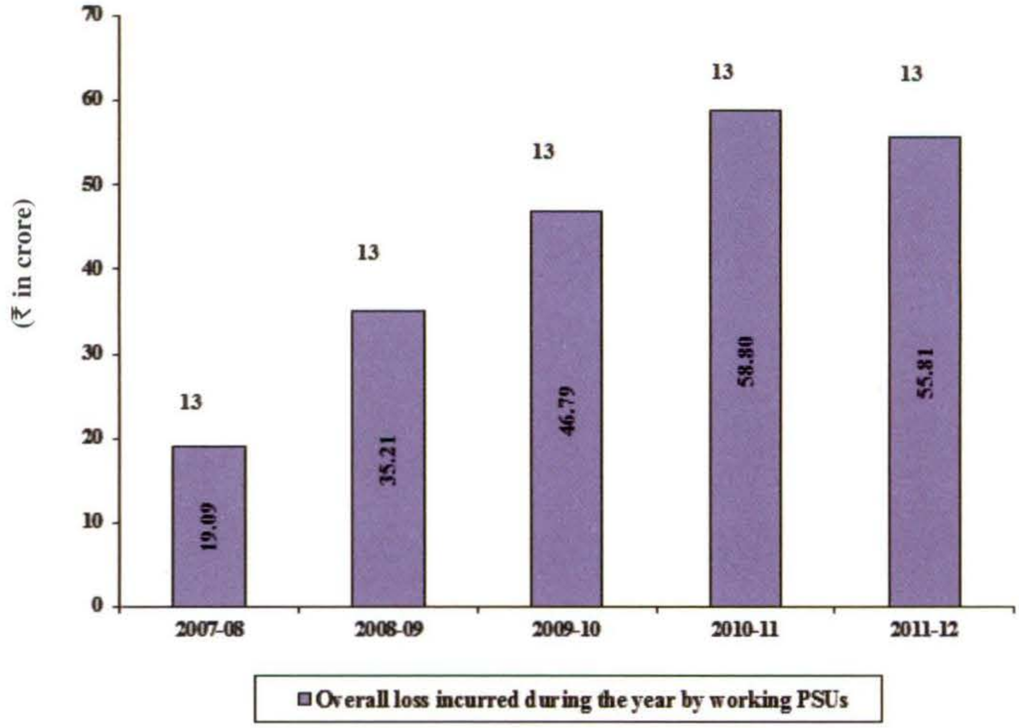
(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover	307.39	399.89	308.53	338.35	336.68[2]
GSDP	7,103	11,773.57	11,255.23	11,255.23	14,081.06
Percentage of Turnover to State GDP	4.33	3.40	2.74	3.01	2.39

(Source : Details furnished by the Companies and GSDP furnished by UT Government)

6.1.14 The overall losses incurred by the UT PSUs during the period 2007-12 is given below in the bar chart.

[2] Turnover as per latest finalised accounts as of 30 September 2012



During the year 2011-12, out of 13 PSUs, two PSUs earned profit of ₹ 5.31 crore while nine PSUs incurred loss of ₹ 61.12 crore leading to overall loss. Two working PSUs prepared their accounts on 'no profit no loss' basis. The contributors to profit were Puducherry Distilleries Limited (₹ 4.63 crore) and Puducherry Power Corporation Limited (₹ 0.68 crore). Heavy losses were incurred by Pondicherry Textiles Corporation Limited (₹ 30.12 crore) and Swadeshee-Bharathee Textile Mills Limited (₹ 11.17 crore).

6.1.15 The losses of PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operational management and monitoring. A review of the latest Audit Reports of CAG showed that the UT PSUs incurred avoidable expenditure/loss of revenue to the extent of ₹ 1.99 crore. Year-wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit (loss)	(46.79)	(58.80)	(55.81)	(161.40)
Controllable losses as per C&AG's Audit Report	0.96	1.83	1.99	4.78

(Source: Details furnished by the Companies)

6.1.16 The above losses pointed out by Audit Reports of CAG were based on test check of records of PSUs. Therefore, the actual controllable losses could be much more than this. With better management, the losses could be minimised. The PSUs can discharge their role efficiently only if they are financially prudent. This points towards a need for professionalism and accountability in the functioning of PSUs.

6.1.17 Some other key parameters pertaining to UT PSUs are given below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Captial Employed *(Per cent)*	NIL	NIL	NIL	NIL	NIL
Debt	14.89	11.48	16.46	19.59	15.35
Turnover	307.39	399.89	308.53	338.35	336.68
Debt/Turnover Ratio	0.05:1	0.03:1	0.05:1	0.06:1	0.05:1
Interest Payments	4.54	7.25	10.49	10.56	15.15
Accumulated Losses	211.36	263.76	268.60	378.51	449.45

(Source: Details furnished by the Companies)

6.1.18 As per the latest finalised accounts of PSUs as on 30 September 2012, the capital employed worked out to ₹ 677.15 crore in comparison to capital employed of ₹ 571.93 crore in 2007-08. During the last five years overall return on capital employed remained negative.

6.1.19 The State Government had not formulated any policy for payment of minimum dividend on the paid up share capital contributed by it. As per their latest finalised accounts, two PSUs earned an aggregate profit of ₹ 5.31 crore and one PSU[3] declared a dividend of ₹ 0.93 crore.

Arrears in finalisation of accounts

6.1.20 The accounts of the companies for every year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230 and 619 of the Companies Act, 1956. The table below provides the details of progress made by PSUs in finalisation of accounts by September 2012.

Sl.No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1.	Number of PSUs	13	13	13	13	13
2.	Number of accounts finalised during the year.	12	13	13	8	17
3.	Number of accounts in arrears	20	20	20	25	21
4.	Number of PSUs with arrears in accounts	12	13	13	13	12
5.	Extent of arrears	1 to 3 years	1 to 3 years	1 to 3 years	1 to 3 years	1 to 3 years

(Source: Details compiled by Audit)

[3] Puducherry Distilleries Limited

6.1.21 It could be seen from the table that 12 companies are having arrears in finalisation of accounts. The extent of arrears remained the same at one to three years during the five years ending 2011-12. The companies should make efforts to reduce the arrears in finalisation of accounts.

6.1.22 As of September 2012, the UT Government has invested ₹ 144.86 crore (Equity: ₹ 22.26 crore, Grants/Subsidies: ₹ 122.60 crore) in nine PSUs during the years for which accounts have not been finalised as detailed in **Appendix 6.4.** In the absence of accounts and their audit, investments and expenditure incurred cannot be vouchsafed.

6.1.23 The administrative departments have the responsibility of overseeing the activities of these entities and ensuring that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed periodically by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (October 2012) with the Chief Secretary to UT Government to expedite the finalisation of accounts in arrears.

Adverse Comments on the Accounts and Internal Audit of PSUs

6.1.24 Eleven companies forwarded their accounts to CAG during the year 2011-12. Of these, accounts of six companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	1	0.88	---	---	---	---
2.	Increase in loss	1	7.53	2	5.79	2	10.23
3.	Errors of classification	1	0.52	1	0.60	---	---
	Total	**3**	**8.93**	**2**	**6.39**	**2**	**10.23**

(Source: Annual Accounts of the Companies)

6.1.25 During the year, the statutory auditors had given unqualified certificates for eight accounts and qualified certificates for nine accounts.

6.1.26 Some of the important comments in respect of accounts of companies are stated below:

Puducherry Agro Services and Industries Corporation Limited (2008-09)

- Understatement of losses due to short provision of leave encashment benefits to the extent of ₹ 1.97 crore.

Pondicherry Textiles Corporation Limited (2009-10)

- The Statutory Auditors expressed their inability to give an opinion about (i) the recoverability of loans and advances amounting to ₹ 5.03 crore (ii) non-provision of interest on the loan amount of ₹ 3.47 crore and (iii) realisability of slow moving/non-moving items valued at cost.
- There was understatement of loss due to:

(i) non-provision of gratuity liability of ₹ 0.42 crore.

(ii) accounting of Voluntary Retirement Scheme compensation as receivable from Government of Puducherry without orders – ₹ 1.04 crore.

(iii) non-provision of ESI contribution on the interim relief granted to workers and contract labourers – ₹ 1.79 crore.

(iv) Valuation of process stock of unpacked grey cloth at cost despite its realisable value being lower than the cost – ₹ 5.01 crore.

6.1.27 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system during the year 2011-12 is given below:

Sl.No	Nature of comments made by Statutory Auditors	Number of companies where recommend-dations were made	Reference to serial number of the companies as per Appendix 6.2
1.	There was no system of preparing short term/long term business plans and review the same with actuals	3	6, 12 & 13
2.	Internal audit requires strengthening	3	2, 7 & 13
3.	Internal audit manual not prescribed	2	6&9
4.	Delineated fraud policy not available	6	2, 6, 7, 9, 12 & 13

Sl.No	Nature of comments made by Statutory Auditors	Number of companies where recommend-dations were made	Reference to serial number of the companies as per Appendix 6.2
5.	Non-formation/non-convening of Audit Committee in compliance with Section 292-A of the companies Act, 1956	3	1,4 &5
6.	Non-maintenance of proper register for fixed assets	1	5
7.	There was no approved IT strategy or plan	7	2, 3, 4, 5, 7, 9 & 13

(Source: Reports furnished by statutory auditors u/s 619(3)(a) of the Companies Act, 1956)

The Companies concerned should address the issues commented upon by the statutory auditors and take effective remedial action.

PONDICHERRY INDUSTRIAL PROMOTION DEVELOPMENT AND INVESTMENT CORPORATION LIMITED

6.2 Non accrual of envisaged benefit

PIPDIC deviated from the accepted principles of financial propriety and nominated a private party as a Joint Venture partner without following tender process. Further, failure to adhere to milestones led to cancellation of allotted coal block resulting in non accrual of envisaged benefit of availability of cheaper power.

Ministry of Coal (MOC), Government of India allots identified coal blocks to Central/State Public Sector Undertakings (PSUs) based on applications through the Government Dispensation route. In November 2006, MOC invited applications from PSUs for allotment of certain identified coal blocks.

JR Power Gen Private Limited (JRP), a private party with no proven experience either in coal mining or power generation prompted (14 December 2006), the Government of Union Territory of Puducherry (UT), to apply for allotment of coal block through this route. JRP, *inter alia,* stated that PIPDIC, a PSU of the UT, could apply for allotment of a block and form a Joint Venture (JV) with JRP for mining of coal and implement an end use power project. JRP indicated that the entire work from prospecting to mine development would be at its cost and the role of PIPDIC would only be that of a facilitator.

Based on this offer and as per the decision (16 January 2007) of UT, PIPDIC entered into (17 January 2007) a Memorandum of Understanding (MOU) with JRP and simultaneously applied for allotment of coal. The chronology of events from the date of application to December 2012 is indicated below:

Date	Chronology of events
25.07.2007	MOC allotted the Naini coal block in Odisha jointly to Gujarat Mineral Development Corporation (GMDC) and PIPDIC with equal share of coal reserves of 250 million tonnes each.
21.10.2007	The allotment order of MOC required PIPDIC to pay its share of Bank Guarantee of ₹ 32.50 crore before 24 October 2007. As JRP insisted execution of Coal Supply Agreement (CSA) before release of funds to PIPDIC, the CSA was entered into with JRP.
30.09.2008	To comply with MOC's condition that mining of coal should be done either by the allottees or by forming a separate Government company for this purpose, PIPDIC and GMDC entered into an MOU for formation of JV company.
22.06.2009	MOC reviewed the progress of mining of coal blocks and associated end use projects.
08.10.2009	MOC issued Show cause notice to PIPDIC for the delay in formation of the JV Company for joint implementation of the coal block.
09.10.2009	JV Company *viz.*, Naini Coal Company Ltd (NCCL) was formed.
02.05.2012	MOC issued second show cause notice to PIPDIC for not adhering to the milestones.
11.12.2012	Government of India based on the recommendation of the Inter Ministerial Group de allocated the Naini coal block allotted to PIPDIC.

An analysis of the induction of JRP as the private partner by PIPDIC and the progress in development of the coal mine revealed the following:

Absence of Plan for coal mining activity

Prior to the *suo motu* proposal received from JRP, PIPDIC, a PSU, primarily engaged in industrial promotion and term lending activities in the UT, had no intention to apply for allotment of coal blocks. The application for allotment of coal block by PIPDIC was only at the behest of JRP as evidenced by the fact that the UT was not even aware of the circular of MOC informing of allocation of coal under Government dispensation route. Thus PIPDIC ventured into a new line of activity primarily at the behest of JRP. The consequences of such lack of planning are discussed in the subsequent paragraphs.

Selection of JRP without tender process

When JRP approached (December 2006) the UT, it was not even incorporated as a company and did not have any experience whatsoever either in coal mining or power production. JRP was incorporated as a private company only on 12 January 2007. However, PIPDIC decided to enter into an agreement without calling for tender or exploring the market situation.

Though an MOU with JRP was not a pre requisite for applying for coal blocks, PIPDIC showed undue haste in entering into an MOU on the same day of forwarding the application to MOC. Thus the MOU became a *fait accompli* even before allotment of the coal block. Between June 2007 and March 2008, PIPDIC received Expressions of Interest from other experienced mining companies like Neyveli Lignite Corporation, LANCO group, IL&FS, etc. However these offers were either not considered or followed up on the grounds that PIPDIC had already tied up with JRP through a binding MOU.

The decision to nominate JRP as a private partner for the project was against the canons of financial propriety and the Hon'ble Supreme Court's judgment of December 2006 wherein it was held that public contracts are to be procured only through tenders. Further, it was in total violation of the Central Vigilance Commission's guidelines of October 2003 wherein the need for award of contract in a transparent manner was emphasised.

The Government while accepting (December 2012) that it had no intention of applying for coal block under Government dispensation route till the receipt of proposal of JRP, stated that no tender process was resorted to as no other firm except JRP had approached it till the date of filing the application for coal block allotment. The fact however remains that PIPDIC did not attempt to get competitive offers from other reputed power producing companies before finalising an MOU with JRP hastily.

Unfavourable terms of MOU and Coal Supply Agreement (CSA)

The terms of the MOU and CSA were heavily loaded in favour of JRP as detailed below:

- JRP would consume the entire coal extracted from the coal blocks allocated to PIPDIC.
- JRP would be having full rights in setting up of the power plant of a capacity of 1980 MW including the selection of the power producing partner;
- JRP would sell to PIPDIC 10 *per cent* of power generated at the nominal rate calculated as prescribed by the Central Electricity

Regulatory Commission and sell another 16 *per cent* of power at the lowest rate at which the power was being sold by JRP to third parties;

Allocation of coal block by MOC envisaged captive use of the coal by the allottee States. This required active participation by PIPDIC to ensure that a major portion of the end use power was available to the UT. However, the terms of the MOU and the CSA were loaded in favour of the private firm and against the interest of the UT. While the UT gets only 26 *per cent* of the power of which only 10 *per cent* is at a nominal cost, JRP holds control of the lion's share of 60 *per cent*[4] of power to be produced. **Thus PIPDIC entered into the MOU and CSA accepting the terms of JRP without due diligence as to the commercial terms involved. The terms of the MOU and CSA were heavily loaded in favour of JRP, defeating the objective of captive usage of end use power by the allottee States.**

Further, JRP intimated in April 2008 that they had selected KSK Energy Ventures Limited (KSK) as their power producing partner. However, it was noted that even KSK at that time, did not have adequate experience for executing projects of this magnitude.

Non achievement of milestones

The conditions of allotment of coal block stipulated that the allottee should obtain prospective licence within three months from the date of allocation and prepare Geological Report (GR) within 27 months. The production of coal should be commenced within 36 months from the date of obtaining the GR. This required that PIPDIC to play an active role in obtaining the prospecting licence from the State of Odhisha and carry out other related activities viz., land acquisition, forest clearances, etc, in a time bound manner. It was observed that there was no action plan in PIPDIC for carrying out these activities and there was a delay of 26 months even in formation of the JV Company, viz, NCCL. There was no progress at all in other activities viz, obtaining Prospecting Licence and subsequent activities of mining. In the meantime, MOC issued two show cause notices (October 2009 and May 2012) to PIPDIC pointing out the delay. While issuing the second show cause notice, the MOC had observed that PIPDIC was not serious about the timely development of the coal block and failed to achieve critical milestones. This indicated that PIPDIC did not have the wherewithal for completion of the various milestones even after formation of a separate JV company and it depended on JRP even for submission of Bank Guarantee and purchase of the Geological Report.

De-allocation of the allotment

The Inter Ministerial Group (IMG) of GOI which reviewed (October 2012) the progress of development of allocation of coal blocks and associated end use projects noted the unsatisfactory progress of the development of Naini

4 After allocating 14 *per cent* to the Government of Odisha.

coal block and therefore recommended de allocation of the Naini coal block allocated to PIPDIC and GMDC. GOI accepted the recommendation (December 2012) Government also invoked the Bank Guarantee to the extent of ₹ 32.50 crore being the share of 50 *per cent* to PIPDIC.

The UT replied (December 2012) that the slippages in adhering to the milestones were solely due to non-issue of Prospecting Licence by the Odisha Government. The reply is not acceptable because the IMG had clearly identified slippages at every stage and de allocated the coal block on the ground that 'the progress of investment in respect of the coal block as well as end use plant is negligible'.

Thus, UT and PIPDIC lost an opportunity to obtain power at a reasonable cost due to hasty and irregular selection of a private partner and due to their lackadaisical approach towards execution of the project. The sequence of events clearly indicated that undue favours were shown to a private party against the interests of UT.

6.3 Sanction of Short term loan

Sanction of short term loan to a private company without adequate financial safeguards resulted in non-recovery of ₹ 2.51 crore.

Pondicherry Industrial Promotion Development and Investment Corporation Limited (Company) is engaged in the business of promotion of industrial development in the Union Territory of Puducherry and its present activities include industrial financing.

The Company sanctioned (April 2002) a short term loan of ₹ two crore to Regma Ceramics Limited (Regma) for setting up a ceramic tiles unit at Karaikal. Though the policy of the Company was to extend financial assistance to medium and small scale industries only, it sanctioned the term loan to Regma, a large scale industry, on the grounds that the unit was proposed to be set up in the backward region of Karaikal. The loan was sanctioned against the collateral security of 20 lakh equity shares of face value of ₹ 10 each of Regency Ceramics (Regency), a company from the same group. Though Regma was regular in payment of interest it defaulted in repayment of the principal. The outstanding principal amount was ₹ 65 lakh as of September 2009.

Regma requested the Company (September 2009) for another short term loan of ₹ two crore to meet its working capital requirements. The request was put up (December 2009) to Board of Directors (BOD) with the proposal that as Regma was running profitably and had also agreed to clear the outstanding dues, its request for a fresh loan might be considered favourably. The BOD in its meeting held on 31 December 2009 approved the sanction of the short term loan of ₹ two crore to Regma subject to the conditions *inter alia*, that Regma should offer immovable property worth not less than ₹ two crore situated within the Union Territory of Puducherry as collateral security and give pari-passu charge over its Fixed and Current Assets ranking first charge with the Bankers.

Regma informed (February 2010) the Company that the terms and conditions of the sanction were acceptable except those relating to collateral security and pari-passu charge. It requested that the shares of Regency pledged by it earlier might be retained by the Company as collateral security for this term loan also. The request of Regma was put up to the BOD (March 2010) with the Company's recommendation that the shares of Regency (of face value: ₹ two crore), which continued to be in its possession might be accepted as security for the present loan also and consequently the conditions relating to collateral security and pari-passu charge be waived. This was approved by the BOD in March 2010. It is pertinent to mention that the share was being traded at ₹ 7.85 per share approximately in March 2010. The Company released the second short term loan in two instalments (April and June 2010). This loan was repayable by Regma in 12 instalments from July 2010. Regma, however, paid an amount of ₹ 63,802 only till August 2012 and the outstanding dues stood at ₹ 2.51 crore as on September 2012 (Principal: ₹ 1.99 crore and Interest: ₹ 0.52 crore).

In this connection it was observed:

(i) When the BOD approved (March 2010) the proposal to accept the equity shares of Regency (face value: ₹ two crore) as collateral security, the realisable value was ₹ 1.57 crore only (@ ₹ 7.85 per share) which did not cover the entire sanctioned loan of ₹ two crore. Thus, the sanction of second term loan was *ab initio* faulty.

(ii) The condition relating to offering immovable property worth ₹ two crore as collateral security for the second loan was included by the Company only to safeguard its interest in case of default. It was specifically recorded in the Board note that the equity shares of Regency already pledged by Regma could not be accepted for the second loan as the share value would not be stable. This was approved by the BOD. Subsequently, based on Regma's request, the Company reversed its earlier decision and recommended that the shares of Regency pledged earlier by Regma could be accepted as collateral security for the second term loan also as the share value had gone up to ₹ 7.85 per share from ₹ 4.45 during December 2009. This was also approved (March 2010) by BOD. Thus, the Company's disbursement of second term loan of ₹ two crore to a known defaulter by accepting the equity shares of Regency, whose market price was below the face value even at the time of sanction of second term loan was not prudent and resulted in non-recovery of ₹ 2.51 crore.

The Government stated (December 2012) that it was decided to accept the share certificates offered by Regma for earlier loan taking into account the increase in the value of Regency shares during December 2009. The Government further stated that Regma requested extension of time to repay the overdues and promised to pay ₹ 10 lakh every month from October to December 2012 and ₹ 20 lakh every month thereafter but did not pay as promised and that the Company has initiated action to recover the dues under State Financial Corporation Act and also for invoking the personal guarantee.

The reply is not acceptable as the Company's acceptance of Regency shares whose market value was ₹ 1.57 crore at the time of sanction against the term loan of ₹ two crore was *ab initio* faulty. In fact, the highest market price of Regency shares in 2012 was ₹ 4.70 per share and even if the Company is able to sell the entire share holding at this price, it could realise ₹ 0.94 crore only against the dues of ₹ 2.51 crore.

To conclude, sanction of short term loan to the company, a known defaulter, without proper valuation of the shares hypothecated thereagainst led to loss of ₹ 2.51 crore.

Chennai
The 25 MAR 2013

(K. SRINIVASAN)
Principal Accountant General
(General and Social Sector Audit)
Tamil Nadu and Puducherry

Countersigned

New Delhi
The 26 MAR 2013

(VINOD RAI)
Comptroller and Auditor General of India

Appendices

Appendix 2.1
(Reference: Paragraph 2.1.9.1; Page 23)

Details of non-affiliated courses conducted during 2000-08

S.No	Name of the ITI	Name of the Trade	Batch Year	Number of NCVT certificates to be issued	Date of Affiliation	Remarks
1	Government ITI, Yanam	Electrician	2000-2002 2002-2004 2004-2006 2006-2008	58	August 2008	Provisional NCVT Certificate issued
		Wireman	2001-2003 2003-2005 2005-2007	43	August 2008	-do-
		Fitter	2001-2003 2003-2005 2005-2007	44	Not yet affiliated	-do
		Mechanic (Motor Vehicle)	2001-2003 2003-2005 2005-2007	38	Not yet affiliated	-do-
		Electronic Mechanic	2004-2006 2006-2008	26	August 2008	-do-
2	Government ITI, Men, Puducherry	IT&ESM	2000-2002 2002-2004	26	August 2004	-do-
		Welder	2001-2002 2002-2003 2003-2004	29	August 2004	-do-
		PPO	2004-2005 2005-2006 2006-2007	31	August 2008	-do-
3	Government ITI, Women, Puducherry	IT&ESM	2000-2002 2002-2004	24	August 2004	-do-
4	Government ITI, Men, Karaikal	IT&ESM	2000-2002 2002-2004	24	August 2004	-do-
Total				**343**		

Appendix 3.1
(Reference: Paragraph 3.5.1.2; Page 44)

Total number of works awarded by calling tenders and on nomination basis

(Value – ₹ in lakh)

Sl. No.	Division	Type of work	2009-10		2010-11		2011-12	
			Number of works	Value	Number of works	Value	Number of works	Value
1.	Special Buildings Division-I, Puducherry	By nomination	124	410.98	163	697.01	171	758.17
		By tender	31	963.29	22	618.86	8	127.23
		Total	**155**	**1374.27**	**185**	**1315.87**	**179**	**885.40**
2.	Special Buildings Division-II, Puducherry	By nomination	35	74.22	24	16.50	24	39.93
		By tender	39	806.85	62	3447.58	25	79.47
		Total	**74**	**881.07**	**86**	**3464.08**	**49**	**119.40**
3.	Public Health Division, Puducherry	By nomination	147	296.45	177	515.36	154	600.45
		By tender	637	33997.16	863	3438.37	611	6966.91
		Total	**784**	**34293.61**	**1040**	**3953.73**	**765**	**7567.36**
4.	National Highways Division, Puducherry	By nomination	34	60.81	39	162.13	76	242.22
		By tender	24	1719.01	40	1169.47	39	3878.38
		Total	**58**	**1779.82**	**79**	**1331.60**	**115**	**4120.60**
5.	Buildings and Roads Division (N), Puducherry	By nomination	39	134.19	78	334.76	75	324.74
		By tender	100	820.50	125	4519	47	1103.20
		Total	**139**	**954.69**	**203**	**4853.76**	**122**	**1427.94**
6.	Buildings and Roads Division (S), Puducherry	By nomination	81	352.36	83	487.90	67	244.93
		By tender	129	1774.33	49	1938.66	67	2772.00
		Total	**210**	**2126.69**	**132**	**2426.56**	**134**	**3016.93**
7.	Buildings and Roads Division (C), Puducherry	By nomination	339	870.65	319	968.47	297	902.67
		By tender	23	512.50	38	928	24	2130.30
		Total	**362**	**1383.15**	**357**	**1896.47**	**321**	**3032.97**
8.	PWD, Yanam	By nomination	299	864.24	773	2217.76	123	116.48
		By tender	39	741.81	11	21713.06	3	5.27
		Total	**338**	**1606.05**	**784**	**23930.82**	**126**	**121.75**
9.	Irrigation and Public Health Division, Karaikal	By nomination	53	54.51	325	581.10	231	259.50
		By tender	32	211.43	180	1605.13	40	1058.77
		Total	**85**	**265.94**	**505**	**2186.23**	**271**	**1318.27**
Total		By nomination	**1151**	**3118.41**	**1981**	**5980.99**	**1218**	**3489.09**
		By tender	**1054**	**41546.88**	**1390**	**39378.13**	**864**	**18121.53**

Grand Total

Nomination	4350	12588.49
Tender	3308	99046.54
	7658	**111635.03**

Appendix 6.1

(Reference: Paragraph 6.1.5; Page 84)

Statement showing particulars of up-to-date paid-up capital, loans outstanding and manpower as on 31 March 2012 in respect of Government companies

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[1]				Loans[2] outstanding at the close of 2010-11				Debt equity ratio 2011-12 (Previous year)	Manpower (No. of employees as on 31.3.12)
				Union Territory Govern-ment	Central Govern-ment	Others	Total	Union Territory Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
Working Government Companies													
AGRICULTURE & ALLIED													
1	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Agriculture	26 March 1986	13.83	---	---	13.83	---	---	---	---	---	391
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	Civil Supplies and Consumer Affairs	27 September 1990	9.88	---	0.05	9.93	---	---	---	---	---	303
	Sector wise total			**23.71**	**---**	**0.05**	**23.76**	**---**	**---**	**---**	**---**	**---**	**694**
FINANCE													
3.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	Industries	17 April 1974	104.04 (72.18)	---	8.54	112.58 (72.18)	---	---	---	---	---	125
4.	Puducherry Adi dravidar Development Corporation Limited (PADCO)	Welfare	26 September 1986	13.18	1.68	---	14.86	---	---	---	---	---	71
5.	Pondicherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	Welfare	31 March 1993	3.82	---	---	3.82	---	---	---	---	--- (0.08:1)	1,215

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio 2011-12 (Previous year)	Manpower (No. of employees as on 31.3.12)
				Union Territory Govern-ment	Central Govern-ment	Others	Total	Union Territory Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	Welfare	31 March 1999	3.87	---	---	3.87	---	---	15.35	15.35	3.97:1 (4.43:1)	8
Sector wise total				**124.91 (72.18)**	**1.68**	**8.54**	**135.13 (72.18)**	**---**	**---**	**15.35**	**15.35**	**0.11:1 (0.12:1)**	**1,419**
MANUFACTURING													
7.	Puducherry Distilleries Limited (PDL)	Industries	8 December 1971	8.45	---	---	8.45	---	---	---	---	---	98
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELECON)	Industries	7 December 1982	---	---	0.10	0.10	---	---	---	---	---	9
9.	Pondicherry Textile Corporation Limited (PONTEX)	Industries	25 November 1985	361.35	---	---	361.35	---	---	---	---	--- (0.01:1)	2,109
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	Industries	4 July 2005	30.21	---	---	30.21	---	---	---	---	---	569
Sector wise total				**400.01**	**---**	**0.10**	**400.11**	**---**	**---**	**---**	**---**	**--- (0.01:1)**	**2,785**
POWER													
11.	Puducherry Power Corporation Limited (PPCL)	Electricity	30 March 1993	99.78	---	---	99.78	---	---	---	---	---	127
Sector wise total				**99.78**	**---**	**---**	**99.78**	**---**	**---**	**---**	**---**	**---**	**127**

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[1]				Loans[2] outstanding at the close of 2011-12				Debt equity ratio 2011-12 (Previous year)	Manpower (No. of employees as on 31.3.12)
				Union Territory Govern-ment	Central Govern-ment	Others	Total	Union Territory Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
SERVICE													
12.	Puducherry Tourism Development Corporation Limited (PTDC)	Tourism	1 April 2005	17.34	---	---	17.34	---	---	---	---	---	258
13.	Puducherry Road Transport Corporation Limited (PRTC)	Transport	19 February 1986	34.78	---	---	34.78	---	---	---	---	---	556
	Sector wise total			**52.12**	**---**	**---**	**52.12**	**---**	**---**	**---**	**---**	**---**	**814**
	Grand total			**700.53 (72.18)**	**1.68**	**8.69**	**710.90 (72.18)**	**---**	**---**	**15.35**	**15.35**	**0.02:1 (0.03:1)**	**5,839**

1 Paid-up capital includes share application money.
2 Loans outstanding at the close of 2011-12 represent long term loans only.

Appendix 6.2

(Reference: Paragraph 6.1.13 and 6.1.27; Page 87 and 91)

Summarised financial results of Government companies for the latest year for which accounts were finalised

(Figures in columns 5(a) to 6 and 8 to 10 are ₹ in crore)

Sl. No.	Sector and name of the company	Period of accounts	Year in which finalised	Net Profit (+)/Loss (-)				Turnover	Impact of Accounts Comments	Paid-up capital	Accumulated profit/ loss (-)	Capital employed[7]	Return on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	Working Government Companies													
	AGRICULTURE & ALLIED													
1	PASIC	2008-09	2011-12	(-)6.76	0.02	0.37	(-)7.15	39.87	---	10.83	(-)5.17	9.36	(-)7.13	---
2.	PAPSCO	2009-10	2012-13	0.23	0.16	0.17	(-)0.10	108.70	---	9.00	5.80	14.54	0.06	0.41
	Sector wise total			**(-)6.53**	**0.18**	**0.54**	**(-)7.25**	**148.57**		**19.83**	**0.63**	**23.90**	**(-)7.07**	**---**
	FINANCING													
3.	PIPDIC	2011-12	2012-13	(-)5.55	---	0.50	(-)6.05	10.89	---	112.58	27.23	142.84	(-)6.05	---
4.	PADCO	2009-10	2012-13	(-)1.90	0.13	0.06	(-)2.09	10.47	---	13.86	(-)7.61	17.18	(-)1.96	---
5.	PCDWDAP	2010-11	2011-12	0.02	---	0.02	---	24.68	---	3.70	---	5.90	---	---
6.	PBCMDCL	2009-10	2012-13	0.21	0.14	0.07	---	1.25	---	3.26	---	10.49	0.14	1.34
	Sector wise total			**(-)7.22**	**0.27**	**0.65**	**(-)8.14**	**47.29**		**133.40**	**19.62**	**176.41**	**(-)7.87**	**---**

Sl. No.	Sector and name of the company	Period of accounts	Year in which finalised	Net Profit (+)/Loss (-) Net Profit/ Loss before Interest & Depreciation	Interest	Deprecia-tion	Net Profit/ Loss	Turn-over	Impact of Accounts Comments	Paid-up capital	Accumu-lated profit/ loss (-)	Capital employed[3]	Return on capital employed	Percen-tage return on capital employed
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	MANUFACTURING													
7.	PDL	2010-11	2012-13	5.21	0.01	0.57	4.63	28.96	---	8.45	31.63	40.45	4.64	11.47
8.	PELECON	2009-10	2010-11	(-) 0.22	0.01	---	(-) 0.23	0.36	---	0.10	(-)0.42	(-)0.02	(-) 0.22	---
9.	PONTEX	2010-11	2012-13	(-)15.71	13.25	1.16	(-)30.12	18.17	---	356.35	(-)458.56	228.63	(-)16.87	---
10.	SBTML	2008-09	2009-10	(-)8.99	1.41	0.77	(-)11.17	10.86	---	21.21	(-)31.43	21.05	(-)9.76	---
	Sector wise total			**(-)19.71**	**14.68**	**2.50**	**(-)36.89**	**58.35**	**---**	**386.11**	**(-)458.78**	**290.11**	**(-)22.21**	**---**
	POWER													
11.	PPCL	2010-11	2012-13	11.92	---	11.24	0.68	55.90	---	99.78	37.97	179.36	0.68	0.38
	Sector wise total			**11.92**	**---**	**11.24**	**0.68**	**55.90**	**---**	**99.78**	**37.97**	**179.36**	**0.68**	**0.38**
	SERVICE													
12.	PTDC	2010-11	2012-13	(-)3.02	---	0.33	(-)3.35	8.23	---	16.24	(-)15.31	1.21	(-)3.35	---
13.	PRTC	2009-10	2011-12	(-)0.10	0.02	0.74	(-)0.86	18.34	---	33.28	(-)33.58	6.16	(-)0.84	---
	Sector wise total			**(-)3.12**	**0.02**	**1.07**	**(-)4.21**	**26.57**	**---**	**49.52**	**(-)48.89**	**7.37**	**(-)4.19**	**---**
	Grand total			**(-)24.66**	**15.15**	**16.00**	**(-)55.81**	**336.68**	**---**	**688.64**	**449.45**	**677.15**	**(-)40.66**	**---**

[3] 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).

Appendix 6.3
(Reference: Paragraph 6.1.8; Page 85)

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2012

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl.No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	**(2)**	**3 (a)**	**3 (b)**	**4 (a)**	**4 (b)**	**4 (c)**	**4 (d)**	**5 (a)**	**5 (b)**	**6 (a)**	**6 (b)**	**6 (c)**	**6 (d)**
	Working Government Companies												
AGRICULTURE & ALLIED													
1.	PAPSCO	---	---	---	2.95 (G) 43.81 (S)	---	2.95 (G) 43.81 (S)	---	---	---	---	---	---
	Sector wise total	---			**2.95 (G) 43.81 (S)**	---	**2.95 (G) 43.81 (S)**	---	---	---	---	---	---

Sl.No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Govern-ment	Others	Total	Received	Commit -ment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
FINANCE													
2.	PIPDIC	---	---	11.27 (G)	5.11 (G)	---	16.38 (G)	---	---	---	---	---	---
3.	PADCO	---	---	---	---	---	---	---	**3.64**	---	---	---	---
4.	PCDWDAP	0.12	---	---	---	---	---	---	---	---	---	---	---
5.	PBCMDCL	0.30	---	---	2.06 (G)	---	2.06 (G)	---	---	---	---	---	---
	Sector wise total	**0.42**	**---**	**11.27 (G)**	**7.17 (G)**	**---**	**18.44 (G)**	**---**	**3.64**	**---**	**---**	**---**	**---**
MANUFACTURING													
6.	PONTEX	5.00	---	---	---	---	---	---	---	---	---	---	---
7.	SBTML	0.21	---	---	12.00 (G)	---	12.00 (G)	---	---	---	---	---	---
	Sector wise total	**5.21**	**---**	**---**	**12.00 (G)**	**---**	**12.00 (G)**	**---**	**---**	**---**	**---**	**---**	**---**

Sl.No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Govern-ment	Others	Total	Received	Commit-ment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
SERVICE													
8.	PTDC	1.10	---	---	1.90 (G)	---	1.90 (G)	---	---	---	---	---	---
9.	PRTC	---	---	---	7.68 (G)	---	7.68 (G)	---	---	---	---	---	---
	Sector wise total	**1.10**	---	---	**9.58 (G)**	---	**9.58 (G)**	---	---	---	---	---	---
	Grand total	**6.73**	---	**11.27**	**31.70 (G) 43.81 (S)**	---	**42.97 (G) 43.81 (S)**	---	**3.64**	---	---	---	---

(G) represents 'Grants'
(S) represents 'Subsidy'

Appendix 6.4

(Reference: Paragraph 6.1.22; Page 90)

Statement showing investments made by the Government of the Union Territory of Puducherry in PSUs whose accounts are in arrear

(₹ in crore)

Sl.No.	Name of the Company	Year up to which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by UT Government during the years for which accounts were in arrears			
				Equity	Loan	Grants/ Subsidy	Others
Working Government companies							
AGRICULTURE & ALLIED							
1.	PASIC	2008-09	10.83	3.00 (2009-10)	---	---	---
2.	PAPSCO	2009-10	9.00	0.93[4] (2010-11)		39.64 (2010-11) 46.76 (2011-12)	---
FINANCING							
3.	PIPDIC	2011-12	112.58	--	---	---	---
4.	PADCO	2009-10	13.86	1.00 (2010-11)	---	3.50 (2010-11)	---
5.	PCDWDAP	2010-11	3.70	0.12 (2011-12)	---	---	---
6.	PBCMDCL	2009-10	3.26	0.31 (2010-11) 0.30 (2011-12)	---	2.06 (2010-11) 2.06 (2011-12)	---
MANUFACTURING							
7.	PDL	2010-11	8.45	---	---	---	---
8.	PELECON	2009-10	0.10	---	---	---	---
9.	PONTEX	2010-11	356.35	5.00 (2011-12)	---	---	---
10.	SBTML	2008-09	21.21	7.00 (2009-10) 1.79 (2010-11) 0.21 (2011-12)	---	7.00 (2010-11) 12.00 (2011-12)	---
POWER							
11.	PPCL	2010-11	99.78	---	---	---	---
SERVICE							
12.	PTDC	2010-11	16.24	1.10 (2011-12)	---	1.90 (2011-12)	---
13.	PRTC	2009-10	33.28	1.50 (2010-11)	---	7.68 (2011-12)	---
	TOTAL			**10.00 (2009-10) 5.53 (2010-11) 6.73 (2011-12)**	**---**	**52.20 (2010-11) 70.40 (2011-12)**	

4 Loan converted into equity.

Glossary of abbreviations

ADW	:	Adi-dravidar Welfare Department
ATS	:	Apprenticeship Training Scheme
BOD	:	Board of Directors
BRC	:	Block Resource Centres
CCO	:	Chief Controlling Officer
CE	:	Chief Engineer
CICEF	:	Central Institute of Coastal Engineering for Fishery
CPWD	:	Central Public Works Department
CRC	:	Cluster Resource Centres
CSA	:	Coal Supply Agreement
CSS	:	Centalised Sponsored Scheme
CST	:	Central Sales Tax
CTD	:	Cold Twisted Bars
CTS	:	Craftsmen Training Scheme
DGE&T	:	Director General of Employment and Training
DHTE	:	Directorate of Higher and Technical Education
DIET	:	District Institute of Education and Training
DISE	:	District Information System on Education
EE	:	Executive Engineer
GDR	:	Gross Dropout Rate
GER	:	Gross Enrolment Ratio
GFR	:	General Financial Rules
GHS	:	Government High Schools
GHSS	:	Government Higher Secondary Schools
GMDC	:	Gujarat Mineral Development Corporation
GOI	:	Government of India
GPI	:	Gender Parity Index
GPS	:	Government Primary Schools
GR	:	Geological Report
GSDP	:	Gross State Domestic Project
HED	:	Harbour Engineering Department
IL & FS	:	Indian Leasing and Financial Service

IMG	:	Inter Ministerial Group
IR	:	Inspection Report
ITI	:	Industrial Training Institute
JRP	:	JR Power Generation Private Limited
JV	:	Joint Venture
LA Act	:	Land Acquisition Act
LAC	:	Local Advisory Committee
LAO	:	Land Acquisition Officer, Karaikal
MES	:	modular employable skills
MIS	:	Management Information system
MOC	:	Ministry of Coal
MOSRTH	:	Ministry of Shipping, Road Transport and Highways
MoU	:	Memorandum of Understanding
NABARD	:	National Bank for Agriculture and Rural Development
NAC	:	National Apprenticeship Certificate
NCCL	:	Naini Coal Company Limited
NCDC	:	National Co-operative Development Corporation
NCVT	:	National Council for Vocational Training
NTC	:	National Trade Certificates
PEC	:	Pondicherry Engineering College
PGST	:	Pondicherry General Sales Tax
PIPDIC	:	Pondicherry Industrial Promotion Development and Investment Corporation Limited
PRTC	:	Puducherry Road Transport Corporation
PSU	:	Public Sector Undertaking
PTA	:	Parent and Teacher Association
PWD	:	Public Works Department
RDAT	:	Regional Directorate of Apprenticeship Training
RIESI	:	Regional Institute of English, South India
SCERT	:	State council for Education, Research and Training
SCVT	:	State Council for Vocational Training
SPINCO	:	Pondicherry Co-operative Spinning Mills Limited
SSA	:	Sarva Siksha Abhiyan
ST	:	Sales Tax

STC	:	State Training Centre
TMT	:	Thermo Mechanically Treated Bars
UT	:	Union Territory
VAT	:	Value Added Tax