PREFACE

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

2. The Report contains five chapters. Chapter-I deals with the findings of performance audits in the Health and Family Welfare, Local Administration and Police Departments while Chapter-II deals with the findings of transaction audit in the Animal Husbandry and Animal Welfare, Civil Supplies and Consumer Affairs, Education, Labour, Local Administration and Town and Country Planning Departments. Chapter-III includes comments based on integrated audit of the Public Works Department.

3. The observations arising out of audit of revenue receipts of the Union Territory in the various tax departments are included in Chapter-IV of this Report.

4. The observations arising out of audit of commercial and trading activities of the Union Territory are included in Chapter-V of this report.

5. The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2008-09 as well as those which had come to notice in earlier years but could not be included in previous Reports. Matters relating to the period subsequent to 2008-09 have also been included, wherever necessary.

OVERVIEW

This Audit Report includes five chapters comprising six performance audit reviews and 12 transaction audit paragraphs relating to the Union Territory Government and its Companies.

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

A summary of the audit findings is given below :

1. National Rural Health Mission

The National Rural Health Mission was launched in April 2005 with the aim of providing accessible, affordable, accountable, effective and reliable health care facilities in rural areas. The State Health Society could spend only Rs 13.37 crore (56 *per cent*) out of Rs 23.79 crore made available to them during 2005-09. The objective of long-term and bottom-up approach in planning was not attained. There were instances of inadequate health care services and infrastructure as well as shortages of medical and para-medical staff. There were shortfalls in administration of iron-folic acid tablets and Vitamin A solution. Cases of gender imbalance in sterilisation, decline in the number of institutional deliveries and treatment of in-patients in community health centres/primary health centres were noticed. The infant mortality rate and the total fertility rate did not show any improvement since the inception of the Mission.

(Paragraph 1.1)

2. Financial management in Commune Panchayats

Review on financial management in three out of 10 Commune Panchayats revealed that only 22 out of 29 functions included in the Eleventh Schedule of the Constitution of India were transferred to the Panchayat Raj Institutions. Funds and functionaries were not transferred to PRIs. Revision of house tax after 20 years, by introducing a revised pattern of house tax assessment with the objective of augmentation of revenue had resulted in reduction of revenue in Commune Panchayats. Rates of profession tax and licence fee for trade and manufacturing units were not revised. Collection of revenue in respect of house tax, water charges and lease rent was poor in test-checked Commune Panchayats.

(Paragraph 1.2)

3. Modernisation of Police Force

Government of India introduced the 'Modernisation of Police Force' scheme in the Union Territory from the year 2006-07 to improve the operational efficiency of its police force and the existing infrastructural facilities. The Police Department spent Rs 16.51 crore during 2006-09 under the scheme. Despite the availability of funds, the required number of staff quarters were not constructed and construction of 23 out of 24 official buildings planned during 2006-09 was not started. Training in handling modern weapons was not imparted to police personnel. Communication equipment procured did not have built-in devices to maintain secrecy in communication.

(Paragraph 1.3)

4. Integrated Audit of Public Works Department

The prime responsibility of the Public Works Department in the Union Territory is to plan, design, construct and maintain roads, buildings, bridges, etc., apart from implementing and maintaining water supply and sewerage projects as well as irrigation and flood control schemes. The department incurred a total expenditure of Rs 568.70 crore during 2004-09 under roads and bridges, minor irrigation and flood control sectors.

Integrated audit of the department revealed that budget provisions were not based on any approved Annual Plans. Large scale re-appropriations indicated poor budgeting. Award of works without inviting tenders; commencement of works without administrative approval and provision of funds; foreclosure of contracts etc., were noticed. There was no internal audit wing in the department and its quality control mechanism was weak.

(Paragraph 3.1)

5. Receipts under State Excise

There is no provision for levy of penalty on non-lifting of the minimum guaranteed quantity of *arrack*. 596 bidders did not lift the minimum guaranteed quota of *arrack* of 1.71 crore bulk litres. In the absence of a penalty clause, no action could be taken against the bidders.

There is no provision in the Pondicherry Excise Act for levy of interest on belated payment of excise dues. Therefore, interest on belated payment of licence fee, excise duty, additional excise duty, countervailing duty, etc., could not be levied. This resulted in foregoing of revenue recoverable on account of interest.

No periodical returns were prescribed for submission to the higher authorities to facilitate monitoring of excise receipts and overall functioning of the department.

Non-levy of the additional excise duty from 23 April 2007 to 31 March 2008 resulted in non-realisation of revenue of Rs 35.48 crore.

Import fee on the rectified spirit, extra neutral alcohol and special spirits was not levied resulting in non-realisation of revenue of Rs 36.26 crore.

Due to issue of incorrect notification, there was non-realisation of revenue of Rs 31.25 lakh.

(Paragraph 4.9)

6. Puducherry Road Transport Corporation Limited

Performance Audit of the Puducherry Road Transport Corporation Limited revealed that the company incurred loss from 2005-06 to 2008-09 which accumulated to Rs 30.66 crore as on 31 March 2009. The company earned Rs 17.23 per kilometer but expended Rs 20.04 per kilometer during 2008-09. The company had a fleet strength of 82 buses which was 4.80 *per cent* of the total number of buses licenced for public transport in the Union Territory and the percentage of average passengers carried per day to population was 1.82 only. The company could not achieve even its own norm for fuel consumption resulting in excess consumption of fuel valued at Rs 4.11 crore during 2005-09. Independent regulatory body was not established to fix the fare, specify operations on uneconomical routes and address the grievances of commuters.

(Paragraph 5.2)

7. Audit of Transactions

Civil

Audit of financial transactions test-checked in various Government departments and their field offices revealed instances of avoidable expenditure, idle expenditure, blockage of funds and irregular expenditure amounting to Rs 43.07 crore in the Animal Husbandry and Animal Welfare Department (Rs 53.07 lakh), the Civil Supplies and Consumer Affairs Department (Rs 22.66 lakh), the Education Department (Rs 30 lakh), the Labour Department (Rs 44.45 lakh), the Local Administration Department (Rs 20.61 lakh) and the Town and Country Planning Department (Rs 41.36 crore).

(Paragraphs 2.1 to 2.3)

8. Revenue receipts

Incorrect grant of remission by the Registration Department resulted in short levy of stamp duty of Rs 15.25 lakh.

(Paragraph 4.10)

9. Commercial transactions

Out of 13 Public Sector Undertakings (PSUs) of the Union Territory, six were incurring loss continuously from 2003-04 and during 2008-09 they incurred loss of Rs 58.31 crore. Five PSUs earned profit of Rs 23.10 crore during 2008-09. The loss incurred by the Pondicherry Textiles Corporation Limited increased from Rs 17.95 crore as on 31 March 2004 to Rs 44.09 crore as on 31 March 2009.

(Paragraph 5.1)

Puducherry Power Corporation Limited

Inordinate delay of more than six years in installation of reverse osmosis plant by Puducherry Power Corporation Limited resulted in locking up of Company's funds of Rs 1.21 crore besides avoidable recurring expenditure of Rs 37.10 lakh.

(Paragraph 5.3.1)

CHAPTER I

This chapter includes two performance audits, one of the National Rural Health Mission and the other of Financial Management in Commune Panchayats together with a long paragraph on the Modernisation of Police Force scheme.

HEALTH AND FAMILY WELFARE DEPARTMENT

1.1 National Rural Health Mission

Highlights

Government of India launched (April 2005) the National Rural Health Mission throughout the country for providing accessible, affordable, accountable, effective and reliable health care facilities in rural areas. In the Union Territory of Puducherry, poor planning, ineffective financial management and inadequate facilities in health centres affected the implementation of the Mission. The important findings are indicated below:

- **Out of the available funds of Rs 23.79 crore during 2005-09, only Rs 13.37 crore (56 *per cent*) were utilised by the State Health Society.**

(Paragraph 1.1.6.2)

- **The Perspective Plan for the Mission period and Village Health Plans were not prepared and the Mission's objective of long-term and bottom-up approach in planning was not attained.**

(Paragraph 1.1.7.1)

- **Even though funds were released in September 2005 for construction of an additional building for the Community Health Centre, Mannadipet, the work was started only in August 2009. Three Community Health Centres were not provided with the required operation theatre equipment.**

(Paragraph 1.1.8.1 (i))

- **Twenty-four hour delivery and emergency services were available in only six out of the 13 test-checked Primary Health Centres.**

(Paragraph 1.1.8.1(ii))

- **Posts of General Surgeon and Anaesthetist were not filled up in any of the four Community Health Centres in the Union Territory. Six test-checked Primary Health Centres functioned with one doctor, while 77 posts of Health Worker (Male) in sub centres had not been sanctioned.**

(Paragraphs 1.1.8.2 (i) to (iii))

- **There was a sharp decline in the number of in-patients treated and in the number of deliveries conducted in the Community Health Centres and Primary Health Centres.**

(Paragraph 1.1.8.3)

- **Due to non-provision of equipment, two mobile medical units procured at a cost of Rs 27.01 lakh could not be used for the intended purpose.**

(*Paragraph* 1.1.8.4)

- **Meetings of the State Health Mission, State Health Society and District Health Missions required to be held at least once in six months to monitor and review the implementation of National Rural Health Mission were not conducted regularly.**

(Paragraph 1.1.12.4)

1.1.1 Introduction

The Government of the Union Territory (UT) of Puducherry signed a Memorandum of Understanding (MoU) with the Government of India (GOI) on 9 December 2005 for implementation of the National Rural Health Mission (NRHM) in the UT. The rural population of the UT as projected by the State Health Mission was 3.71 lakh (2008) out of the total population of 11.11 lakh. Various activities under NRHM aimed at improving the existing health care services in the UT.

The main objectives of the Mission were to

- provide accessible, affordable, accountable, effective and reliable health care facilities in the rural areas, especially to the poor and vulnerable sections of the population;
- involve the community in planning and monitoring;
- reduce the infant mortality rate, the maternal mortality rate and the total fertility rate for population stabilisation and
- prevent and control communicable and non-communicable diseases including endemic diseases.

Some of the existing health care programmes of GOI before introduction of NRHM, *viz.*, the Reproductive and Child Health Programme as well as the Vector-Borne Diseases, Tuberculosis, Leprosy and Blindness Control Programmes were brought within the ambit of NRHM.

1.1.2 Organisational set up

In the UT, NRHM functions under the guidance of the State Health Mission (SHM) headed by the Chief Minister. The Puducherry State Health Society, (SHS) constituted on 27 October 2005, carries out the activities of the Mission. The Governing Body and the Executive Committee of SHS are headed by the Chief Secretary and the Secretary, Health and Family Welfare Department respectively.

There are four health districts in the four regions (Puducherry, Karaikal, Mahe and Yanam) of the UT. There is no separate District Health Mission for Puducherry district and the Executive Committee of the SHS also functions as the Puducherry District Health Mission. Each of the other three districts has a District Health Mission and District Health Society headed by the Regional Administrator/Collector of the respective regions. Implementation of various disease control programmes is supervised by the respective Programme Managers under SHM. An organogram showing the administrative and monitoring set up of NRHM in the UT is given in **Appendix 1.1.**

The various activities of NRHM are implemented through four Community Health Centres (CHC)[1], 39 Primary Health Centres (PHC)[2] and 77 Sub Centres (SC)[3] in all the four regions of UT.

1.1.3 Audit objectives

The objectives of the performance audit were to assess whether :

- the planning processes at the village, block, district and Union Territory levels were adequate;
- the assessment, release and utilisation of funds were efficient and effective;
- capacity building and strengthening of physical and human infrastructure were as per the Indian Public Health Standard norms;
- the performance indicators and targets fixed, especially in respect of reproductive and child healthcare, immunisation and disease control programmes were achieved and
- the level of community participation, monitoring and evaluation was as per the guidelines.

[1] Two in Puducherry region, one each in Karaikal region and Mahe region.

[2] 27 in Puducherry region, 11 in Karaikal region and one in Mahe region.

[3] 52 in Puducherry region, 17 in Karaikal region and four each in Mahe and Yanam regions.

1.1.4 Audit criteria

The criteria adopted to arrive at audit conclusions were:

- Mission guidelines issued by the Union Ministry of Health and Family Welfare.
- Memorandum of Understanding between GOI and the UT.
- State Programme Implementation Plans approved by GOI and
- Indian Public Health Standard norms for upgradation of CHCs and PHCs.

1.1.5 Scope and Methodology of audit

The performance review was conducted during March-August 2008 and April-May 2009, covering the implementation of the programme during the period 2005-09, by checking the records of the Director of Health and Family Welfare Services, the State Health Society, three District Health Societies[4], all the four CHCs, 13 out of 39 PHCs and 26 out of 77 SCs in the UT. The list of test-checked units is given in **Appendix 1.2.**

Audit objectives and criteria were discussed in an entry conference held with the Secretary, Health Department on 16 July 2008. The audit findings were discussed with him in an exit conference on 24 September 2009.

Audit Findings

1.1.6 Financial Management

1.1.6.1 Funding pattern

The Mission was financed by GOI till 2006-07. From 2007-08, the funding was to be shared in the ratio of 85:15 between GOI and the UT Government. GOI released funds to the UT Government for seven components[5] and to the SHS for five components[6] and five[7] disease control programmes during 2005-09.

[4] Karaikal, Mahe and Yanam District Health Societies.

[5] Direction and Administration, Training, Maternal and Child Health Programme, Transport, Compensation, Conventional Contraceptives and Maintenance of sub centres.

[6] Janani Suraksha Yojana, NRHM Flexipool, Pulse Polio Immunisation, RCH Flexipool and Routine Immunisation.

[7] Integrated Diseases Surveillance Project (IDSP), National Leprosy Eradication Programme (NLEP), National Programme for Control of Blindness (NPCB), National Vector-Borne Disease Control Programme (NVBDCP) and Revised National Tuberculosis Control Programme (RNTCP).

1.1.6.2 Financial performance

During 2005-09, GOI released Rs 15.17 crore[8] to the UT for implementing its family welfare programme under components such as direction and administration, maintenance of Sub Centres, and training. The UT spent Rs 15.06 crore[9] during the period. During 2005-06, Rs 74.47 lakh was released for imparting training to Auxiliary Nursing Midwives (ANM) and Lady Health Visitors. This amount was not utilised by the department and the grant was transferred to the component – 'Maintenance of Sub-Centres' during 2007-08, without the approval of GOI.

When this was pointed out in audit, the Government stated (November 2009) that the amount was utilised for payment of salaries to ANMs during 2008-09 as there was a shortage of Centrally Sponsored Scheme funds due to implementation of the recommendations of the Sixth Pay Commission.

The status of funds directly made available to the State Health Society and expenditure made thereagainst during 2005-09 is given in **Table 1.**

Forty four *per cent* of total funds provided during 2005-09 were not utilised

Table 1 : Details of receipt and utilisation of funds

(Rupees in lakh)

Year	Opening balance	Funds received from GOI	Interest and other items	UT share	Total funds available	Expenditure	Closing balance
2005-06	65.63	489.07	12.70	-	567.40	127.61	439.79 (78)
2006-07	439.79	560.93	13.58	-	1,014.30	270.54	743.76 (73)
2007-08	743.76	460.41	18.80	-	1,222.97	417.25	805.72 (66)
2008-09	805.72	583.86	24.30	150.00	1,563.88	532.65	1,031.23(66)
Total		**2,094.27**	**69.38 ***	**150.00**		**1,348.05 ****	

(Source : State Health Mission and Detailed Appropriation Accounts (2008-09) for UT share)

* includes Rs 2.01 lakh refunded by PWD

** includes Rs 10.76 lakh refunded to GOI (Rs 8.86 lakh in 2006-07 and Rs 1.90 lakh in 2007-08)

Component-wise details of expenditure are given in **Appendix 1.3**. Out of the total funds of Rs 23.79 crore[10] made available to the SHS during 2005-09, the SHS could spend only Rs 13.37 crore (56 *per cent*). There were substantial unspent balances at the end of each financial year. During 2005-06, the SHS had very little time to utilise the funds after signing an MoU with GOI in December 2005. However, savings in the subsequent years ranging between 66 and 73 *per cent,* as shown in **Table 1**, indicated inadequate preparedness of the SHS in utilising the funds.

---

8 Rs 14.78 crore (2005-06), Rs 0.37 crore (2006-07), Rs 0.02 crore (2007-08) and Nil (2008-09).

9 Rs 2.67 crore (2005-06), Rs 4.80 crore (2006-07), Rs 4.19 crore (2007-08) and Rs 3.40 crore (2008-09).

10 Opening balance – Rs 65.63 lakh; Funds received from GOI – Rs 2,094.27 lakh; Interest – Rs 69.38 lakh; UT share - Rs 150 lakh.

1.1.6.3 Non-release of UT share

Fifteen *per cent* UT share on the GOI allocation of Rs 6.04 crore, which amounted to Rs 90.63 lakh, for the year 2007-08 was not released by the UT to the SHS.

When this was pointed out, the Government stated (November 2009) that the share of Rs 1.50 crore released by the UT during 2008-09 was 15 *per cent* of the total funds released (Rs 10.44 crore) by GOI during 2007-08 and 2008-09. This reply is not acceptable as the UT Government was directed (May 2008) by the Ministry of Health and Family Welfare, New Delhi to credit Rs 1.50 crore to SHS as its share for 2008-09.

1.1.6.4 Unspent balance of RCH-I Programme

Unspent balances of RCH-I amounting to Rs 24.81 lakh were not transferred to RCH Phase-II

The Reproductive and Child Health Programme Phase-I (RCH-I) was implemented by the State Committee on Voluntary Action prior to the introduction of NRHM in 2005. According to the 'Finance and Accounts Manual' of RCH Phase-II, the unspent balances (as on 31 March 2005) of RCH-I were to be carried forward to RCH-II. Scrutiny of records of the SHS revealed that in contravention of the above instructions, unspent balances of RCH-I amounting to Rs 24.81 lakh were not transferred to RCH -II.

The SHM replied (July 2009) that settlement of accounts with PWD for amounts deposited for minor and major works was awaited and that the unspent funds under 'Mother NGO[11]' and 'No Scalpel Vasectomy' would be utilised in the current programme or refunded to GOI.

Government accepted (November 2009) the views of audit and stated that steps were being taken to refund the unspent balance under RCH-I to GOI during 2009-10.

1.1.7 Planning

1.1.7.1 Village Health Plans and Perspective Plan

The National Rural Health Mission envisaged a decentralised and participatory planning process following a bottom-up approach from the village level to the State level. A Perspective Plan (2005-12) and an Action Plan for each year were to be prepared for the UT by consolidating all the district Plans, which would be adopted as the basis for interventions in the health sector. For preparation of a comprehensive District Health Plan, a systematic mobilisation of the community by involving representatives of Panchayati Raj Institutions was necessary for conducting household and facility surveys at the CHC, PHC and SC levels. The Village Health and

[11] NGO identified at District level to serve as nodal agency for selection of field NGOs at block level, distribution of funds and monitoring.

Sanitation Committees (VHSC) were responsible for planning and monitoring at village level and they were to prepare Village Health Plans.

Village and District Health Plans were not prepared. Perspective Plan for the Mission period was not prepared in any of the four districts

Scrutiny of records revealed that Village Health Plans were not prepared by the VHSC. Consequently, the District Health Plans and UT Plans were not prepared adopting the bottom-up approach in planning. Government stated (November 2009) that Programme Implementation Plans for 2005-09 were prepared on the basis of district level household surveys, conducted by the International Institute of Population Sciences during 2002-04 and 2007-08. Government also stated that the VHSC members did not have adequate understanding about the planning process and that a questionnaire on deficiencies in infrastructure, human resources and training had been sent to all VHSCs and based on their feedback, the Programme Implementation Plan for 2009-10 had been prepared for the districts.

No Perspective Plan had been prepared in any of the four districts in the UT and consequently, the Perspective Plan at the UT level for the Mission period was also not prepared.

1.1.7.2 State Level Health Resource Centre

The guidelines of NRHM specified that State level health resource centres with an annual corpus of Rs 50 lakh were to be set up for operationalising new ideas in the planning process and for strengthening delivery of services by hiring resource persons. However, it was observed that no such centre had been set up in the UT as on date.

1.1.8 Infrastructure and health care facilities at health centres

NRHM envisaged strengthening of all PHCs and upgradation of all CHCs to the Indian Public Health Standards (IPHS) by providing required buildings, infrastructure, manpower and equipment.

1.1.8.1 Health care Infrastructure

The IPHS prescribed establishment of one SC for 5,000, one PHC for 30,000 and one CHC for 1,20,000 people. On applying the norms prescribed for establishing health centres based on the rural population of 3.71 lakh, it was noticed that the status of health centres was as given in **Table 2.**

Table 2 : Status of health centres in UT

Category	No. of centres required	Actual number of centres available	Excess(+)//less (-)
CHC	3	4	(+)1
PHC	13	24	(+)11
SC	74	51	(-)23

(Source : State Health Mission)

On this being pointed out, the Government stated (November 2009) that six additional SCs were proposed to be set up in the coming years. Government also stated that the additional PHCs reduced the need for having more SCs in the rural areas.

(i) Community Health Centres

NRHM envisaged bringing all CHCs at par with IPHS to provide round-the-clock services to the rural people.

GOI released (September 2005) Rs 80 lakh (Rs 20 lakh per CHC) for upgradation of four CHCs[12] on the basis of IPHS. Out of the amount released, Rs 33.86 lakh were lying unspent with the SHS (March 2009). The SHS released (March 2006 and April 2009) Rs 10.28 lakh to the Public Works Department (PWD) for construction of an additional building for Mannadipet CHC. The estimate was revised (January 2009) for constructing another floor over the existing building. The work had been awarded to a contractor only in August 2009. The intended purpose of upgrading the CHC was not, therefore, achieved even after three and half years of the release of the upgradation grant. Government stated (November 2009) that the PWD had delayed the commencement of work and assured that the upgradation work would be completed in the year 2009-10.

- ***Availability of services***

Essential services such as emergency obstetric services, blood storage facilities, safe abortion services and facilities for caesarean deliveries were not available in any of the four CHCs. Ultrasound scanning facilities were also not available in three CHCs[13]. Operation theatre equipment such as ventilators and high pressure stabilisers were not available in two CHCs[14] and a cardiac monitor and shadowless lamps were not available in one CHC[15].

Government assured (November 2009) that ultrasound facilities would be provided in all CHCs during 2009-10. It also contended that providing ventilator services would require skill-based training and 24-hour anaesthetists in CHCs. This contention is not acceptable as the CHCs were required to provide optimal expert care and achieve and maintain an acceptable standard of quality of health care as per the IPHS. Despite availability of funds of Rs 42 lakh (March 2009) under 'upgradation of CHCs to IPHS', the SHM had failed to hire specialists including

---

[12] Mannadipet, Karikalampakkam, Thirunallar and Palloor.

[13] Mannadipet, Thirunallar and Palloor.

[14] Mannadipet and Palloor.

[15] Palloor.

anaesthetists, thereby defeating the objective of ensuring quality health care delivery.

(ii) Primary Health Centres

NRHM aimed at strengthening PHCs for quality, preventive, promotive, curative, supervisory and outreach services.

As per IPHS, essential services such as 24-hour emergency services, 24-hour delivery services, in-patient services and operation theatres were to be available in each PHC. The status of essential services available in 39 PHCs in the UT is given in **Table 3**.

Table 3 : Status of essential services in PHCs

Facility/Essential services	Number of PHCs in which facility available	Number of PHCs in which facility not available
24-hour delivery	19	20
24-hour emergency services	20	19
Tubectomy and vasectomy	4	35
Medical termination of pregnancy	0	39
Operation theatre	6	33
Labour room	34	5
Cataract surgery	5	34

(Source : State Health Mission)

Only six out of 13 test-checked Primary Health Centres provided 24-hour delivery and 24-hour emergency services

In the 13 test-checked PHCs, it was noticed that 24-hour delivery and 24-hour emergency services were available in just six PHCs[16], out of which operation theatre and family planning services were available in only three PHCs[17]. Facilities for medical termination of pregnancy (MTP) were not available in any of the PHCs.

On this being pointed out, Government replied (November 2009) that as most of the PHCs were near the Government General Hospital in each region, the patients were referred to the General Hospital for the services. Government also stated that there was no need for MTPs in PHCs as many private hospitals and Government Hospitals conducted the procedure free of cost. The reply is not acceptable as the objective of the Mission to provide accessible, affordable and effective health care to the rural population would be defeated if the PHCs functioned only as referral units for such services.

[16] Nettapakkam, Thirubhuvanai, Kalapet, Mettupalayam, Ambagarathur and Nedungadu.

[17] Nettapakkam, Thirubhuvanai and Nedungadu.

- ***Basic laboratory services***

Eight out of 13 test-checked Primary Health Centres did not have facilities for clinical tests

Twenty-five PHCs did not provide laboratory facilities as laboratory technicians were not posted there (March 2009). In eight[18] out of 13 test-checked PHCs, the posts of laboratory technicians were vacant. The patients were referred to district hospitals even for simple laboratory tests like haemoglobin, urine sugar, albumin etc.

Government stated (November 2009) that laboratory technicians were being recruited and posted in all rural PHCs from September 2009.

(iii) Sub Centres

Even though 31 out 77 Sub Centres in the UT were functioning in rented buildings, no proposal for construction of buildings was included in the Programme Implementation Plans

As per NRHM guidelines, upgradation of existing SCs, including construction of buildings for SCs functioning in rented buildings could be included in the Plan. Out of the 77 SCs, 31 SCs in Puducherry and Karaikal regions functioned in rented buildings as of March 2009. Despite that, no proposal was included in the UT's Programme Implementation Plans for the period 2005-09 for construction of buildings for SCs.

Government stated (November 2009) that Rs 81.64 lakh had been sanctioned during 2009-10 for construction of four SCs.

1.1.8.2 Manpower

(i) Community Health Centres

As against the requirement of one post each of general surgeon, anaesthetist, obstetrician and gynaecologist and eye surgeon in each CHC, no posts were sanctioned by the Health and Family Welfare Department for any of the four CHCs. While the posts of obstetrician and gynaecologist and paediatrician were filled on contract basis in three CHCs[19], these posts were not filled up in Thirunallar CHC. The posts of general surgeon, eye surgeon and anaesthetist were not filled up in any of the CHCs by the SHM (March 2009).

Government stated (November 2009) that despite efforts made to fill up the vacancies in CHCs, specialists had not come forward to work in the health centres.

---

[18] Sooramangalam and Thirubhuvanai in Puducherry region, Ambagarathur, Nalambal, Nallathur, Karaikal Medu and Kovilpathu in Karaikal region and Pandakkal in Mahe region.

[19] Karikalampakkam, Mannadipet and Palloor.

(ii) Primary Health Centres

Even though one post of Health Assistant (Female)/Lady Health Visitor is required per PHC, only 14 posts were sanctioned as against 39 posts required for the PHCs and two out of the sanctioned 14 posts were not filled up. Similarly, as against the requirement of 39 posts of Health Assistant (Male), only 22 posts were sanctioned and seven out of 22 sanctioned posts remained vacant (March 2008)[20]. Sixteen out of 39 PHCs functioned with one doctor as against a minimum requirement of two doctors per PHC.

Only one doctor was posted in six PHCs as against minimum of two doctors

Only one doctor was posted in six[21] out of 13 test-checked PHCs as against the requirement of minimum of two doctors in each PHC. It was, however, noticed that in Nedungadu PHC, six doctors were posted as against two sanctioned posts indicating uneven deployment of doctors in PHCs.

Government stated (November 2009) that the vacancies would be filled up on contractual/regular basis during 2009-10. The reply is not acceptable as the Government should follow the minimum standards prescribed by IPHS.

(iii) Sub Centres

Even though one post of Health Worker (Male) was required for each SC, no posts had been sanctioned and all 77 SCs functioned without any Health Worker (Male). Reasons for non-creation of posts are awaited from Government.

1.1.8.3 In-patient treatment

The number of in-patients treated in all CHCs and PHCs including the 13 test-checked PHCs during 2005-09 is given in **Table 4.**

Table 4 : Details of In-patients (IPs) treated

Year	No of IPs treated in		No of IPs treated in test-checked PHCs
	CHCs	PHCs	
2005-06	8,453	8,622	2,803
2006-07	10,468	7,059	2,747
2007-08	7,491	6,227	2,193
2008-09	NA	NA	2,017

(Source : Annual Report of Health and Family Welfare Department)

NA : Not available

A sharp decline was noticed in the number of in-patients treated in all CHCs and PHCs, including the test-checked PHCs from 2005-06 onwards.

Government attributed (November 2009) the decline to the opening of private medical colleges in the UT during recent years. It was, therefore,

20 As mentioned in Sample Registration Survey Bulletin.

21 Nettapakkam, Sooramangalam, Nalambal, Nallathur, Karaikal Medu and Kovilpathu.

obvious that some of the patients preferred private hospitals as compared to the Government hospitals.

1.1.8.4 Mobile medical units

With the objective of making health care available at the doorstep of the public in rural areas, NRHM envisaged the establishment of mobile medical units (MMU), each comprising two vehicles, one for mobility of staff and the other for equipment and diagnostic facilities. An amount of Rs 73.50 lakh (Rs 49 lakh in 2007-08 and Rs 24.50 lakh in 2008-09) was provided for the purpose. The SHM procured (December 2008) two sets of vehicles[22] for Rs 27.01 lakh for carrying equipment and medical staff. However, necessary medical equipment such as BP apparatus, oxygen cylinder, etc., had not been procured (July 2009) and the vehicles were being used for health visits without necessary equipment.

Government stated (November 2009) that equipment would be procured to make the MMUs operational.

1.1.9 Reproductive and Child Health care

The Reproductive and Child Health programme (RCH) aimed to reduce the maternal mortality rate (MMR), infant mortality rate (IMR) and total fertility rate (TFR) through improved antenatal care, family planning and immunisation. The achievements against the targeted levels of MMR, IMR and TFR, as made available by the SHM, are indicated in **Table 5**.

Table 5 : Targets and achievement of Health Indicators

	Target for UT 2011-12	Status prior to NRHM	Status during NRHM
IMR	15/1000 live births	24	25
MMR	10/10000 live births	20	18
TFR	1.5 children per woman	1.8	1.8

(Source : State Health Mission)

The IMR and TFR did not show any improvement after inception of NRHM in the UT.

Government, while admitting the audit observation on IMR, stated that (November 2009) 60 *per cent* of deliveries reported in the UT were by women from neighbouring States, which accounts for the shortfall in achievement under MMR/TFR.

1.1.9.1 Supply of IFA tablets to pregnant women

Anaemia is considered to be a leading cause of maternal mortality. The RCH-II programme, therefore, emphasised administration of iron-folic tablets (IFA) to pregnant women. Prevention against nutritional anaemia in a pregnant woman required a daily dose of IFA tablets for a period of

[22] One for PHC Bahour in Puducherry and another for PHC Vizhidiyur in Karaikal.

100 days. As per the District Level Household Survey-II conducted during 2002-04, 96 *per cent*[23] of pregnant women in the UT were anaemic.

The details of pregnant women registered and medically checked and those who received IFA tablets for 100 days during 2005-09 are given in **Table 6**.

Table 6 : Registration of pregnant women and supply of IFA tablets

Year	Number registered	Number who received IFA tablets for 100 days	Shortfall (percentage)
2005-06	41,109	18,029	23,080 (56)
2006-07	44,524	15,537	28,987 (65)
2007-08	69,398	19,499	49,899 (72)
2008-09	82,594	27,022	55,572 (67)

(Source : State Health Mission)

Shortfalls ranging from 56 to 72 *per cent* were noticed in the supply of IFA tablets to registered pregnant women. No specific reply was furnished by Government for the shortfall.

1.1.9.2 Deliveries in CHCs and PHCs

According to the norms prescribed, PHCs were to be equipped to handle normal deliveries while CHCs were to be equipped to handle both normal and caesarean deliveries. The details of deliveries conducted at the CHCs and PHCs during the last four years are given in **Table 7**.

Table 7 : Number of deliveries in Union Territory

Institutions	2005-06	2006-07	2007-08	2008-09
CHCs	339	352	219	199
PHCs	571	526	393	286
Test-checked PHCs	158	191	108	100

(Source : State Health Mission)

The number of deliveries conducted in Primary Health Centres and Community Health Centres declined steadily

The table above depicts that the number of deliveries in CHCs and PHCs (including the 13 test-checked PHCs) were on the decline.

Government attributed (November 2009) the decline to proximity of district hospitals with 24-hour specialised services and provision of free transportation to the pregnant women by the PHCs for admission to district hospitals. The reply is not acceptable as all the CHCs/PHCs were required to have 24-hour delivery facilities, emergency services and operation theatres as per IPHS. The failure of SHM to address the deficiencies in respect of manpower and infrastructure in the health centres resulted in the targeted rural populace preferring other hospitals for specialised services.

---

23 Mild (75 *per cent*), moderate (17 *per cent)* and severe (4 *per cent*).

1.1.9.3 Family planning

Family planning includes terminal methods (vasectomy for male and tubectomy and laparoscopy for females) to control the total fertility rate. The details of achievements in respect of the terminal methods during 2005-09 are given in **Table 8.**

Table 8 : Details of sterilisation

Year	Number of sterilisations performed in the UT			Number of sterilisations in test-checked centres		
	Vasectomy	Tubectomy	Laparoscopy	Vasectomy	Tubectomy	Laparoscopy
2005-06	19	10,085	109	2	176	Nil
2006-07	24	10,281	178	2	148	Nil
2007-08	14	10,153	136	Nil	123	Nil
2008-09	25	9,578	177	Nil	139	Nil
Total	**82**	**40,097**	**600**	**4**	**586**	**Nil**

(Source : Health and Family Welfare Department)

The proportion of vasectomies to the total sterilisations done in the UT was negligible (0.20 *per cent*) during 2005-09. Out of a total of 43 vasectomies performed during 2005-07, four[24] were performed in the two test-checked PHCs. Sterilisations were performed in two CHCs[25] and two PHCs[26] in the Puducherry region. In Karaikal region, none of the CHCs/PHCs performed any sterilisation. The SHM, in reply to an audit query, attributed (July 2009) the poor performance to the inclination of the patients to undergo sterilisations in well-equipped Government hospitals and also stated that majority of the post-natal mothers opted to undergo sterilisations in such hospitals immediately after childbirth.

Grant of Rs 5.30 lakh by GOI in 2005-06 for ‘No Scalpel Vasectomy’, an innovative scheme, remained unspent for more than three years.

The Government stated (November 2009) that male participation in family planning was low in the UT in line with the all-India pattern.

1.1.9.4 Vitamin A administration

The RCH-II Programme emphasised administration of Vitamin A solution to all children under three years of age. Prevention of blindness amongst children due to deficiency of Vitamin A requires the administration of the first dose of Vitamin A solution at nine months of age along with the measles vaccine, the second dose along with the oral polio vaccine or DPT and three doses subsequently at six-monthly intervals.

The targets and achievements for Vitamin A solution administration during 2005-09 are given in **Table 9.**

---

[24] Nettapakkam – 2 (2005-06) and Thirubhuvanai – 2 (2006-07).

[25] Mannadipet and Karikalampakkam.

[26] Nettapakkam and Thirubhuvanai.

Table 9 : Targets and achievements in administration of Vitamin A solution

A low target was fixed for administration of Vitamin A solution

Year	Target	Achievement in administration of Vitamin A Solution		
		1st dose	2nd dose	3rd to 5th dose
2005-06	16,000	15,224	14,165	23,840
2006-07	16,000	14,101	11,852	25,499
2007-08	16,000	16,042	14,818	38,327
2008-09	16,000	13,874	13,538	52,075

(Source : State Health Mission)

Even though the number of institutional deliveries in Government health institutions ranged between 40,000 and 45,000 per year, a very low annual target of 16,000 was fixed throughout the period and shortfalls in achievement were noticed in all the years.

The Government contended (November 2009) that the target was fixed considering the deliveries by the residents of UT and that 60 to 65 *per cent* of institutional deliveries in UT were by women of adjoining States. In view of the increase noticed in the number of pregnant women registered in the UT as given in **Table 6**, the reply of the Government is not sustainable.

1.1.10 Disease Control Programmes

The performance under various Disease Control Programmes during 2005-09 is discussed in the following paragraphs:

1.1.10.1 National Leprosy Eradication Programme

The National Leprosy Eradication Programme (NLEP) aimed to eliminate leprosy by the end of the Eleventh Plan. It also aimed to ensure a leprosy prevalence rate of less than one per thousand. The UT reported that leprosy had been eliminated in March 2004 and that programme activities had been undertaken to sustain the status of elimination and eradication of the disease completely. The leprosy prevalence rate in the UT, however, increased from 0.26 per thousand in 2005-06 to 0.37 per thousand in 2008-09 as given in **Table 10**.

Table 10 : Prevalence of Leprosy in UT

Year	New cases detected	Leprosy prevalence rate (per thousand)
2005-06	47	0.26
2006-07	57	0.36
2007-08	50	0.22
2008-09	57	0.37

(Source : Programme Manager (Leprosy), State Health Mission)

1.1.10.2 National Vector-Borne Disease Control Programme

The National Vector-Borne Disease Control Programme (NVBDCP) aimed to control vector-borne diseases by reducing mortality due to malaria, filaria, dengue, chikungunya etc., in endemic areas through close surveillance, controlling breeding of mosquitoes and flies by spraying larvicides and insecticides and improving diagnostic and treatment facilities at health centres.

Details of blood smear collection and testing, annual blood examination rate (ABER) and annual parasitic incidence (API) are given in **Table 11**.

Table 11 : Prevalence of malaria in UT

Year	Population (in lakh)	Blood smears collected (BSC) and tested	Malaria positive (MP)cases	ABER[27]	API[28]
2005-06	10.30	2,18,563	44	21.22	0.043
2006-07	10.49	1,96,371	50	18.71	0.048
2007-08	10.69	1,25,463	68	11.73	0.064
2008-09	10.75	1,27,963	72	11.91	0.067

(Source : Health and Family Welfare Department)

Though collection of blood smears declined from 21.22 *per cent* in 2005-06 to 11.91 *per cent* in 2008-09, the number of cases tested positive increased from 44 to 72 during the period, indicating higher incidence of malaria.

The Government stated (November 2009) that samples were collected only from highly suspicious cases and attributed the decline in the number of samples collected to the shortage of manpower during the past three years.

1.1.10.3 National Programme for Control of Blindness

The National Programme for Control of Blindness (NPCB) aimed to reduce the prevalence rate of blindness to 0.3 *per cent* by 2010 through increased cataract surgeries, school eye screening and free distribution of spectacles. The UT had achieved a prevalence rate of 0.4 *per cent*.

The details of school children screened, those found with refractive errors under the school eye screening programme and those provided with free spectacles are given in **Table 12**.

[27] ABER = BSC/Population x 100.

[28] API = MP/Population x 1000.

Table 12 : Eye screening for school children

Year	No of school children screened	No of children with refractive errors detected	No of children provided with free spectacles
2006-07	55,572	2,743	1,300
2007-08	33,832	1,506	1,506
2008-09	47,094	5,104	2,015

(Source: Programme Manager (National Programme for Control of Blindness), State Health Mission)

Only 47 and 39 *per cent* children identified with refractive errors were provided spectacles during 2006-07 and 2008-09 respectively

As may be seen, only 47 and 39 *per cent* of children identified with refractive errors during 2006-07 and 2008-09 respectively were provided free spectacles. The SHM replied that supply of free spectacles to children involved procedural delays in ordering and supply of spectacles and that the parents preferred to procure the spectacles for their children on their own to avoid delays.

1.1.10.4 Revised National Tuberculosis Control Programme

Under the Revised National Tuberculosis Control Programme, the UT had to maintain a cure rate of 85 *per cent* of new sputum positive cases during the Mission period. It was observed that the actual cure rate increased from 73 *per cent* in 2005 to 86 *per cent* up to the first quarter of 2008.

1.1.11 Ayurveda, Unani, Siddha and Homeopathy services

One CHC and 15 Primary Health Centres in the UT were not provided AYUSH practitioners and 98 *per cent* of funds remained unutilised

One of the objectives of NRHM was to mainstream Ayurveda, Unani, Siddha and Homeopathy (AYUSH) services through revitalising local traditions. The Mission aimed to provide AYUSH services by posting an AYUSH doctor at each PHC. It was noticed that AYUSH practitioners were posted in three CHCs and 24 PHCs only through regular posting or by contractual appointment. AYUSH services were not available in six[29] PHCs and one[30] CHC out of the test-checked health centres. Though Rs 79.47 lakh out of Rs 80.88 lakh received from GOI under NRHM during 2007-09 remained unspent with SHS as on 31 March 2009, the SHM asked for Rs 1.03 crore from GOI for 2009-10 for mainstreaming of AYUSH and received GOI approval for Rs 83.24 lakh. The intended objective of mainstreaming of AYUSH services in rural health areas was not fully achieved despite the availability of sufficient funds.

Government stated (November 2009) that selection of doctors and pharmacists for AYUSH clinics had been completed and orders for their appointments were under issue.

---

[29] Sooramangalam in Puducherry region, Ambagarathur, Nalambal, Nallathur, Karaikal Medu and Kovilpathu in Karaikal region.

[30] Palloor in Mahe region.

1.1.12 Monitoring and evaluation

1.1.12.1 Health Monitoring and Planning Committee

The guidelines of NRHM envisaged the formation of Health Monitoring and Planning Committees at the PHC, district and UT level to participate in the planning process and to monitor the progress of NRHM. It was found that no committee had been formed at any level. Government stated (November 2009) that the monitoring of the programme was done at the UT level by the programme committee. The reply is not acceptable as the Mission envisaged monitoring and planning at village, block and district levels.

1.1.12.2 Community participation

The guidelines of NRHM stated that community action was the only guarantee for exercising the right to health care and putting community pressure on the health care system. It also envisaged a critical role for non-government organisations (NGOs) in the implementation of NRHM for the success of the Mission. The Mother NGO (MNGO) was to identify and select Field NGOs[31] (FNGO) to support and monitor such selected FNGOs in community need assessment, developing proposals based on line data and convergence with other departments. It was noticed that only one[32] MNGO was involved in Puducherry district and for the remaining three districts, no NGO had been identified. Though Rs 23.50 lakh were received by SHS from GOI in 2005-06, SHS belatedly released Rs 22.50 lakh to the MNGO (Rs 5 lakh in 2007-08 and Rs 17.50 lakh in 2008-09). Government replied (October 2009) that the MNGO utilised the entire funds during 2008-09. It was, however, noticed that MNGO released only Rs 18 lakh to field NGOs in March 2009 and reflected the amount released as expenditure.

1.1.12.3 Rogi Kalyan Samiti

As per NRHM guidelines, Rogi Kalyan Samitis (RKS) was to be constituted in all CHCs and PHCs for managing health related assets. The RKSs, had to be registered as societies with groups of trustees drawn from NGOs, Panchayat Raj Institutions and the Government. It was found that the meetings of the RKSs were not conducted regularly. There was no representation from the vulnerable and disadvantaged sections of the society. No grievance redressal mechanism was developed to get feedback from the public. In view of the above deficiencies, the objective of community ownership of health centres through RKS remained unachieved.

Government did not give any specific reply for not conducting the meetings regularly. It, however, assured (November 2009) that RKSs would be registered as societies shortly.

---

[31] Block level NGOs selected by Mother NGO.

[32] SOJAHUR - Society for Social Justice and Human Rights.

1.1.12.4 Monitoring at highest levels

The SHM and the three District Health Missions (DHM) constituted in October 2005 were required to meet at least once in every six months. However, only one meeting of the SHM and 11 meetings of DHMs were conducted during 2005-09. The Governing Body of the SHS had not met even once since its inception in October 2005. Despite the availability of sufficient funds for the implementation of the scheme, utilisation of funds to achieve the objectives of the SHM was not effectively monitored by conducting regular meetings at the State and district levels, resulting in lack of quality health care services for the poor and vulnerable sections of the population. Government's reply was awaited.

1.1.13 Conclusion

The State Health Society could spend only 56 *per cent* of funds released to them during 2005-09. Village Health Plans were not prepared by the Village Health and Sanitation Committees and the Perspective Plan for the Mission period for the UT was not prepared. Twenty-four hour emergency and delivery services and laboratory facilities were available only in few PHCs. In six PHCs, only one doctor was posted as against the requirement of two doctors in each PHC. Funds provided for Ayurveda, Unani, Siddha and Homeopathy services remained unutilised. The meetings of the State Health Mission, the State Health Society and the District Health Societies were not conducted regularly, resulting in lack of monitoring at UT and district levels.

1.1.14 Recommendations

- Planning should be done at village, block and district levels to ensure bottom-up approach in planning.
- Manpower and infrastructure should be strengthened and essential equipment required in CHCs/PHCs/SCs for quality health care services should be provided.
- Twenty-four hour emergency and delivery services and laboratory facilities should be made available in all PHCs.
- Effective monitoring mechanism should be established at all levels.

LOCAL ADMINISTRATION DEPARTMENT

1.2 Review of financial management in Commune Panchayats

Highlights

According to the 2001 census, the rural population of the Union Territory of Puducherry (UT) was 3.26 lakh (33 per cent). The Seventy-third Constitution Amendment Act, 1992 gave constitutional status to Panchayat Raj Institutions (PRIs) with provisions for devolution of functions, funds and functionaries. In the two-tier system of Panchayat Administration followed in the UT, village panchayats are at the lower level and commune panchayats at the higher level. There are 10 commune panchayats and 98 village panchayats in the UT. Financial management in commune panchayats in certain selected areas was reviewed during June- August 2009 and the review revealed the following:

- **Only 22 out of 29 functions included in the Eleventh Schedule of the Constitution of India were transferred to the village panchayats and commune panchayats in January 2009. Funds and functionaries are yet to be transferred to PRIs.**

(Paragraph 1.2.6)

- **The Commissioner of Bahour Commune Panchayat failed to prepare budgets for 2007-08 and 2008-09. In Mannadipet Commune Panchayat, approval was not obtained from the Council by the Commissioner for the budgets for 2007-08 and 2008-09. The budgetary and expenditure control was very weak.**

(Paragraph 1.2.7.1)

- **Grants-in-aid were released by Government to Commune Panchayats without ensuring actual expenditure. As assured to the Committee on Public Accounts, release of grants to Commune Panchayats was not based on population criteria.**

(Paragraphs 1.2.7.2 and 1.2.7.3)

- **Revision of house tax after 20 years, by introducing a revised pattern of house tax assessment with the objective of augmentation of revenue had resulted in reduction of revenue to Commune Panchayats.**

(Paragraph 1.2.8.1)

- **Rates of profession tax were not revised, even though Government accepted the recommendation of the Puducherry Finance Commission to revise the rates.**

(Paragraph 1.2.8.1)

- **Licence fees for trades and manufacturing units in the commune panchayats area, fixed in 1976, were not revised despite assurance given (February 2006) by the Department to the Committee on Public Accounts.**

(Paragraph 1.2.8.2)

- **In the test-checked commune panchayats, collection of revenue in respect of house tax, water charges and lease rent was poor and the arrears, as at the end of March 2009, was Rs 1.87 crore.**

(Paragraph 1.2.9)

1.2.1 Introduction

A commune panchayat (CP) is an institution of self-government at the higher level in the two-tier system of Panchayat Administration in the Union Territory of Puducherry (UT). There are 10[33] CPs in the UT with a population of 3.26 lakh being 33.43 *per cent* of the total population of the UT as per 2001 census. The administration and functions of CPs are being carried out in accordance with the provisions of the Pondicherry Village and Commune Panchayats Act, 1973 (Act). The Act was amended in 1994 so as to conform to the 73rd Amendment to the Constitution of India. Elections to the panchayats were held in June-July 2006 after a gap of 38 years. Prior to that, panchayats were administered by the Special Officers appointed by the Government.

1.2.2 Organisational set up

Commune Panchayats come under the administrative control of the Secretary, Local Administration at Government level. Director of Local Administration (Director) is the head of the Department and is assisted by the Deputy Director (Rural Development) and a Superintending Engineer. CPs were administered by Special Officers up to July 2006 and thereafter by the Councils assisted by Commissioners, who are the executive authorities.

1.2.3 Audit objectives

Audit objectives were to assess:

(a) Effectiveness of compliance with Act/Rules;

(b) Efficiency and effectiveness in the assessment and collection of revenues, budgetary and expenditure controls.

[33] Ariyankuppam, Bahour, Nettapakkam, Mannadipet and Villianur in Puducherry region, Kottucherry, Nedungadu, Neravy, Thirunallar and T.R. Pattinam in Karaikal region.

1.2.4 Audit criteria

The following were adopted as audit criteria:

(a) The Pondicherry Village and Commune Panchayats Act, 1973 as amended from time to time and rules made thereunder.

(b) Notifications issued by the UT Government under the Act.

(c) Panchayat Manuals and

(d) Orders and instructions issued by Government and Director, Local Administration Department.

1.2.5 Audit coverage and methodology

The Performance audit was conducted, in addition to the Secretariat and Office of the Director of Local Administration, in three[34] out of 10 Commune Panchayats in the UT selected by random sampling method on the basis of population. Records for period 2004-09 pertaining to planning, transfer of functions and funds, release and utilisation of grants, budgetary and expenditure control and assessment and collection of revenue were test checked during June-August 2009. Audit objectives and criteria were discussed with the Director in an entry conference held on 6 July 2009. The findings of the review were discussed with the Secretary in an exit conference conducted on 14 September 2009.

1.2.6 Devolution of functions

Article 243-G of the Constitution of India provides for devolution of powers and responsibilities to panchayats with respect to preparation of plans for economic development and social justice and implementation of schemes. The UT Government incorporated all the subjects mentioned in Schedule XI of the Constitution of India into the Pondicherry Village and Commune Panchayat Amendment Act in 2006 only. Based on recommendations of a committee constituted (July 2007) by Government to identify activities under each of the 29 subjects listed in Schedule XI of the Constitution, Government issued (January 2009) a notification devolving various activities under 22 functions **(Appendix 1.4)** to Village and Commune Panchayats. Though the functions were transferred to the PRIs, funds and functionaries required for implementation of the functions were not transferred and the Commune Panchayats (CPs) were not adequately empowered to address the local developmental priorities effectively.

Union Territory Government stated (November 2009) that a policy decision based on the Ramanathan Committee's recommendations on devolution of functionaries and funds would be considered later as the village panchayats

[34] Bahour and Mannadipet Commune Panchayats in Puducherry region and Kottucherry Commune Panchayat in Karaikal region.

were in nascent stage without adequate infrastructure and trained manpower and that the panchayats would be empowered soon after the transfer of functionaries and funds by the line departments.

1.2.7 Finance and budgetary control

1.2.7.1 Preparation of Budget

The Act provides that Commissioner of the CP shall in each year frame and place before the CP Council for approval, a budget showing probable receipts and expenditure for the following year, and a copy has to be submitted to the Deputy Director (Rural Development).

Kottucherry CP had submitted the Annual budgets for the years 2006-07 to 2008-09 to the Council for approval after the commencement of financial years. Bahour CP did not prepare budgets for the years 2007-08 and 2008-09. Mannadipet CP prepared budgets but did not submit them for the years 2007-08 and 2008-09 to the Council. Delays ranging from one to 12 months were also noticed in approval of the budget by the council.

Non-preparation and non-submission of budgets denied the Councils an opportunity to incorporate their policy imperatives and priorities into the budget and also failed to serve as a tool for expenditure control.

Union Territory Government stated (November 2009) that explanations have been called for from the Commissioners for non-preparation of budgets and delays in getting approval and that timely preparation of budget and submission by the Commissioners would be ensured in future.

1.2.7.2 Financial performance

(i) Tax and non-tax receipts levied and collected by CPs and the assigned revenue constitute own fund of the CPs. Besides, Government released grants-in-aid to the CPs under various schemes. During 2004-09, as against the funds of Rs 184.98 crore made available to 10 CPs, an expenditure of Rs 139.28 crore only (75 *per cent*) was incurred. The details of availability of funds and expenditure of the CPs for the period 2004-09 is given in **Table 1**:

Table 1 : Overall financial position of the Commune Panchayats

(Rupees in crore)

Year	Availability of funds		Total	Expenditure
	Own funds	Grants-in-aid		
2004-05	8.04	14.08	22.12	19.14
2005-06	7.63	25.83	33.46	25.09
2006-07	10.76	29.23	39.99	24.90
2007-08	12.98	22.87	35.85	32.42
2008-09	15.35	38.21	53.56	37.73
Total	**54.76**	**130.22**	**184.98**	**139.28**

(Source : Commune Panchayat records)

(ii) The position of receipts and expenditure in the test-checked CPs for the period from 2004-05 to 2008-09 is given in **Table 2.**

Table -2 : Receipts and utilisation of funds by test-checked CPs

(Rupees in crore)

Name of CP	Opening balance	Own receipts	Grants-in-aid	Total	Expenditure (percentage)	Closing balance
Bahour	5.20	10.29	24.88	40.37	26.31(65)	14.06
Mannadipet	4.47	9.13	13.49	27.09	21.61(80)	5.48
Kottucherry	0.87	3.68	10.84	15.39	10.92(71)	4.47

(Source : Commune Panchayat records)

It would be seen from the table above that out of Rs 40.37 crore made available during 2004-09, Bahour CP spent Rs 26.31 crore (65 *per cent*) only leaving an unspent balance of Rs 14.06 crore.

(iii) It was observed in the test-checked CPs that even though the CPs had sufficient balance to meet the expenditure for subsequent year, Government continued to release grants-in-aid without ascertaining the unspent grant at the end of the year and the annual fund requirements of the CPs as detailed in **Appendix 1.5**.

Government stated (November 2009) that the specific purpose grants remained unspent due to non-commencement of works or the works in progress due to administrative delays and site disputes and that they were not to be diverted for other purposes. The reply is not acceptable as the grants, if not utilised by CPs within a period of one year, should be refunded. Proposing new works to Government for sanction and release of grants without completing the works already taken up had resulted in locking up of Government funds with the CPs.

1.2.7.3 Release and utilisation of Government grants

As per Section 182 of the Act, Government may classify commune panchayats once in every five years and it shall be open to Government to sanction grants at varying rates for different classes of CPs for various development schemes.

(i) Comment was made in paragraph 5.2 (i) (c) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 regarding sanction of cent *per cent* grants-in-aid to CPs by Government irrespective of their financial position due to rules not being framed under the provisions of the Act for classification of CPs. During discussion of the paragraph by the Committee on Public Accounts (PAC)[35], the Local Administration Department (LAD) stated that recommendation of the Puducherry Finance Commission regarding release of grants to local bodies was under consideration of Government and only after taking a decision in this regard and devolution of functions to CPs, the exact requirement of funds would be known and that at present grants were released based on population and financial position of the CPs.

[35] Thirty fourth Report of PAC submitted to the Assembly on 27 February 2006.

Grants-in-aid were released by Government without following any norm

PAC, therefore, recommended (February 2006) that the classification of CPs be made at the earliest. Scrutiny of records revealed that the CPs were not yet classified (October 2009) and the grants were released without any norms. The department, thus, misled the PAC by stating that the grants were released based on population.

Government stated (November 2009) that necessary notification regarding classification of CPs would be issued by December 2009.

(ii) The First Puducherry Finance Commission recommended release of untied funds to all local bodies to support them financially. Government, however, released untied grants of Rupees four lakh in 2006-07, Rs 60 lakh in 2007-08 and Rs 30 lakh in 2008-09 only to three financially weak CPs[36]. The quantum of grant was fixed on *ad hoc* basis and the assistance was not extended to remaining seven CPs. The guidelines and rules for release and utilisation of the grant were not yet framed by LAD.

Government stated (November 2009) that a revised Draft Grants-in-aid Rules for Local Bodies have been prepared and sent to Law Department for vetting and the same is pending finalisation.

(iii) Section 184 of the Act stipulates release of an equal matching grant by Government for every rupee of house tax collected by a CP during the previous year. Scrutiny of records revealed that matching grants were released up to 2006-07. As against house tax of Rs 3.81 crore collected by the CPs during 2007-09, Government released matching grant of Rs 2.77 crore (73 *per cent*). Out of the remaining matching grant of Rs 1.04 crore (27 *per cent*) due to the CPs, a grant of Rs 36 lakh is due to Bahour and Mannadipet CPs. The CPs did not initiate any action to get the matching grants.

Government stated (November 2009) that full matching grant was not released due to paucity of funds and that release of the balance matching grant would be considered in the subsequent years.

Utilisation certificates for Rs 8.47 crore of grants received were not furnished by test-checked Commune Panchayats

(iv) Under Rule 212 (1) of General Financial Rules, grants-in-aid received were to be utilised within a period of twelve months and the utilisation certificate furnished to the Government. For grants-in-aid of Rs 29.91 crore (340 items) released during 1999-2008, UCs were pending from the CPs. It was noticed that Government released further grants without insisting on UCs from the CPs. Test-check revealed that 72 UCs[37] for grants of Rs 8.47 crore were due from the three test-checked CPs.

---

[36] Kottucherry, Nedungadu and Neravy.

[37] Bahour - 36 UCs (Rs 4.20 crore), Mannadipet – 9 UCs (Rs 0.79 crore) and Kottucherry – 27 UCs (Rs 3.48 crore).

Government stated (November 2009) that the Commissioners have been instructed to refund the entire amount if they are not able to complete the works and furnish UCs by March 2010.

1.2.8 Assessment and collection of revenue

A comment was made in paragraph 5.2 (ii) (a) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2002 regarding non-revision of house tax, profession tax and licence fees for trade and manufacturing units and that the failure of the Government to revise the rates resulted in considerable decrease in the resources of the CPs. The Department replied to the PAC (February 2006) that action was initiated to collect house tax under new system and revise profession and entertainment taxes. Scrutiny of records pertaining to the period 2006-07 to 2008-09 revealed that there was a reduction in collection of house tax even after such revision and that rates of profession tax and trade licence fees were not revised as discussed in the succeeding paragraphs.

1.2.8.1 Tax revenue

The Act empowers the CPs to levy and collect taxes such as house tax, profession tax, entertainment tax, duty on transfer of properties, local cess surcharge, etc. These items constitute the tax revenue of the CPs.

- ***House Tax***

(i) On the recommendations of the First Puducherry Finance Commission submitted in September 1998, Government decided that the Patna pattern of property taxation would be more suitable to the UT as it was simple and transparent and also had potential for yielding more revenue. In the system followed by the Patna Municipal Corporation for assessment of property tax, the annual rental value of a building is calculated on the basis of plinth area and location of buildings, whether on main road or interior road and its usage, whether for residential or commercial purpose. Accordingly, the Government of Puducherry framed the Pondicherry Village and Commune Panchayats (Assessment of Annual Rental Value of Buildings /Houses) Rules, 2000 laying down definite criteria for assessment of tax.

Government constituted (February 2004) a committee to recommend suitable methodology for computation of house tax. The Committee recommended a uniform house tax rate of nine *per cent* on the annual rental value (ARV), an allowance of 10 *per cent* for maintenance/repairs to buildings and reduction in annual rental value by 50 *per cent* for owner occupied houses. The recommendations of the committee were discussed with the MLAs in a meeting convened by the Chief Minister for the purpose and it was decided that 50 *per cent* reduction in ARV calculated under the new system, be allowed for all buildings and that it would be further reduced by 50 *per cent* for owner-occupied houses. The allowance for maintenance of buildings was also increased to 15 *per cent* from the 10 *per cent* recommended. The revised pattern of house tax assessment was notified by Government and brought into effect from December 2004 onwards.

Despite increase in house tax assessments, annual house tax demand in the revised system decreased due to undue concessions given by Government

Test check of records revealed that even though there was increase in the number of assessments (from 2,766 to 4,412) after the implementation of revised pattern of house tax assessment in Kottucherry CP, the annual house tax demand decreased from Rs 4.86 lakh to Rs 4.13 lakh. In Bahour CP, the number of assessments increased from 1,649 to 11,750 (613 *per cent*) whereas the demand increased from Rs 18.40 lakh to Rs 22.64 lakh (23 *per cent*) only.

Thus, the revision which was proposed after 20 years with the objective of augmenting the revenue of CPs, instead of enhancing the revenue, had resulted in reducing the revenue base of the CPs.

Government stated (November 2009) that the audit observations would be taken into consideration during the general revision of house tax for the period April 2010 to March 2015.

(ii) As per the Act and Rules made thereunder, whenever a new house is constructed or altered or added to or reconstructed, the tax or enhanced tax shall be levied in such half year from the day on which such construction, alteration, addition or reconstruction was completed or on the day on which the new construction, alteration, addition or reconstruction was first occupied, whichever occurs first.

Test-checked CPs reported that there was no increase in the number of houses assessed for the period from 2005 to 2009. Scrutiny of records of Kottucherry CP revealed that 130 new houses constructed were yet to be assessed and demands raised (July 2009). In Mannadipet CP, of the 233 industries for which licences were renewed up to 2008-09, only 180 were assessed for house tax. Though self-assessment forms were received from the 53 industries, house tax was not levied and no demand was raised so far. Periodical inspection was not conducted by the staff of CPs to identify new houses and additions/alterations for levy of house tax.

Government stated (November 2009) that instructions have been issued to the Commissioners to assess the newly constructed buildings.

- ***Profession tax***

(i) Under the Act, profession tax should be levied every half-year on companies (which transact business) and every person (professionals, public and private officials holding appointment for not less than sixty days). The Commissioner or President of Village Panchayat may, by notice, require employers to furnish a list of persons employed with a statement of salary, etc., to determine the quantum of tax payable. Every employer, on receipt of requisition from the Commissioner or President, should deduct the tax from the salary or wages of the persons employed and remit it to the concerned CPs.

Rates of profession tax fixed in 1976 were not revised, despite PAC's recommendation for revision

The rates of profession tax were fixed in 1976. Government accepted (March 1999) the recommendation of the First Puducherry Finance Commission to enhance the maximum limit of profession tax from Rs 250 to Rs 2,500 as envisaged in the Constitution (Sixtieth Amendment) Act, 1988. Despite LAD's assurance to PAC (2006) that the notification for revision of profession tax was under issue based on which the paragraph was dropped by PAC, it was yet to be issued (August 2009).

Government stated (November 2009) that necessary bill for amendment to the Act seeking revision of profession tax would be introduced during the 2009 winter session of the Assembly.

(ii) The Revenue Inspector of Mannadipet CP, instead of raising demand with the pay particulars available in the CP, for the CP employees, requested the Commissioner to furnish the list of persons working in the CP. Commissioners of Bahour and Mannadipet CPs failed to recover from their staff, profession tax of Rs 1.91 lakh for the period 2004-09.

(iii) The data of Education Department revealed that 1,385 teachers were working in Government and private schools in Bahour and Mannadipet CP areas and profession tax of Rs 2.77 lakh per annum due from them was not collected by the Commissioners.

(iv) In Mannadipet CP, tax of Rs 12.42 lakh for 2008-09 was recovered from 129 factories/industries only, even though 233 factories had renewed their trade licences for the year. Thus, tax from 104 industries was not recovered. Profession tax of Rs 1.95 lakh pertaining to the period January 2000 to June 2001 was due from Pondicherry Co-operative Spinning Mills Limited functioning in the CP area. Profession tax of Rs 6.29 lakh pertaining to the period from 2004 to 2008 was also due from it. No demand was raised by the CP due to non-receipt of statements showing the details of employees, salary, etc., from the spinning mill.

Government stated (November 2009) that the Commissioners have been instructed to collect the arrears and to submit compliance report by 30 November 2009.

- ***Entertainment tax***

Section 154.A of the Act envisages collection of entertainment tax on cable TV at 10 *per cent* of the amount collected by cable operators by way of contribution or subscription or installation or connection charges or any other charges collected in any manner, whatsoever, from a subscriber .

(i) The number of cable TV connections in Kottucherry CP as per the statements furnished by the cable TV operators were 555, whereas a survey conducted by the CP in 2007-08 revealed that there were 2,200 connections in the commune area. Even after the survey, Kottucherry CP continued to raise demands for 2007-08 and 2008-09 for 555 connections only resulting in non-recovery of entertainment tax of Rs 4.34 lakh.

Bahour CP did not conduct any survey to identify the actual number of connections in their area.

(ii) Test-checked CPs were yet to collect the arrears of entertainment tax of Rs 25.12 lakh pertaining to the period starting from 2000.

Government stated (November 2009) that the Commissioners have been instructed to collect the arrears, conduct surveys and submit compliance reports by 30 November 2009.

1.2.8.2 Non-tax revenue

Fees and charges other than the tax revenue levied and collected by the CPs are classified under non-tax revenue.

The First Puducherry Finance Commission was of the view (1999) that the trend of revenue collection in CPs in respect of non-tax revenue (fees) was deplorable and the rates of fees were not reviewed taking into account the increase in the prices and the establishment charges. The Commission further stated that the local bodies had not properly tapped the source of non-tax revenue and that the rates fixed for non-tax items remained unchanged for decades and were nowhere near the present price level and money value conditions. Government accepted the Commission's recommendations regarding augmentation of revenue of local bodies.

Licence fee for trades and manufacturing units fixed in 1976 was not revised

(i) Licence fee for trades and manufacturing units is one of the items of non-tax revenue. Under the Act, no owner/occupier of a building shall conduct a business, trade, etc., without obtaining a valid licence for use of such place for such purposes. List of trades for which trade licences were required to be obtained from CPs along with the rate for each item was approved in 1976. Though the fee recoverable by Municipalities was enhanced by Government in 1996, it was not revised in respect of CPs, despite assurance given to PAC[38] to revise the fees. The CPs still issue or renew the licences at the rates fixed in 1976. New trades such as video shops, computer sales and service centres etc., function without trade licence as they are not included in the list of trades.

---

[38] Department reply to PAC for paragraph 5 (ii) (a) of Audit Report 2001-02 (34th Report of PAC submitted to Assembly in February 2006).

Government stated (November 2009) that necessary bill for amendment to the Act seeking revision of rates of trade licences would be introduced during the ensuing winter session of the Assembly.

In Mannadipet CP, out of 257 trade licences, 233 were renewed and 24 cancelled as of March 2009. In Bahour CP, out of 286, 78 licences were cancelled and 65 were not renewed. Even though, Mannadipet CP identified 558 traders/shops which had not obtained trade licence from the CP, no action was taken against the defaulters. Government stated (November 2009) that the Commissioner has been instructed to take action against the defaulters and to submit compliance report by 30 November 2009.

The Commissioner, BCP stated (June 2009) that no physical verification/inspection was conducted so far to identify traders who run industries or shops without licence due to shortage of man power in the CP. Government stated (November 2009) that the Commissioner has been instructed to conduct a survey to identify the establishments being run without licence and to collect the arrears of licence fee before 30 November 2009.

(ii) Under the Pondicherry Village Panchayats (Surcharge on cess on Sugarcane) Rules, 1978, the occupier of every sugar factory should, within a fortnight of the close of each month, pay to the CP the surcharge on cess on sugarcane collected, and furnish to the Commissioner of CP, a copy of the return submitted by him to the Sugarcane Commissioner. The Commissioner of CP, on receipt of such return, shall verify that the amount of surcharge on cess on sugarcane had been correctly calculated and that the full amount thereof has been remitted into the CP. In case of default, the occupier of the factory would be fined.

Pondicherry Co-operative Sugar Mills Limited (Mill), functioning in the Mannadipet CP area had remitted Rs 3.05 lakh only out of Rs 22.75 lakh collected towards the surcharge on cess during the period from 1983-84 to 2002-03. The Mill did not furnish the monthly returns to the Commissioner thereafter. Details collected from the Agriculture Department showed that Rs 8.71 lakh surcharge was due to the CP on Rs 87.10 lakh cess remitted by the Mill for the period from 2003-04 to 2008-09. Thus, an amount of Rs 28.41 lakh (Rs 19.70 lakh plus Rs 8.71 lakh) as surcharge was due from the sugar mill. The MCP failed to realise the amount. Government stated (November 2009) that the Registrar of Co-operative Societies has been requested to instruct the Sugar Mill to clear the arrears.

(iii) CPs maintain drinking water supply schemes at various places in the villages and supply water to public through pipe lines. No metering of water supply was done in Bahour and Mannadipet CPs and water charges at the flat rate of Rs 120 *per* connection *per* annum were collected from 1998 onwards. Water charges demanded by these CPs were meagre when compared to the pay and allowances of maintenance staff as given in **Table 3**.

Table 3 : Water charges demand and expenditure on maintenance staff

(Rupees in lakh)

Year	Bahour CP		Mannadipet CP		Kottucherry CP	
	Demand	Pay and allowances	Demand	Pay and allowances	Demand	Pay and allowances
2004-05	3.05	19.75	7.00	18.93	0.35	6.14
2005-06	2.45	25.98	7.57	25.35	0.36	7.97
2006-07	2.45	28.68	7.90	29.49	0.40	8.74
2007-08	2.45	32.79	7.90	30.94	0.70	10.97
2008-09	2.45	37.62	8.13	40.20	0.72	12.64
Total	**12.85**	**144.82**	**38.50**	**144.91**	**2.53**	**46.46**

(Source: Commune records)

The CPs neither introduced a metering system nor enhanced the rate of water charges. Government stated (November 2009) that the function of 'provision of water supply and collection of water charges' was transferred to the village panchayats in July 2006 and that the Executive Officers and the Presidents of village panchayats have been advised to enhance the water charges suitably.

(iv) As per Rule 24(4) of Pondicherry Minor Minerals (Concession) Rules, 1977, the royalty on mines and minerals realised by Revenue Department should be transferred to the concerned local bodies after deducting five *per cent* towards service charges. Government sanctioned (March 2004) transfer of royalty of Rs 74.13 lakh pertaining to the year 2003-04 to the local bodies. Bahour CP and Mannadipet CP were entitled to receive Rs 42.11 lakh and Rs 27.61 lakh respectively out of the amount sanctioned. However, the two CPs failed to take follow up action to get the royalty amount from the Revenue Department.

It was further noticed that the Revenue Department had collected royalty of Rs 4.47 crore during 2004-09 in Bahour and Mannadipet CP areas. Rupees 4.24 crore out of the royalty collected were due to the two CPs. The CPs, however, did not initiate any action to realise the amount due to them. Government stated (November 2009) that the District Collector has been requested to credit the royalty amount to the CPs.

(v) In order to obviate problems faced by the plot owners for obtaining permits from the Puducherry Planning Authority for construction of houses in the unapproved layout, Government directed (April 1998) the local bodies to issue "No objection Certificate" (NOC) to the plot owners by collecting proportionate share of development cost for roads.

Test check of records revealed that out of 1,095 plots in 12 unapproved lay-outs in Bahour and Mannadipet CPs, only 50 plot owners applied for NOC. Consequently, development charges of only Rs 11.38 lakh was collected against total development charges of Rs.97.51 lakh due from the plot owners. While the number of houses assessed for house tax by CPs in these

12 unapproved layouts were 193 houses, development charges were collected from 143 house owners only resulting in loss of revenue of Rs 13.71 lakh. Government stated (November 2009) that the Commissioners have been instructed to collect the development charges due from the plot owners and submit compliance report by 30 November 2009.

(vi) The Mannadipet CP leased out land measuring 26 hectares to the Pondicherry Co-operative Sugar Mill Limited (Mill) for 99 years from March 1981 and executed a lease agreement. As per the lease agreement, the lease rent should be revised every five years based on the prevailing guideline value fixed by the Revenue Department. The lease rent for the period 1986 to 2006 was revised retrospectively and the Mill was requested (May 2007) to pay Rs 33.23 lakh being the difference between the lease rent payable and paid during the period from 1985-86 to 2005-06. The Mill paid Rs 10 lakh (2008-09) and balance amount of Rs 23.23 lakh was not remitted to the CP as of March 2009. Further, the revision of lease rent due from 2006-07 was not done. Government stated (November 2009) that the Registrar of Co-operative Societies has been addressed to instruct the sugar mill to pay the arrears of lease rent and that the Commissioner, MCP was instructed to take immediate action to revise the rent for the five year period from 2006-07.

Government leased out lands to M/s. Puducherry Industrial Promotion, Development and Investment Corporation (PIPDIC) for establishment of Electronic Park in 1996 including Mannadipet commune panchayat land. CP neither entered into an agreement nor raised annual demands. Though PIPDIC was directed (December 2005) to remit the lease rent for the period from 1996 to 2005, no amount was remitted. As no distraint action was initiated against the firm within the period of three years, the amount became irrecoverable and resulted in loss of revenue of Rs 7.13 lakh.

Government stated (November 2009) that the Managing Director of the Corporation has been addressed to clear the arrears of lease rent. The reply is not tenable as the amount was not recovered within the time frame and has become time-barred.

1.2.9 Demand and collection of revenue

Details of demand and collection of house tax, water charges and lease rent during 2004-05 to 2008-09 in the test checked CPs are given in **Table 4.**

Table: 4: Details of demand and collection of revenue

(Rupees in lakh)

CP	2004-05			2005-06			2006-07			2007-08			2008-09		
	D	C	P	D	C	P	D	C	P	D	C	P	D	C	P
BCP	25.48	13.51	53	10.12	8.61	85	30.15	10.72	36	28.92	13.47	47	26.19	16.49	63
MCP	26.15	18.86	72	55.95	48.73	87	42.11	20.34	48	42.45	13.89	33	42.79	24.39	57
KCP	5.21	3.40	65	1.21	1.14	95	4.53	2.35	52	6.86	3.70	54	6.45	3.30	51

(Source: Commune Panchayat records) D – Demand; C – Collection; P – Percentage of collection to demand

The percentage of collection ranged from 36 to 85 in Bahour, 33 to 87 in Mannadipet and 51 to 95 in Kottucherry.

Arrears in collection of house tax, water charges and lease rent as at the end of March 2009 were Rs 1.87 crore in the test-checked CPs. Year-wise break up of the arrears and reasons for poor collection of revenue were not furnished by the Commissioners. Although, the Act provides for levy of interest not exceeding 10 *per cent* per annum for belated payment of dues, none of the test-checked CPs notified the rate of interest for the belated payment and the interest leviable on the arrear amount was also not calculated. As per the provisions in the Act on limitation for recovery of dues, the dues become irrecoverable if distraint action is not taken within three years from the due dates and as such, the possibility of arrear revenue becoming time-barred cannot be ruled out.

Government stated (November 2009) that the Commissioners have been instructed to collect the arrears before the close of the year 2009-10 and that a special review on the arrear collection would be made in April 2010.

1.2.10 Assigned revenue

Assigned revenues include taxes and levies collected by Government departments and assigned to local bodies.

Duty on transfer of property is collected by the Registration Department and the amounts collected were to be transferred to the local bodies after deducting three *per cent* towards collection charges. As per Section 149 of the Act, the duty on transfer of property should be pooled together for the entire CP and distributed among all the village panchayats (VP) in the CP in proportion to their land revenue, after retaining 25 *per cent* of the total proceeds of transfer duty as share of the CP.

The Village Panchayat Councils came into existence in July 2006. The Local Administration Department, (October 2007) instructed the Commissioners of CPs to transfer duty on transfer of property to the VPs, with effect from July 2007.

Scrutiny of records in test-checked CPs revealed that an amount of Rs 4.52 crore received as duty on transfer of property for the period from July 2007 to March 2009, were credited into the accounts of the CPs and not apportioned to the concerned VPs. The Commissioner, Mannadipet CP replied (July 2009) that the Revenue Department was requested to furnish the re-survey numbers, boundaries of VPs to work out quantum and transfer the duty to the concerned VPs under his control. Government stated (November 2009) that the District Collectors of Puducherry and Karaikal have been addressed to furnish the details of land revenue collected in each village to enable the Commissioners to apportion the duty to the village panchayats.

1.2.11 Conclusion

Only 22 out of 29 functions specified in the Eleventh Schedule of the Constitution of India were transferred to PRIs. Further, no decision was taken to devolve funds to carry out these functions. Budgets were either not prepared or belatedly prepared, though prepared not got approved by the councils. Therefore the budgetary control was very weak. The revision of house tax proposed after 20 years with the objective of augmenting the revenue of CPs, instead of enhancing the revenue, had resulted in reduction of revenue to the CPs.

1.2.12 Recommendations

- Funds and functionaries required to carry out the devolved functions to PRIs should be transferred so as to enable the CPs to function as institutions of self-government.
- Grants-in-aid may be released based on population by Government as assured to the PAC.
- The budgetary control mechanism should be strengthened.
- The CPs should improve efficiency in collection of tax and non-tax revenues.

HOME DEPARTMENT

1.3 Modernisation of police force

1.3.1 Introduction

Government of India (GOI) introduced the 'Modernisation of Police Force' scheme in the UT from the year 2006-07 to improve the operational efficiency and infrastructural facilities of its police force. As per the scheme guidelines, the UT Government was required to prepare an Annual Action Plan and submit the same to the Union Territory Division of the Ministry of Home Affairs (MHA) for scrutiny and approval of a Committee set up therein. The UT, which has a total area of 480 sq.km is divided into two police districts, consisting of six police regions, *viz.* Puducherry (North), Puducherry (South), Puducherry (Rural), Mahe and Yanam in Puducherry police district and Karaikal region in Karaikal police district. The Puducherry police organisation is divided into two wings, *viz.*, (i) Law and Order and (ii) Crime and Intelligence. There are 41 police stations in the UT and five companies in the Puducherry Armed Reserve Police (PAP).

At the Government level, the Secretary, Home Department is responsible for implementation and monitoring the scheme. At the department level, the Director General of Police (DGP), assisted by three Senior Superintendents of Police (SSP) *viz.*, SSP (Law and Order), SSP (Crime and Investigation) and SSP, Karaikal are responsible for implementation of the scheme. The Public Works Department (PWD) is responsible for construction and maintenance of residential and non-residential buildings for the Police Department. Records relating to implementation of the scheme during the period 2006-09 were test-checked during January to April 2009.

1.3.2 Financial management

(a) Utilisation of Government of India's Funds

Under the scheme, GOI approved (April 2006) Rs 66 crore for five years for the UT starting from 2006-07, with an annual allocation of Rs 13.20 crore. The details of Annual Action Plans approved, funds released by GOI, expenditure and savings during 2006-09 are given in **Table 1.**

Table 1: Details of Plan allocations, receipt and utilisation of funds

(Rupees in crore)

Year	Annual allocation	Annual Plan approved by GOI	Opening balance	Funds released by GOI *	Total funds available	Expenditure	Savings
2006-07	13.20	6.24	Nil	6.24	6.24	2.00 **	4.24
2007-08	13.20	12.50	4.24	10.27	14.51	3.46	11.05
2008-09	13.20	13.20	11.05	13.20	24.25	11.05	13.20
Total	**39.60**	**31.94**		**29.71**		**16.51**	

(Source : Annual Plans and utilisation certificates furnished by the department)

* UT Government received the assistance in the month of April of the subsequent year.

** Expenditure on implementation of the scheme during 2006-07 was initially met from the sanctioned budget grant of the UT Government.

As is depicted from the above table, the Annual Action Plan (AAP) for 2006-07 for Rs 13.20 crore was submitted to GOI in August 2006 and was revised (October 2006) by the GOI to Rs 6.84 crore so that the amount could be spent during the year. GOI excluded Rs 0.60 crore provided in the revised AAP for 2006-07 towards construction of an auditorium and a swimming pool, which were not covered under the scheme.

The GOI released funds only in the month of March (during 2006-09) and the UT Government received these funds in the month of April of the subsequent year, resulting in slow progress of the implementation of the scheme during the concerned financial years. Audit noticed poor utilisation of funds under construction activities by PWD. The PWD attributed underutilisation of funds to non-assessment of space requirements and other components of the work. The department had also not worked out the cost of construction at the time of submission of the AAPs to the MHA, Government of India. This delayed obtaining of expenditure sanctions from the UT Government.

Government of India's assistance of Rs 1.45 crore could not be availed due to non-reporting of expenditure

The department received (April 2007) GOI assistance of Rs 6.24 crore for 2006-07 and spent Rs 5.46 crore upto 31 March 2008, leaving an unspent balance of Rs 0.78 crore. It, however, furnished an utilisation certificate (UC) on 7 March 2008 for Rs 4.01 crore. Even though Rs 1.45 crore was spent during March 2008 after furnishing the UC, the department failed to report the utilisation of this amount before release of funds by GOI for 2007-08. Consequently, GOI deducted Rs 2.23 crore[39] from their assistance for 2007-08. Thus, GOI assistance of Rs 1.45 crore could not be availed of by the department.

There was misreporting of expenditure by Rs 7.89 crore, which was lying with construction agencies

Further, out of Rs 11.05 crore shown as expenditure for the year 2008-09, Rs 7.89 crore was lying unutilised (May 2009) with construction agencies, *viz.*, the Pondicherry Housing Board and the Puducherry Agro Service and Industries Corporation Limited. The UT Government reported (April 2009) the entire amount as expenditure incurred and submitted an utilisation certificate for the same to GOI. Thus, there was misreporting of expenditure by Rs 7.89 crore, which was lying with construction agencies.

[39] Rs 1.45 crore + Rs 0.78 crore.

Government stated (October 2009) that to ensure speedy completion of projects, the services of these agencies were utilised and assured that the projects would be monitored properly to ensure completion within the financial year 2009-10. Audit, however, noticed that the works had not been commenced by the agencies as of October 2009 and the possibility of completing the works by 2009-10 was, therefore, remote.

(b) Diversion of funds

Scheme funds of Rs 66 lakh were diverted for maintenance works

As per GOI instructions, funds provided for the scheme were not to be diverted to other scheme works or for annual maintenance of assets. In the Karaikal region, the Executive Engineer, Buildings and Roads Division, PWD diverted Rs 66 lakh during 2007-08 and 2008-09 for carrying out repairs and maintenance of police buildings (Rs 65.09 lakh) and buildings of other departments (Rs 0.91 lakh)[40].

Government accepted (October 2009) the audit observation and stated that the Executive Engineer, Building and Roads Division, Karaikal had been directed to reimburse the amount diverted for repairs and maintenance.

1.3.3 Construction

1.3.3.1 Housing

Despite release of funds of Rs 5.46 crore for police housing, there was no addition of staff quarters

In order to construct additional staff quarters for lower[41] and upper[42] subordinates in the Police Department, GOI sanctioned Rs 8.50 crore for five years under the 'housing' component of the scheme and released Rs 5.46 crore during 2006-09. As against 96[43] Type II and Type III staff quarters and five quarters for officers planned for construction during the period, construction of only nine Type II staff quarters was nearing completion (October 2009). The construction of the remaining quarters had not been started and the works were at various stages of construction such as estimate preparation, tender process and issue of work order. There was no addition to the existing number of quarters even after implementation of the scheme for three years.

Government contended (October 2009) that the housing satisfaction level had increased from 33 *per cent* in 2006 to 35 *per cent* as of March 2009. Audit, however, noticed that the marginal increase in the housing satisfaction level reported by Government was due to construction of 77 quarters under the UT

---

[40] Annual maintenance of Government residential buildings at Karaikal (Rs 0.05 lakh), and non-residential buildings at Tirunallar Commune (Rs 0.75 lakh) and repair works in Government General Hospital, Karaikal (Rs 0.11 lakh).

[41] Police Constables and Head Constables.

[42] Assistant Sub-Inspector of Police, Sub-Inspector of Police and Inspector of Police.

[43] Type II – Kirumampakkam (16), Shanmugapuram (42), Sedarapet (16) in Puducherry region, T.R. Pattinam in Karaikal region (9), Palloor in Mahe region (2) Type III – Shanmugapuram (6), Sedarapet (3), Kirumampakkam (2) in Puducherry region.

Plan. Further, the satisfaction level arrived at by the department included the 91 old quarters, which were not fit for occupation.

1.3.3.2 Construction of non-residential buildings

Construction of 23 out of 24 police buildings planned during 2006-09 had not been started as of May 2009

Construction of 24 office/police station/training school buildings with an estimated cost of Rs 25.35 crore was planned during the period 2006-09. The details of the works and their status as of May 2009 are given in **Appendix 1.6.** Government sanctioned only six works costing Rs 13.26 crore, of which only one work was completed (July 2008) at a cost of Rs 0.40 crore. The remaining 23 works could not be started as of May 2009 for want of expenditure sanction, finalisation of drawings, designs, tenders, non-identification/non-acquisition of land etc. Thus, despite release of Rs 14.79 crore by GOI during 2006-09 for the construction work, only one[44] work costing Rs 0.40 crore could be completed.

MHA suggested that the construction works may be entrusted to public sector undertakings of the UT Government if the PWD was not in a position to cope with the works. Since the PWD could not spend the funds allotted during 2008-09, Government decided (March 2009) to entrust the execution of three works[45] costing Rs 8.76 crore to Puducherry Agro Service and Industries Corporation Limited and Pondicherry Housing Board and transferred the unspent grant of Rs 7.89 crore with the PWD to these construction agencies.

The delays in commencement/execution of these works resulted in avoidable expenditure of Rs 15.02 lakh incurred towards payment of rent during 2007-09 in respect of 13 offices/police stations, which had to continue to function in rented buildings, due to the lack of their own accommodation.

Government accepted (October 2009) the audit observation and stated that PWD and other construction agencies had been requested to speed up the works.

1.3.4 Training in weapons

Training in operating modern weapons was not given to policemen

Modern weapons such as Self Loading Rifles (SLR), AK 47 etc., were procured under the scheme at a cost of Rupees one crore during 2008-09 and supplied to the Puducherry Armed Police (PAP). It was noticed in audit that annual firing practice was given to 43 lower subordinates during 2007 in 7.62 mm SLR (Bolt/Action) and 0.303 Rifles. Training in handling pistols and revolvers was given to 174 officers and upper subordinates and 288 lower subordinates during 2008-09 at a shooting range in Tamil Nadu. Though 7.62 mm SLR, Sten Guns, AK-47s etc., were also included in the armoury, live training was not given due to non-availability of a shooting range in

---

[44] Construction of first floor over the Training School at Gorimedu.

[45] Construction of 1) Training Guest House, Puducherry (Rs 3.77 crore), 2) Coastal Police Station and Staff Quarters, Karaikal (Rs 3.32 crore) and 3) Staff Quarters for Kirumampakkam Police Station, Puducherry (Rs 1.67 crore).

Puducherry. The department had to rely upon neighbouring States for the purpose. Only 20 *per cent* of the 2,579 police personnel in UT had been trained in handling weapons as of March 2009.

Government stated (October 2009) that live training in modern weapons would be given to all the police personnel in a phased manner and on a priority basis.

1.3.5 Communication

Communication equipment procured at a cost of Rs 33.41 lakh had no built-in secrecy devices

The Group of Ministers (GoM) of the Government of India constituted for "Reforming the National Security System" recommended (June 2001) that the UT Police should introduce suitable secrecy devices for their wireless communications. Annual Action Plans of 2006-07 and 2007-08 provided for purchase of 180 walkie-talkies and 50 mobile/static very high frequency (VHF) sets with built-in scramblers (secrecy devices) for replacing the outlived old equipment. When contacted by the department regarding procurement of scrambler sets, the Directorate of Co-ordination (Police Wireless), New Delhi clarified (December 2007) that the Scientific Analysis Group (SAG) in Ministry of Home Affairs had not approved any scrambler for walkie-talkies or VHF sets and directed the department to consult the Electronics Corporation of India, Bangalore. The department, however, procured 258 walkie-talkies and 50 VHF sets without scramblers at a cost of Rs 33.41 lakh during 2007-09 and distributed them to its various wings. Communication equipment without scramblers could place the secrecy in police communications at stake.

On this being pointed out, Government stated (October 2009) that approval of the SAG for new scramblers was still to be received and purchase of the same would be effected accordingly. Government also contended that use of secrecy devices/scramblers was mandatory only for exchange of classified communication. This contention is not tenable in view of the recommendations of the GoM.

1.3.6 Forensic Science Laboratory

The UT Government proposed to set up a Forensic Science Laboratory (FSL) at Puducherry in order to facilitate analysis of results within a short period to detect crimes. Even though GOI allocated Rupees two crore for the FSL out of Rs 66 crore sanctioned for the five-year period beginning from 2006-07 under the scheme, no proposal for an FSL was included in the AAPs. In the absence of an FSL, samples were being sent to laboratories at Hyderabad and Chennai for analysis.

The Government stated (October 2009) that an FSL was proposed to be setup in the UT during the Tenth Plan Period (2002-07). The establishment of the FSL was delayed due to delay in approval for creation of posts for manning the FSL.

1.3.7 Common Integrated Police Application

Government of India approved Rs 99 lakh in the AAP of 2006-07 for implementing the computerised Common Integrated Police Application (CIPA). Under the project, all police stations were proposed to be computerised with online connectivity in order to reduce maintenance of manual registers, eliminate duplicate record-keeping and maintain data regarding crime and criminals. CIPA was implemented by the National Informatics Centre (NIC) for which the Department paid Rs 1.53 crore to them during 2006-07.

It was noticed during test-check of records that the police stations entered the data regarding first information reports (FIR) registered during 2006 to 2008. Information regarding the enquiry, investigation and disposal of the cases was not available. The data regarding crimes and criminals were not maintained as envisaged in the CIPA. Therefore, the objective of the project *viz.*, maintenance of data on crimes and criminals and accessibility and transfer of data among the police stations remained unachieved.

Government stated (October 2009) that entering of data pertaining to the years 2005, 2006 and 2007 would be completed expeditiously.

1.3.8 Baseline study

Joint Secretary (UT), MHA, while discussing the AAP for 2006-07 in the Ministry's Empowered Committee meeting held in June 2006, insisted that a baseline study should be conducted in the UTs to ascertain the perception of people towards the police and the present level of satisfaction in respect of some selected parameters. The study was to be completed within three months. The department entrusted (July 2006) the baseline study to the Puducherry Central University and paid (January 2008) charges of Rs 1.16 lakh for the purpose. The report was still to be received (October 2009). Reasons for the delay in completion of the baseline study were not furnished by the department to Audit.

1.3.9 Monitoring and supervision

As per GOI instructions of April 2006 a monitoring committee was to be constituted in each Union Territory to monitor the implementation of projects under the scheme. It was, however, noticed that a departmental committee was constituted only in June 2008. This committee was to meet every month, but it was found that it had met only three times during the period up to April 2009 as against 10 monthly meetings.

1.3.10 Conclusion

The pace of implementation of the scheme for the UT police force was far from satisfactory. The scheme funds were not utilised optimally. The Annual

Action Plans were not implemented fully. Construction of buildings was delayed. Only 20 *per cent* of police personnel were trained as of March 2009. A Forensic Science Laboratory had also not been established in the UT as required.

1.3.11 Recommendations

- The funds provided for each component of the scheme should be spent efficiently and utilisation certificates should be furnished only for actual expenditure.

- The department should adopt definite time-frames for implementing the various activities of the scheme and ensure that the targets under various components of the approved Plans are achieved.

- Periodical training in handling weapons should be given to all upper and lower subordinates.

- The monitoring committee constituted for the purpose should meet regularly and closely monitor the implementation of the projects under the scheme.

CHAPTER II

AUDIT OF TRANSACTIONS

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

2.1 Avoidable expenditure

TOWN AND COUNTRY PLANNING DEPARTMENT

PONDICHERRY HOUSING BOARD

2.1.1 Avoidable liability due to delay in finalisation of tender

Failure to finalise a tender within the validity period resulted in avoidable liability of Rs 83 lakh.

In response to tenders called for (December 2005) by the Executive Engineer (EE) of the Pondicherry Housing Board (PHB) for the work of construction of 36 Middle Income Group flats at Valatheru, Karaikal, four tenders, valid upto 1 March 2006, were received. The lowest tender of Rs 2.61 crore, recommended (9 February 2006) by the EE, was approved by the Technical Committee (TC) on 27 March 2006. Though the validity of the lowest tender was extended up to 31 May 2006, the work was not awarded due to enforcement of the election code of conduct for Assembly and Local Body Elections. As the successful tenderer refused to extend the validity of the tender beyond 31 May 2006, the work was awarded (January 2007) for Rs 3.44 crore on retender. The contractor had completed about 77 *per cent* of the work (March 2009) and payment of Rs 2.36 crore was made for the same. Audit scrutiny revealed that the delay in finalisation of the tender on the first call was avoidable due to the following reasons:

(i) As the value of the tender was more than Rs 15 lakh, the EE was required to get the approval of the lowest tender by the TC and the same was to be confirmed by PHB. The Central Public Works Department Manual prescribes a time limit of five days for an EE for initial scrutiny, *i.e.* identification of valid tenders and preparation of comparative statement etc., of the tenders. But the EE took 29 days for the scrutiny. After opening the tenders on 2 January 2006, the comparative statement was prepared on 4 January 2006. Checking of the statement by the Assistant

Surveyor of works and the Divisional Accountant was completed on 13 January 2006 and 2 February 2006 respectively. The EE attributed (February 2009) the delay in submission of evaluated tenders to the TC due to entrustment of some other work to the officers responsible for the evaluation of tenders. This contention is not acceptable as top priority was required to be given for awarding the work within the validity period.

(ii) Though the validity of the tender was to expire on 1 March 2006, the EE took 47 days (9 February 2006 to 27 March 2006) for obtaining the approval of the members of TC by circulating a note without mentioning the validity period of the tender. The EE had not, thus, made proper effort to obtain the approval of the TC before expiry of the validity period.

Had the EE completed the initial scrutiny of tenders and got the approval of the TC by 1 March 2006, the work could have been awarded to the lowest tenderer for a value of Rs 2.61 crore. Thus, delay in finalisation of the tender on first call resulted in avoidable liability of Rs 83 lakh.

The matter was referred to Government in April 2009; reply had not been received (December 2009).

ANIMAL HUSBANDRY AND ANIMAL WELFARE DEPARTMENT

2.1.2 Extra expenditure on rejection of the valid lowest tender

The department rejected the lowest tender for supply of calf and cattle feed by not accepting a valid certificate of sales turnover and purchased the feed at higher rates, resulting in extra expenditure of Rs 53.07 lakh.

Terms and conditions of tenders floated by the Director of Animal Husbandry in September 2004 for supply of calf feed and cattle feed under the scheme 'Special Livestock Breeding Programme', *inter alia*, stipulated production of sufficient proof with the tender regarding sales turnover of feed for Rupees one crore or more during 2003-04. The terms and conditions of the tender document, however, did not specify the nature of document/certificate to be enclosed with the tender.

Six out of the 11 tenders received were rejected for not remitting the earnest money deposit. From the remaining five tenders, the Joint Director (Cattle Rearing) rejected the lowest tender of M/s. Aishwarya Feeds, Namakkal on the ground that the certificate of sales turnover for the year 2003-04 was not furnished and recommended the second lowest tender of M/s. Appu Food Products, Vadalur. The Under Secretary of the Department, however, recorded that the tender of M/s. Aishwarya Feeds was rejected due to non-production of certificate of sales turnover from the Sales Tax Department. The tender of M/s. Appu Food Products, after negotiation, was accepted (December 2004). The department purchased

6,410.42 metric tonnes (MT) of calf feed and 1,849.75 MT of cattle feed for the Puducherry and Karaikal regions during December 2004 to July 2006.

Audit scrutiny of records relating to finalisation of the said tender revealed that M/s. Aishwarya Feeds, the first lowest tenderer had produced a certificate regarding sales turnover of cattle and calf feed for Rs 32.94 crore during 2003-04 from a Chartered Accountant. This certificate was based on the records of the company and was attested by a Notary Public. While this certificate was rejected, the department accepted the certificate of sales turnover for Rs 2.04 crore issued by the Commercial Tax Officer for M/s. Appu Food Products. As the exact nature of document to be submitted at the tender stage had not been mentioned in the tender condition, the certificate of sales turnover of the Chartered Accountant attached with the tender by M/s. Aishwarya Feeds was valid and their tender being the lowest should have been considered.

When this issue was pointed out by Audit, the Government contended (June 2009) that M/s. Aishwarya Feeds, Namakkal had submitted the proof of sales turnover of feed only on 18 November 2004 i.e. after opening the tender and that M/s. Appu Food Products, Vadalur was eligible for price preference of 15 *per cent* in Puducherry since it was registered with the National Small Industries Corporation Limited whereas M/s. Aishwarya Feeds, Namakkal was eligible for price preference only in Tamil Nadu since it was registered in Tamil Nadu. This contention is not correct as M/s. Aishwarya Feeds produced the sales turnover certificate on 21 October 2004 itself along with their tender and the price preference upto 15 *per cent* over the quotation of the large scale units was not applicable in this case as both the firms were small scale units.

Thus, rejection of the valid lowest tender resulted in extra expenditure of Rs 53.07 lakh as detailed in **Appendix 2.1.**

CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

2.1.3 Avoidable expenditure

Incorrect inclusion of Yanam region in the proposal for procurement of rice from Food Corporation of India Limited by the Director of Civil Supplies and Consumer Affairs and his failure to release funds in time to the Yanam Co-operative Stores Limited resulted in avoidable expenditure of Rs 22.66 lakh on procurement of rice.

Government launched a scheme of distribution of 10 kg of rice per month free of cost to all Below Poverty Line (BPL) family ration card holders from July 2007. The Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO) and the Yanam Co-operative Stores Limited (YCSL) were the implementing agencies for the scheme for Puducherry, Karaikal and Mahe regions and Yanam region respectively. The agencies were to procure rice from millers by floating tenders and distribute the same to BPL families through fair price shops.

The Director, Civil Supplies and Consumer Affairs Department (Director), approved the rates of procurement of rice for 2007-08. PAPSCO, after supplying rice at their quoted rates[1] up to August 2007, informed (December 2007) the Director that the scheme could not be implemented from September 2007 as the millers had refused to supply rice at the agreed rates due to a sudden hike in the price of paddy. After obtaining orders of the Government, the Director ordered (January 2008) purchase of rice from the Food Corporation of India (FCI) against the allotment of rice for Above Poverty Line (APL) families to continue the scheme. PAPSCO procured rice from FCI and implemented the scheme for 2007-08. YCSL implemented the scheme upto September 2007 but could not procure rice for the subsequent months for want of funds. The Director released Rs 28.05 lakh to YCSL in December 2007 for supplies made upto September 2007. Though the millers of Yanam were willing to supply rice at the agreed rate till March 2008, the Director included Yanam region also in the alternative proposal of procuring rice from FCI. The Director released funds to YCSL for procuring rice from FCI in March 2008, which were received by YCSL in April 2008. As there was no allotment of APL rice by FCI for 2008-09, YCSL did not procure any rice. Based on the instructions (August 2008) of the Director for purchase of rice from the open market for 2008-09, YCSL purchased 362.50 metric tonnes of rice at Rs 19.15 per kg in August 2008 and distributed it to the beneficiaries against their eligibility from October 2007 to February 2008.

The decision of the Director to include Yanam region also in the alternative proposal of procuring rice from FCI coupled with the belated release of funds, resulted in avoidable expenditure of Rs 22.66 lakh[2].

On this being pointed out, Director stated (September 2009) that though the contractors of Yanam region agreed to supply rice at the rate of Rs 12.90 per kg for the period from July 2007 to March 2008, with a view to follow uniformity in the distribution of rice in the Union Territory of Puducherry, sanction to procure rice from FCI was issued including Yanam region also. Director also stated that in spite of repeated instructions, YCSL did not lift the APL allotment for the months of January to March 2008. The contention of the Director is not correct as YCSL had no money to make advance payment to FCI for lifting the allotted quantity of APL rice.

The matter was referred to Government in May 2009; reply had not been received (December 2009).

---

[1] Rs 12 per kg for Puducherry, Rs 12.35 per kg for Karaikal, Rs 12.95 per kg for Mahe and Rs 12.90 per kg for Yanam.

[2] (3,62,500 kg x Rs 6.25 (Rs 19.15 – Rs 12.90)).

LOCAL ADMINISTRATION DEPARTMENT

ARIYANKUPPAM COMMUNE PANCHAYAT

2.1.4 Additional liability due to delay in awarding a work within the validity period of the tender

Failure of the Commissioner of the Ariyankuppam Commune Panchayat to take prompt action to obtain expenditure sanction for awarding the work to the lowest tenderer within the validity period resulted in additional liability of Rs 20.61 lakh.

Government released (March 2006) grant-in-aid of Rs 56 lakh to the Ariyankuppam Commune Panchayat (ACP) for construction of a Community Hall-cum-Cyclone Shelter at Abishegapakkam Colony. The Notice Inviting Tender for the work stipulated that the tenders should remain open for a period of 60 days from its date of opening. The tenders were opened by the Commissioner, ACP on 5 March 2007 and the lowest tender of Rs 52.80 lakh was approved by the Superintending Engineer, Local Administration Department on 26 March 2007. Though the letter for obtaining expenditure sanction from the Government was put up to the Commissioner, ACP on 9 April 2007, approval of the Commune Panchayat Council was obtained in its meeting held on 18 May 2007, i.e. after the validity of the tender which expired on 4 May 2007. The tenderer refused (June 2007) to extend the validity of the tender.

The tenders received in response to the second call were cancelled due to administrative reasons and there was no response for the third call. The work was finally awarded (November 2008) for Rs 73.41 lakh in the fourth call. The work was in progress (March 2009).

Failure of the Commissioner, ACP to initiate expeditious action to seek expenditure sanction for awarding the work, as envisaged in the Puducherry Commune Panchayats (Powers and Procedure for Execution of Works and Purchase of Stores) Rules, 1997, before the expiry of validity of the tender in the first call, resulted in additional liability of Rs 20.61 lakh.

The department attributed the delay to administrative inconvenience and contended (October 2009) that responsibility could not be fixed on any official. The reply is not tenable as the Commissioner could have persuaded the Chairman of the Council to convene an urgent meeting to obtain the approval before the expiry of the validity period of the tender.

The matter was referred to Government in April 2009; reply had not been received (December 2009).

2.2 Idle investment/Blocking of funds

TOWN AND COUNTRY PLANNING DEPARTMENT

2.2.1 Release of grant without requirement

The Chief Town Planner released Rs 26.20 crore for implementing the Perunthalaivar Kamarajar Centenary Housing Scheme without considering the unutilised grants, resulting in accumulation of Rs 37.44 crore with the Pondicherry Slum Clearance Board.

Government implemented the Perunthalaivar Kamarajar Centenary Housing Scheme (PKCHS) and the Pondicherry Chief Minister's Sanitation Scheme (PCMSS) for providing housing and sanitation facilities to below poverty line families. The subsidies under the schemes were being released as grants to the Pondicherry Slum Clearance Board (PSCB) for onward distribution to the beneficiaries in instalments[3]. The PKCHS and PCMSS were being implemented by PSCB from 2003-04 and 2005-06 respectively. The rules framed for implementing the schemes stipulated that the Chief Executive Officer-cum-Executive Engineer (CEO) of PSCB should submit a list of beneficiaries duly approved by the Advisory Committee headed by the Chairman of PSCB to the Town and Country Planning (T&CP) Department for approval. Though no time limit for construction was prescribed in the rules, the CEO was required to submit a monthly progress report to Government on the basis of site inspection done by the officials nominated by PSCB.

Audit scrutiny of the records relating to the implementation of these schemes disclosed that the CEO had not submitted any approved list of beneficiaries to the T&CP Department for obtaining expenditure sanction. The Chief Town Planner of the department, however, released grants to PSCB for implementing the schemes based on requests received from CEO from time to time. The proposals from the CEO were mainly based on release of the entire subsidy to the targeted beneficiaries for the year as envisaged in the Annual Plan of the UT. As many of the beneficiaries had not completed construction up to the required stage, subsequent instalments could not be released to them and the unutilised subsidies accumulated with PSCB year after year. PSCB kept the funds received for both the schemes in a common bank account. The details of receipts and disbursement are given below:

[3] The subsidy under PKCHS was payable in three instalments *viz* (i) on identification of beneficiaries, (ii) on construction reaching lintel level and (iii) roof level.
Phases I & II – Rs 40,000 (Rs 15,000 + Rs 15,000 + Rs 10,000).
Phase III – Rs 50,000 (Rs 20,000 + Rs 15,000 + Rs 15,000) and
Phase IV – Rs 1,00,000 (Rs 40,000 + Rs 30,000 + Rs 30,000).
Financial assistance under PCMSS (Rs 10,000) for those who will be constructing latrine with septic tank was paid in two equal instalments by the Board.

(Rupees in crore)

Year	Perunthalaivar Kamarajar Centenary Housing Scheme			Pondicherry Chief Minister's Sanitation Scheme			Interest earned (cumulative)	Total unutilised grants with interest
	Grants received	Expenditure	Cumulative unutilised grant	Grants received	Expenditure	Cumulative unutilised grant		
2003-04	11.25	2.38	8.87	---	---	----	0.01	8.88
2004-05	43.50	25.27	27.10	2.77	---	2.77	0.13	30.00
2005-06	31.50	36.92	21.68	9.06	2.76	9.07	0.69	31.44
2006-07	12.00	19.97	13.71	8.36	8.26	9.17	1.60	24.48
2007-08	43.92	18.25	39.38	1.95	2.54	8.58	2.43	50.39
2008-09	26.20	39.52	26.06	---	1.44	7.14	4.24	37.44
Total	**168.37**	**142.31**		**22.14**	**15.00**			

(Source : Pondicherry Slum Clearance Board)

Release of grants when there were unutilised grants available with PSCB resulted in accumulation of Rs 37.44 crore including interest of Rs 4.24 crore, with PSCB.

When the unspent grants remaining with PSCB was pointed out (May 2008), the Chief Town Planner of the T&CP Department requested (September 2008) the CEO of PSCB to remit the unutilised grants to Government account and stated that further release of grants would be based on the actual requirement of PSCB.

Non-remittance of unutilised grants under PCMSS and release of Rs 26.20 crore under PKCHS during 2008-09 resulted in accumulation of Rs 37.44 crore (including interest) with PSCB.

The matter was referred to Government in May 2009; reply had not been received (December 2009).

LABOUR DEPARTMENT

2.2.2 Non-establishment of Fishermen Training Centre

Poor co-ordination between a Government department and an implementing agency resulted in blocking of Rs 44.45 lakh released for establishing a Fishermen Training Centre for more than two and a half years.

Based on a request of Fishermen's Associations to start a fishermen's training programme in Puducherry to enable the educated youth of the fishermen community to get appropriate jobs, the Chief Minister ordered (June 2003) the Secretary, Labour Department to organise two training courses on 'Modern Fishing' and 'Junior Mechanic' at the Government Industrial Training Institute for Men (GITI), Puducherry from August 2003. The proposed training course included both theoretical and on-the-sea training and the syllabi for the courses were finalised in consultation with the Fishermen Training Centre in Tamil Nadu. The State Council for Vocational Training, Puducherry granted provisional permission to start the courses from September 2003. The services of qualified and experienced officials of both the Labour and Fisheries Departments were proposed to be utilised for the training.

The Principal, GITI called for (September 2003) applications from eligible persons for admission to the courses and 144 applications were received. The Committee constituted (November 2003) for selection of trainees was of the view that the premises of GITI being 10 kilometres away from the sea-shore, was not the right place to establish the training centre since the training was to be imparted mostly on the seashore or in the sea. Therefore, it advised the department to identify a suitable location for the centre.

The scheme was then proposed (March 2007) to be implemented by the Franco-Indian Vocational Training Institute (FIVTI), a society under the control of the Labour Department. However, efforts made by the Principal, GITI and FIVTI to identify a suitable site or building for training did not materialise.

The Principal, GITI, submitted (March 2007) proposals for Rs 51.43 lakh to Government towards building cost, purchase of equipment and stipend to trainees for starting fishermen training courses in the GITI premises. Government released (March 2007) grant-in-aid of Rs 44.45 lakh to FIVTI for carrying out the works and to start a Fishermen Training Centre at Puducherry. As the grant was released based on the proposal of the Principal, GITI, FIVTI called for (June 2007) detailed proposals for each component. Details of the proposal had not been submitted by the Principal (April 2009).

Responding to the audit observation, the Director of Employment and Training, Labour Department replied (June 2009) that in view of a proposal to impart training in a similar course by Fisheries Department, the Fishermen Training Centre as proposed would be dropped and the funds released would be utilised by FIVTI for the purpose of imparting other training courses. Thus, the premature release of grant to FIVTI for setting up the institute without ascertaining the feasibility of establishing the centre in the GITI campus, resulted in blocking of funds of Rs 44.45 lakh for more than two and a half years.

The matter was referred to Government in May 2009; reply had not been received (December 2009).

EDUCATION DEPARTMENT

PONDICHERRY ENGINEERING COLLEGE

2.2.3 Idle investment on setting up of Biomass Gasifier Plant

Expenditure of Rs 30 lakh incurred on setting up of a biomass gasifier plant by the Principal, Pondicherry Engineering College remained largely unproductive due to non-utilisation of the plant for the intended objectives.

The Principal, Pondicherry Engineering College, Puducherry proposed to set up a 100 kilowatt Biomass Gasifier Plant for generating power in the college campus by making use of the biomass available inside the campus and in and around Puducherry. The plant was proposed to be used as a stand-by during exigencies and for research works in the area of biomass energy. The Principal estimated (November 2002) the recurring and operational cost of the plant at Rs 9.42 lakh per annum and felt that the proposed plant would generate power worth[4] 1.90 lakh kilowatt hours (units) per annum.

The plant was erected at a cost of Rs 30 lakh and commissioned in March 2004. After operating the plant for 90 days, it was kept idle for want of manpower and funds for maintenance. The Principal failed to seek any budget provision to meet the recurring expenditure for maintaining the plant. The plant was operated only for 45 hours till December 2006 for experimental investigations by students. On the directions (July 2007) of the Secretary, Environment Department, the Principal entrusted the operation of the plant to the Mechanical Engineering Department (MED) of the college. The MED, however, did not operate the plant for generating power on the ground of economy. As the plant was designed for operating on constant load, it could not be used as standby during power failures. Consequently, the plant was kept idle for five years. Only in March 2009, MED sought for Rs 14.73 lakh in the budget for 2009-10 to run the plant regularly.

When the failure to run the plant was pointed out, the Principal replied (October 2009) that due to paucity of funds, it was felt that incurring expenditure to produce power from the Biomass Gasifier plant was not necessary and the plant was being used to collect data for research purpose. The reply is not acceptable as the plant was neither used for generation of power nor used as standby and the contention that the plant was used for research purposes could not be justified as it was put to use only for 45 hours in 23 days after the trial run period was over in September 2004.

---

4 Production cost Rs 4.96 per unit on running the plant for eight hours on working days.

By keeping the plant idle, Rs 30 lakh spent on setting up of the plant by the Principal of Pondicherry Engineering College remained largely unproductive.

The matter was referred to Government in May 2009; reply had not been received (December 2009).

2.3 Regularity issues and other points

TOWN AND COUNTRY PLANNING DEPARTMENT

PONDICHERRY SLUM CLEARANCE BOARD

2.3.1 Irregular payment of subsidy to ineligible beneficiaries

Release of subsidy to 684 ineligible beneficiaries under the Perunthalaivar Kamarajar Centenary Housing Scheme and the Chief Minister's Sanitation Scheme resulted in irregular payment of Rs 2.44 crore.

With a view to convert all the existing huts in the Union Territory into Reinforced Cement Concrete roofed houses within a period of six years, the Government implemented the Perunthalaivar Kamarajar Centenary Housing Scheme (PKCHS)[5] from 2003-04. The eligibility criteria of the scheme stipulated that the beneficiary (a) should possess ownership of a land or free *patta*[6] issued by any department of the Government, (b) should be either houseless[7] or live in a thatched house in his/her plot, and, (c) should be below the poverty line possessing a red ration card and an annual income below Rs 24,000. Government was also implementing the Pondicherry Chief Minister's Sanitation Scheme (PCMSS) for construction of sanitary latrines. The scheme guidelines, *inter alia*, stated that Rs 10,000 would be paid as subsidy for those who constructed latrines with septic tanks and Rs 5,000 for those who constructed latrines having the outlets linked to the underground sewerage system. Both the schemes were implemented by the Pondicherry Slum Clearance Board (PSCB).

Test check of implementation of these two schemes revealed the following:

(i) Subsidy amounting to Rs 2.23 crore[8] was released under PKCHS to 419 beneficiaries who lived in tiled houses and asbestos roofed houses.

---

5 Implemented in four phases and subsidy released in three instalments under each phase.

6 Legal title for ownership of land.

7 Means a person or persons (both husband and wife) but none else who do not possess a pucca house on his/her/their own plot/land.

8 Ariyankuppam (Rs 0.18 crore), Pallore (Rs 0.51 crore), Yanam (Rs 0.27 crore), Mudaliarpet (Rs 0.22 crore), Lawspet (Rs 0.18 crore), Kuruvinatham (Rs 0.20 crore), Thattanchavdi (Rs 0.42 crore) and Thirunallar (Rs 0.11 crore) and Karaikal (South) (Rs 0.14 crore).

As the scheme guidelines envisaged covering beneficiaries living in thatched huts, the subsidy released to these beneficiaries was irregular.

(ii) Scrutiny of applications under PKCHS revealed that Rs 9.40 lakh was paid as subsidy in the following ineligible cases:

Sl. No.	Reasons for ineligibility	No. of cases	Subsidy (Rupees in lakh)
1.	Rejected by Junior Engineer/Sub-inspector of Survey during physical verification	7	3.40
2.	Income exceeding prescribed limits	5	2.30
3.	Subsidy already availed under the same scheme by beneficiary/family member	2	0.85
4.	Title deed not in the name of applicant/applicant without ration card	8	2.85
Total		**22**	**9.40**

(iii) Muthialpet area in Puducherry was provided with an underground sewerage system. Scrutiny of applications for financial assistance under PCMSS from this area revealed that 243 beneficiaries were paid Rs 10,000 as subsidy though they had mentioned that the toilets were proposed to be linked to the existing underground sewerage system. This resulted in an excess payment of Rs 12.15 lakh.

The Department stated (September 2009) that PSCB had released subsidy under PKCHS to ineligible beneficiaries on humanitarian grounds based on the recommendations of the public representatives. This reply is not tenable as PSCB is only an implementing agency and the scheme guidelines did not empower PSCB to extend the scheme benefits to ineligible persons. The department, however, assured that action would be initiated to regularise the subsidy paid to the ineligible beneficiaries under PCMSS.

The matter was referred to Government in May 2009; reply had not been received (December 2009).

2.3.2 Diversion of sale proceeds of plots

Pondicherry Slum Clearance Board contravened the orders of Government and diverted the sale proceeds of plots amounting to Rs 65.20 lakh for administrative expenses instead of executing development works.

The Town and Country Planning Department developed plots and allotted them to slum dwellers on rental basis. Consequent on the formation of the Pondicherry Slum Clearance Board (PSCB), the plots were handed over to the Board. Based on the orders (May 1997) of Chief Minister to sell the developed plots at Savanapet to the slum dwellers who occupied the plots on hire purchase basis, PSCB forwarded a proposal to the Government. While approving (October 1999) the said proposal, the Government directed PSCB to keep the sale proceeds in a separate account and utilise it for acquisition of land and executing other development works.

PSCB sold 526 plots during January 2003 to March 2009 to the allottees and realised Rs 65.20 lakh. Instead of keeping this amount in a separate account for the envisaged purpose, PSCB treated it as its revenue receipt and spent it on administrative expenses which was in violation of Government orders.

On this being pointed out, the Chief Executive Officer of PSCB accepted (August 2009) the audit observation and stated that the Government would be approached to adjust the sale proceeds of the plots against the expenditure.

The matter was referred to Government in May 2009; reply had not been received (December 2009).

2.4 General

2.4.1 Follow-up action on earlier Audit Reports

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

(a) Out of 63 paragraphs/reviews included in the Audit Reports relating to 2004-05, 2005-06, 2006-07 and 2007-08, departmental replies were not received for 47 paragraphs/reviews as of September 2009.

(b) Government departments had not taken any action as of September 2009 on 251 recommendations made by the PAC in respect of Audit Reports of 1977-78 to 2001-02 as detailed in **Appendix 2.2**.

CHAPTER III

PUBLIC WORKS DEPARTMENT

3.1 Integrated Audit of the Public Works Department

Highlights

The mandate of the Public Works Department is to plan, design, construct and maintain buildings, roads and bridges as also irrigation, water supply and sewerage schemes. The department's planning was deficient and their budgeting unrealistic. Commencement of works without administrative approvals and provision of funds resulting in foreclosure of contracts during the course of execution indicated clear violation of codal provisions. Integrated audit of the department brought out the following main points:

- **Budget provisions under the 'Plan' head for the years 2004-09 were not made on the basis of the approved Annual Plans. Only 24 *per cent* of the funds required for implementing the Plans were provided in the budgets.**

(Paragraph 3.1.6.2)

- **There was a steep decline in capital expenditure from 2006-07 under the flood control and roads and bridges sectors.**

(Paragraph 3.1.7)

- **Budgeting was unrealistic as there were large-scale re-appropriations.**

(Paragraph 3.1.7.1)

- **Despite spending Rs 101.06 crore on the minor irrigation sector, there was no direct irrigation from tanks and the area irrigated by tubewells also decreased from 11,478 to 10,896 hectares during 2004-08.**

(Paragraph 3.1.8.1)

- **Executive Engineers of two divisions exceeded the annual ceiling limit of Rs 15 lakh fixed for award of works without inviting tenders.**

(Paragraph 3.1.8.2)

- **Twenty six works taken up for execution without ensuring provision of funds had to be stopped abruptly after incurring expenditure of Rs 12.77 crore.**

(Paragraph 3.1.8.4)

- **Commencement of a work without administrative approval resulted in avoidable liability of Rs 9.21 crore. New works at a cost of Rs 1.78 crore were executed without administrative approval utilising the savings from sanctioned works.**

(Paragraph 3.1.8.5)

- **An internal audit wing had not been established in the department.**

(Paragraph 3.1.10.2)

3.1.1 Introduction

The Public Works Department (PWD) is responsible for planning, designing, constructing and maintaining buildings, roads and bridges, besides implementing and maintaining water supply and sewerage projects as well as irrigation and flood control schemes in the Union Territory (UT) of Puducherry.

3.1.2 Organisational set up

The Secretary, PWD is the administrative head of the department. The Chief Engineer (CE), assisted by three Superintending Engineers (SE), one Architect and 14 Executive Engineers (EE), are responsible for implementation of the policies and programmes of the department. An organogram in this regard is given in **Appendix 3.1.**

3.1.3 Audit objectives

The objectives of integrated audit were to assess:

- the efficiency and effectiveness in the financial management in respect of implementation of projects;
- the efficiency in planning;
- the efficiency in preparation of budget;
- the effectiveness of implementation of programmes and
- the adequacy of the internal audit arrangement.

3.1.4 Audit Criteria

The audit criteria against which the audit objectives were assessed are given below:

- Plan documents.
- Central Public Works Department Works Manual.
- Central Public Works Account Code.
- General Financial Rules 2005 and
- Orders issued from time to time by the Government/Department.

3.1.5 Audit coverage and methodology

Integrated audit of the department, covering planning, implementation and monitoring of schemes under three sectors *viz.*, roads and bridges, minor irrigation and flood control for the period 2004-09 was conducted during June-August 2009 by test check of records of the Secretary, PWD, the CE, three SEs and seven[1] out of the nine EEs responsible for executing works under the three sectors. Inventory management was omitted from the scope of the audit since no procurement of construction materials was being made by the department. Audit objectives and criteria were discussed with the Secretary in an entry conference held in June 2009 and the audit findings were discussed in an exit conference held in September 2009. The replies furnished by the Secretary and the CE to the audit observations during the exit conference and their instructions to the departmental officers are included in the review.

Audit Findings

3.1.6 Planning

3.1.6.1 Comprehensive Plan

Scrutiny of the records relating to planning revealed that sector-wise lists of works for each year were prepared based on the proposals or lists of works received from the elected representatives, the general public and the executing divisions and approved by the UT Government as Annual Plan for that year. No comprehensive strategies or plans for the three sectors were drawn up by the department. The five-year Plans and Annual Plans did not indicate any long-term or short-term strategies and monitorable targets. During the exit conference, the CE stated (September 2009) that action would be initiated for appointment of consultants for preparing sector-wise comprehensive Action Plans.

[1] Executive Engineers of (1) Buildings and Roads (Central) Division, (2) National Highways Division, (3) Irrigation Division in Puducherry region, (4) Buildings and Roads Division, (5) Irrigation and Public Health Division in Karaikal region, (6) Public Works Division, Mahe and (7) Public Works Division, Yanam.

3.1.6.2 Inadequate budget provision for Plan works

Budget provisions had no connections with the approved Annual Plans

The Budget provisions for the department should have been based on the financial requirements of the schemes included in the Annual Plans. Scrutiny of records revealed that there were no connections between the approved Annual Plans and the budget provisions made for the three sectors as given in **Table 1.**

Table 1 : Details of Plan outlay, budget provisions and expenditure

(Rupees in crore)

Sector	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	Total
Roads and Bridges	Provision in Annual Plan	61.83	152.80	193.72	572.82	NAP	981.17
	Budget provision (Plan)	38.41	61.77	81.21	65.44	77.57	324.40
	Actual expenditure	38.40	61.76	81.41	65.33	49.61	296.51
Minor Irrigation	Provision in Annual Plan	41.17	366.02	178.99	138.66	NAP	724.84
	Budget provision (Plan)	20.81	10.96	14.45	13.06	16.61	75.89
	Actual expenditure	20.78	10.79	14.40	13.05	11.56	70.58
Flood Control	Provision in Annual Plan	39.62	152.68	140.03	205.32	NAP	537.65
	Budget provision (Plan)	13.73	28.77	39.16	27.60	19.83	129.09
	Actual expenditure	13.70	28.76	38.14	27.60	14.83	123.03

(Source : Annual Plans and Detailed Appropriation Accounts)

NAP – No Annual Plan for the year

As per the approved Plans for 2004-05 to 2007-08, 5,211 works[2] were required to be taken up at an estimated cost of Rs 2,243.66 crore under the three sectors. The Annual Plan for the year 2008-09 had not been prepared as works pertaining to the earlier Plans which had been left out, were also taken up during the year. As against Rs 2,243.66 crore required for implementing the approved Annual Plans, the total provision made in the budgets during 2004-09 was only Rs 529.38 crore (24 *per cent*) for the UT.

Test check revealed that out of 3,812 works (estimated cost: Rs 1,865.25 crore) included in the approved Annual Plans of the seven divisions for 2004-08, only 947 works were taken up for execution. Out of these, only 849 works had been completed as of August 2009. During the same period, 202 works which were not included in the approved Annual Plans were also taken up for execution. This indicated that the Plans were not prepared taking into account ongoing and new works and available financial resources. The Annual Plans for 2004-05 to 2007-08 were approved by the Government after delays ranging from five to 10 months after commencement of the financial year.

[2] Karaikal (908 works), Mahe (98 works), Puducherry (3,979 works) and Yanam (226 works).

In a High Level Committee meeting held in January 2008 on the Building Programme, the Chief Secretary observed that the procedure being followed by the department hardly involved any planning exercise at the time of formulation of plans and budgets. The Director (Planning) also stated that the plans and budget allocations were not based on the actual schemes to be taken up during a particular year and were mainly in the form of block grants. These remarks substantiate the audit observation on planning made earlier in the paragraph.

3.1.7 Financial management

Details of revenue and capital expenditure incurred by the department during 2004-09 under the three sectors are given in **Table 2.**

Table 2 : Details of revenue and capital expenditure

(Rupees in crore)

Year	Revenue Expenditure				Capital Expenditure			
	R&B	MI	FC	Total	R&B	MI	FC	Total
2004-05	22.76	13.79	1.57	**38.12**	22.10	11.51	12.13	**45.74**
2005-06	28.69	10.54	1.98	**41.21**	39.97	5.21	26.78	**71.96**
2006-07	43.63	16.54	2.61	**62.78**	59.12	3.98	35.52	**98.62**
2007-08	30.39	13.40	3.87	**47.66**	41.27	6.15	23.73	**71.15**
2008-09	37.29	14.49	1.56	**53.34**	19.40	5.45	13.27	**38.12**
				243.11				**325.59**

R&B: Roads and bridges MI: Minor irrigation FC: Flood control

(Source: Detailed Appropriation Accounts)

Capital expenditure under the flood control and roads and bridges sectors declined from Rs 94.64 crore (Rs 35.52 crore + Rs 59.12 crore) in 2006-07 to Rs 32.67 crore (Rs 13.27 crore + Rs 19.40 crore) in 2008-09 due to inadequate funds provided by the Government for creation of new assets.

Audit scrutiny revealed deficiencies in financial management as discussed in the succeeding paragraphs:

3.1.7.1 Deficiencies in budgeting

A comment was made in paragraph 4.1.5.1 (i) of the Report of the Comptroller and Auditor General of India for the year ended March 2001 that budget provisions were made for works even prior to administrative approval and expenditure sanction, resulting in large-scale re-appropriations and surrenders. Based on the recommendation of the Committee on Public Accounts in its 26th Report presented to the Assembly in April 2005 that codal provisions should be followed strictly, the department issued (April 2005) instructions to all its officers to strictly follow the same.

Large scale re-appropriations indicated poor budgeting

A review of the budget provisions made and the expenditure incurred showed that large scale re-appropriations were carried out during 2004-09 as shown in **Table 3** indicating preparation of unrealistic budgets.

Table 3 : Details of re-appropriations made

Year	Roads and bridges		Minor irrigation		Flood control	
	Total units of appropriation	Number of units re-appropriated	Total units of appropriation	Number of units re-appropriated	Total units of appropriation	Number of units re-appropriated
2004-05	49	40	36	30	22	19
2005-06	50	48	37	32	23	21
2006-07	74	43	37	30	30	24
2007-08	51	41	35	24	24	15
2008-09	50	40	35	28	23	18

(Source: Detailed Appropriation Accounts and Re-appropriation orders)

Government stated (November 2009) that fund requirements for the works varied depending upon the expenditure sanctions given by the Government, which ultimately necessitated the re-appropriations. Government, however, assured the preparation of realistic budgets in future.

3.1.7.2 Construction Workers Welfare Cess

As per the provisions of the Construction Workers Welfare Cess Act, 1996 and Government instructions, a cess at one *per cent* of the gross amount of work bills was to be recovered and remitted to the Building and Other Construction Workers Welfare Fund (Welfare Fund) after deducting the cost of collection at a rate not exceeding one *per cent* of the cess collected. EEs of five[3] out of seven divisions recovered cess of Rs 2.83 crore during 2004-09 and remitted the entire amount to the Welfare Fund without deducting the cost of collection of Rs 2.83 lakh. Government stated (November 2009) that the amount would be recovered and that the deductions would be made in future.

As per receipts and payment rules, the Drawing and Disbursing Officers should not utilise departmental receipts for meeting any expenditure. EEs of the Irrigation and Public Health and Buildings and Roads Divisions at Karaikal deducted Rs 1.90 lakh towards the cost of collection from the cess collected. Instead of remitting the departmental receipts to the Government account, they, irregularly, utilised the amount for disbursement to the staff as service charges in violation of the above said rules and without Government orders. During the exit conference, the CE stated (September 2009) that the position would be verified and reported to Audit.

[3] National Highways, Buildings and Roads (Central), Irrigation Divisions in Puducherry region, Public Works Divisions at Mahe and Yanam.

3.1.7.3 Deficiencies in accounting

Wrong classification of expenditure

A comment was made in paragraph 4.1.5.2 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001 that the department was not following the codal provisions for classification of expenditure under 'revenue' and 'capital' heads. Based on the recommendation of the Committee on Public Accounts in its 26th Report presented to the Assembly on 12 April 2005, the Finance Department issued (May 2005) instructions to all concerned officers to avoid misclassifications. Test check revealed that the instructions were not followed. A total expenditure of Rs 1.30 crore incurred during 2004-09 by the Irrigation Division, Puducherry on desilting of 66 tanks and canals was found to have been wrongly classified as capital expenditure.

Expenditure of capital nature of Rs 23.83 crore incurred on 33 works by three divisions[4] during 2004-09 on construction of retaining walls, laying of cement concrete roads and canal improvements was wrongly classified under the revenue head of account. During the exit conference, the CE stated (September 2009) that only expenditure exceeding Rs 15 lakh was being classified as capital expenditure. The contention of the CE is not correct as no such instruction was issued by Government and the estimated cost as well as the actual expenditure of 25 out of 33 works exceeded Rs 15 lakh each.

Public works deposits

Monthly reconciliation of divisional figures with Director of Accounts and Treasuries was not conducted

Records of the Director of Accounts and Treasuries (DAT) showed a closing balance of Rs 37.31 crore under 'Public Works Deposits' as on 31 March 2009, whereas the monthly accounts of all divisions for March 2009 showed a closing balance of Rs 36.16 crore only. The difference of Rs 1.15 crore was not reconciled by the EEs. Government replied (November 2009) that the difference would be reconciled.

3.1.8 Programme management

The PWD have a road network of 607 km in the four regions[5] of the UT under different categories of roads. Construction, upgradation, strengthening and widening of roads and construction of bridges and culverts under the roads and bridges sector, improvements to tanks, canals and channels under the minor irrigation sector and strengthening and

---

[4] Irrigation Division, Puducherry (Rs 1.57 crore), Irrigation and Public Health Division, Karaikal (Rs 0.72 crore) and Public Works Division, Yanam (Rs 21.54 crore).

[5] Karaikal (165 Kms), Mahe (22 Kms), Puducherry (393 Kms) and Yanam (27 Kms).

improvement to drainage channels and flood banks of rivers under the flood control sector were taken up by the department.

Apart from a decline in the area irrigated under the minor irrigation sector, programme implementation was affected due to lack of sound planning, delays in implementation, foreclosure of contracts during the course of execution for want of funds, violation of codal provisions and deficient monitoring. The deficiencies are discussed below:

3.1.8.1 Minor irrigation - Decline in area irrigated

Area irrigated by tubewells decreased from 11,478 hectares in 2004-05 to 10,896 hectares in 2007-08

The UT has total irrigable land of 21,554 hectares[6] in the four regions under canal / tank / tubewell irrigation. The department spent Rs 101.06 crore on the minor irrigation sector during 2004-09. The Annual Crop Report for the year 2007-08 published by the Economics and Statistics Department of the UT of Puducherry revealed that there was no direct irrigation from tanks and their ayacuts[7] were irrigated using groundwater pumped from tubewells. It was noticed that even the area irrigated by tubewells decreased from 11,478 hectares in 2004-05 to 10,896 hectares in 2007-08. Government stated (November 2009) that the reduction in ayacuts was due to urbanisation and that due to modernisation of the tanks the groundwater sources were augmented. The reply is not tenable as the area irrigated by groundwater sources (tubewells) decreased as mentioned earlier in the paragraph.

3.1.8.2 Execution of works without inviting tenders

Executive Engineers exceeded the limits prescribed for award of work without call of tenders

(i) According to the CPWD Works Manual, works costing more than Rs 50,000 were to be awarded on tender basis. CPWD had fixed (December 2005) a limit of Rs 15 lakh per annum per division for awarding works without inviting tenders. Test check revealed that EEs of two divisions[8] awarded works exceeding the annual ceiling limit. The value of works entrusted without inviting tenders in each year ranged between Rs 18.11 lakh and Rs 1.42 crore during 2004-09 as detailed in **Appendix 3.2.** There was no mechanism in the controlling offices to monitor the award of works without tenders by the EEs. Government stated (November 2009) that the EEs had to carry out works in VIP residences and maintenance works of urgent nature and hence the annual ceiling limit fixed by CPWD was inadequate. As the department was to follow the provisions of the CPWD manual, the EEs were to adhere to the annual ceiling limit prescribed in the manual.

(ii) EEs are empowered to award works costing less than Rs 1.25 lakh on nomination[9] basis in emergency situations. The EE, Yanam Division, in

---

6 Karaikal (10,974 hectares), Mahe (1,350 hectares), Puducherry (8,456 hectares) and Yanam (774 hectares).

7 Ayacut - Irrigable land.

8 Buildings and Roads (Central) Division, Puducherry and Public Works Division, Yanam.

9 Entrusting of works at estimated rates without calling for quotations or tenders.

order to avoid obtaining sanction of the higher authority, split up 11 works of routine nature costing Rs 42.09 lakh into 68 parts, each for a value of less than Rs 1.25 lakh and entrusted them to 11 contractors without inviting tenders. During the exit conference, the Secretary instructed the departmental officers to adhere to the monetary limit for execution of works without inviting tenders.

3.1.8.3 Commencement of works without obtaining clearance/ approval

(i) Prior clearance from GOI, Ministry of Environment and Forests (MOEF) is required to execute any work costing more than Rupees five crore in the coastal regulation zone. The work of 'Providing groynes[10] at various places in Puducherry coast' at a cost of Rs 8.10 crore was sanctioned (November 2006) for execution by the Irrigation Division, Puducherry. The work, to be completed in 12 months, was awarded (August 2007) to a contractor for Rs 7.89 crore. The work was stopped in January 2008 by a stay order from the High Court, Chennai on the ground that PWD had not obtained prior clearance from GOI. The process of getting the clearance was in progress as of August 2009 and the contractor was given extension of time up to September 2009. The contractor was paid Rs 76.15 lakh being the value of work done up to January 2008. The EE stated that the department was not aware of the condition that prior clearance was required for carrying out works in the area covered under coastal regulation zone. The reply is not tenable as all the four regions of the UT had coastal areas and the department had been regularly carrying out various development activities in the coastal areas. Due to commencement of the work without obtaining clearance from MOEF, the work remained incomplete till date (November 2009) and the objective of arresting sea erosion in various places in the Puducherry coast was not achieved even after three years.

(ii) According to the provisions of the Control of National Highways (Land and Traffic) Act, 2002, no work on highway land or across a road should be carried out without written permission from the National Highways authorities. The SE, Buildings and Roads Circle I, Puducherry, however, sanctioned (March 2006 and November 2006) construction of entrance arches in NH 45A at Nandalar (Rs 19.42 lakh) and Vanjore (Rs 21.98 lakh), the entry and exit points of the Karaikal region. When the work at Nandalar was in progress, the Chief Engineer, National Highways, who inspected the road, instructed (March 2007) that the work should be stopped and the arch dismantled. Despite this, the EE, Buildings and Roads Division, Karaikal commenced (July 2007) the Vanjore entrance arch work with the consent of the SE, Buildings and Roads Circle I. Both the works were stopped (October and November 2007) after incurring a total expenditure of Rs 11.38 lakh.

---

[10] Stonewalls constructed on the seashore to arrest sea erosion.

Government stated (November 2009) that action would be taken to complete the works after getting approval from the National Highways authorities.

3.1.8.4 Foreclosure of contracts due to paucity of funds/non-availability of sites

Works were taken up without ensuring the provision of funds, resulting in foreclosure of contracts

(i) EEs of four test-checked divisions[11], without ensuring provision of funds and assessing the liabilities to be discharged in respect of spillover works, took up (December 2004 to February 2008) 26 new works valuing Rs 35.09 crore. All of them were foreclosed (October 2007 to June 2009) after incurring total expenditure of Rs 12.77 crore **(Appendix 3.3)** for want of adequate funds. During the exit conference, the Secretary stated (September 2009) that action would be taken to complete the works by availing of loan assistance from financial institutions.

(ii) Availability of a clear site is a requirement for sanction and commencement of any work. Government accorded (September 2004 and October 2006) administrative approval for construction of two drains at a total cost of Rs 1.13 crore during 2004-08. The drains could not be constructed for the proposed lengths (494 metres and 210 metres) as the department was not able to clear encroachments along the drains and arrange for shifting of electric poles from the sites within the contract period. The contracts were foreclosed by the EE, Irrigation Division, Puducherry after incurring a total expenditure of Rs 54.29 lakh **(Appendix 3.4).** Thus, the works remained incomplete due to non-provision of adequate funds and non-clearance of encroachments. In order to complete these works, the estimates would have to be revised based on the current schedule of rates and the revision would result in cost escalation and time over-runs.

3.1.8.5 Execution of works without administrative approval

Works were taken up without administrative approval and expenditure sanction

According to codal provisions, no work should be commenced and liability created before issue of administrative approval and technical sanction by the competent authority, sanction of detailed estimates and allotment of funds. Cases of works taken up for execution without administrative approval and expenditure sanction incurring avoidable liability and irregular expenditure, noticed in audit, are discussed below:

(i) To ease traffic congestion, the PWD proposed (August 2005) to construct a road overbridge over the Uppar drain connecting Kamaraj Salai and Maraimalaiadigal Salai in Puducherry. The work was proposed to be taken up by availing of a loan from the Housing and Urban Development Corporation (HUDCO). The Secretary instructed (October 2006) the CE to issue a work order for the work despite the fact that the administrative

[11] Buildings and Roads (Central) Division, National Highways Division, Irrigation Division in Puducherry region and Irrigation and Public Health Division, Karaikal.

approval and expenditure sanction sought for by the CE was pending with the Government. The work was awarded (November 2006) to a contractor for Rs 27 crore. The loan agreement signed (March 2007) with HUDCO was terminated (March 2008) by the company as the UT Government failed to avail of the first instalment of the loan within the prescribed period. The contractor completed 22 out of 78 piles valued at Rs 3.65 crore and suspended (November 2007) the work due to non-payment of bills and the EE, Buildings and Roads (Central) Division proposed (October 2008) foreclosure of the contract stating administrative reasons. The contractor claimed (December 2008) Rs 9.21 crore towards the value of work done (Rs 3.65 crore), interest on unsettled bills and compensation and other losses due to foreclosure (Rs 5.56 crore) and issued a notice to the department demanding (April 2009) the appointment of an arbitrator. Thus, the commencement of work without administrative approval and provision of funds resulted in additional liability.

Government stated (November 2009) that administrative approval for the work was accorded by the Government in March 2007. The reply is not correct as the Government order, referred to in its reply, was for approval to seek loan assistance from the HUDCO. The administrative approval of Government for taking up the work and expenditure sanction were not given by the Government.

(ii) As per the General Financial Rules, works not contemplated in an original work or project should not be carried out by utilising the savings in sanctioned works. It was observed that four flood protection and road works were taken up for execution between November 2006 and January 2008 **(Appendix 3.5)** in Puducherry and Yanam at a total cost of Rs 10.07 crore. There were savings in the works due to deletion of some components, execution of works for reduced length, etc. Utilising the savings in these four works, two EEs[12] carried out new works at a cost of Rs 1.78 crore without administrative approval and expenditure sanction from the Government. Payments to contractors were made by them by booking the expenditure to the sanctioned works. Government stated (November 2009) that the works in Yanam were carried out with the savings to execute urgent works which were similar in nature.

The reply is not acceptable as the procedure followed by the department had deviated from the provisions in the rules and the Manual for commencement of new works.

3.1.8.6 Ineffective quality control

The quality control wing had been functioning under the direct control of the CE for inspection of works and investigation of complaints received on works. The Assistant Engineer in-charge stated (August 2009) that the wing

[12] Executive Engineers of Public Works Division, Yanam and Buildings and Roads (Central) Division, Puducherry.

could not function effectively due to inadequate manpower, non-providing of inspection vehicle, testing equipment and books and manuals. Annual targets were not fixed for the wing and monthly progress reports of works were not received from the divisions. Only 131 quality control tests/checks were conducted during the period 2004-09 whereas 947 capital works were taken up for execution during the period under the three sectors alone. None of the works executed by two divisions[13] had been checked for quality during 2004-09. The wing received compliance reports for only 10 out of 119 quality control reports issued to various divisions during 2004-08.

As all construction materials were procured by the contractors themselves for use in the work, there should have been a strict quality control mechanism to prevent cases of substandard works. The department failed to strengthen this wing.

During the exit conference, the CE stated (September 2009) that appointment of a third party quality control consultant was under consideration of the department.

3.1.9 Manpower

3.1.9.1 Vacant posts

The department had a sanctioned staff strength of 4,864 officials (technical – 312 and non-technical – 4,552) as of 31 March 2009. It was noticed that 473 vacant posts (29 under technical and 444 under non-technical categories) were not filled up.

In Mahe PW Division, the post of Divisional Accountant was vacant for over two years. During the exit conference, the Secretary stated (September 2009) that action was being taken to fill up the vacancies.

3.1.9.2 Training

Training was imparted to only 36 officers of PWD during 2004-09 and no training programme was organised for the non-technical staff. During the exit conference, the Secretary stated (September 2009) that training to the officers and officials of the department would be given in the next calendar year.

3.1.10 Internal control and monitoring

3.1.10.1 Vacant Chief Engineer post

It was observed that the post of CE, had remained vacant since February 2005. The SE, Circle-I, Puducherry was holding additional charge of the post of CE. As per the recruitment rules, SEs with five years of regular service were eligible for promotion to the post of CE and in case of

[13] Buildings and Roads (Central) Division and Public Health Division, Puducherry.

non-availability of eligible persons for the post, it could be filled up by deputationists from Central or State Governments.

Government stated (September 2009) that a panel of eligible SEs could not be sent to the Union Public Service Commission pending vigilance clearance. The reply is not acceptable as the recruitment rules provided for appointment of a CE on deputation basis. As the post was additionally held by an SE, there was no check on the sanctions, approvals or decisions taken by the SE, Circle I in respect of works executed by the five divisions in Puducherry region under his control.

3.1.10.2 Internal audit

There was no Internal Audit Wing in the department. A vigilance mechanism was also not in place to investigate complaints received from the public.

3.1.10.3 Review of Measurement Books by Divisional Accountant

As per the CPWD Works Manual, Measurement Books (MBs) should be reviewed by Divisional Accountant (DA) under the supervision of EEs and remarks, if any, should be recorded and communicated to the Assistant Engineers concerned. It was noticed in audit that the MBs were not reviewed by the DAs in the test-checked divisions. In the exit conference, the CE stated (September 2009) that the DAs had been instructed to review the MBs.

3.1.10.4 Non-maintenance of works registers

In paragraphs 4.3(v)(d) of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2000 and 4.1.9 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2001, comments were made on non-maintenance of certain works records like registers of works, works abstracts, contractors' ledgers, etc. During discussion of the paragraphs by the Committee on Public Accounts, the department stated (September 2005) that action was being taken to impart training to the staff on maintenance of accounts and registers. It was found that despite the assurance, the divisions were not maintaining works registers (September 2009).

3.1.10.5 Lack of response to Audit

None of the test-checked divisions maintained a control register to keep a watch on the disposal of Inspection Reports (IR) issued by the Principal Accountant General (Civil Audit). Twenty two IRs containing 110 paragraphs with a money value of Rs 62.73 crore remained unsettled for want of replies (March 2009).

3.1.11 Conclusion

A comprehensive plan for each sector was not formulated. Budgeting was unrealistic in view of large-scale re-appropriations. There was a steep decline in capital expenditure. Programme implementation was affected by delays in implementation, non-provision of funds and deficient monitoring. The annual ceiling limit fixed for award of works without inviting tenders was exceeded. Works were taken up for execution without administrative approval, expenditure sanction and provision of funds, resulting in their abandonment. The internal audit wing was not established.

3.1.12 Recommendations

- Adequate funds should be provided in the budget for implementing the works included in the approved Annual Plans.
- Budgeting should be realistic.
- Commencement of works without administrative approval, expenditure sanction and provision of funds should be avoided.
- Award of works without inviting tenders should be resorted to only in case of urgent works and within the annual ceiling limit.
- The quality control wing should be strengthened.
- An internal audit wing should be established in the department.

REVENUE RECEIPTS

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of Union Territory of Puducherry and the grants-in-aid received from the Government of India during the year 2008-09 and the corresponding figures for the preceding four years are mentioned in the following table:

(Rupees in crore)

Sl. No.	Category	2004-05	2005-06	2006-07	2007-08	2008-09
I	**Revenue raised by the Government**					
	• Tax revenue	404.58	479.40	569.55	652.85	725.35
	• Non-tax revenue	500.72	510.99	549.92	625.82	628.64
	Total (I)	**905.30**	**990.39**	**1,119.47**	**1,278.67**	**1,353.99**
II	Receipts from the Government of India-Grants-in-aid	725.70	811.49	764.09	856.95	1,104.51
III	Total receipts of the Government (I + II)	1,631.00	1,801.88	1,883.56	2,135.62	2,458.50
IV	Percentage of I to III	56	55	59	60	55

The above table indicates that during the year 2008-09, the revenue raised by the Union Territory Government was 55 *per cent* of the total revenue receipts (Rs 2,458.50 crore) as against 60 *per cent* in the preceding year. The balance 45 *per cent* of the receipts during 2008-09 was from the Government of India.

4.1.2 The details of the tax revenue raised during the year 2008-09 alongwith the figures for the preceding four years are mentioned in the following table:

(Rupees in crore)

Sl. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+)/ decrease (-) in 2008-09 over 2007-08
1.	VAT/Taxes on sales, trade, etc.	246.48	304.22	364.89	354.98	381.86	7.57
2.	State excise	110.29	125.17	143.49	224.02	279.60	24.81
3.	Stamp duty and registration fees	23.52	23.97	31.01	41.37	30.80	(-) 25.55
4.	Taxes on vehicles	23.87	25.56	29.01	31.60	32.46	2.72
5.	Land revenue	0.29	0.31	0.91	0.54	0.38	(-) 29.63
6.	Other receipts	0.13	0.17	0.24	0.34	0.25	(-) 26.47
	Total	**404.58**	**479.40**	**569.55**	**652.85**	**725.35**	**11.11**

The reason for the variation in receipts during 2008-09 over 2007-08 in respect of state excise as furnished by the concerned department is as mentioned below:

State excise: The increase was due to increase in the realisation of *kist*[1] amount and increased collection of excise duty and additional excise duty.

The other departments did not furnish (November 2009) the reasons for the variations despite being requested (October 2009).

4.1.3 The details of major non-tax revenue raised during the year 2008-09 alongwith the figures for the preceding four years are mentioned in the following table:

(Rupees in crore)

Sl. No.	Heads of revenue	2004-05	2005-06	2006-07	2007-08	2008-09	Percentage of increase (+) / decrease (-) in 2008-09 over 2007-08
1.	Power	464.48	486.88	508.95	570.36	545.90	(-) 4.29
2.	Interest receipts, dividends and profits	5.25	4.13	7.23	21.41	47.60	122.33
3.	Medical and public health	4.11	3.57	7.52	7.83	6.55	(-) 16.35
4.	Education, sports, art and culture	0.51	0.46	0.47	0.48	0.46	(-) 4.17
5.	Crop husbandry	0.28	0.53	0.43	0.34	0.29	(-) 14.71
6.	Other receipts	26.09	15.42	25.32	25.40	27.84	9.61
Total		**500.72**	**510.99**	**549.92**	**625.82**	**628.64**	**0.45**

The reasons for variation in receipts during 2008-09 over 2007-08 as furnished by the concerned department in respect of the interest receipts, dividends and profits are as mentioned below**:**

Interest receipts, dividends and profits: The increase was due to receipt of interest by investing cash balances in 14 day treasury bills and increase in receipt of dividends from various corporations.

The other departments did not report (November 2009) the reasons for variations, though requested for (October 2009).

4.2 Variations between the budget estimates and actuals

The variations between the budget estimates and actual revenue receipts for the year 2008-09 in respect of the principal heads of tax and non-tax revenue are mentioned in the following table:

[1] *Kist* – Monthly instalments

(Rupees in crore)

Sl. No.	Heads of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
1.	VAT/Taxes on sales, trade, etc.	410.00	381.86	(-) 28.14	(-) 6.86
2.	State excise	247.00	279.60	32.60	13.20
3.	Stamp duty and registration fees	38.49	30.80	7.69	(-) 19.98
4.	Taxes on vehicles	36.00	32.46	3.54	(-) 9.83
5.	Land revenue	0.30	0.38	0.08	26.67
6.	Power	617.00	545.90	(-) 71.10	(-) 11.52
7.	Interest receipts, dividends and profits	5.15	47.60	42.45	824.27
8.	Medical and public health	6.20	6.55	0.35	5.65
9.	Education, sports, art and culture	0.73	0.46	(-) 0.27	(-) 36.99
10.	Crop husbandry	0.42	0.29	(-) 0.13	(-) 30.95

The reason for variation between the budget estimates and actuals in respect of state excise as furnished by the concerned department is as mentioned below**:**

State excise: The increase was due to the levy of additional excise duty, increase in rates of excise duty and increase in collection of *kist* amount.

The other departments did not report (November 2009) the reasons for variations, though requested for (October 2009).

4.3 Analysis of the collection

The break-up of the total collection at pre-assessment stage and after regular assessment of sales tax under the Pondicherry General Sales Tax Act and VAT for the year 2008-09 and the corresponding figures for the preceding two years as furnished by the concerned department are mentioned in the following table:

(Rupees in crore)

Year	Amount collected at pre-assessment stage	Amount collected after regular assessment (additional demand)	Penalties for delay in payment of taxes and duties	Amount refunded	Net collection	Percentage of column 2 to 6
1	2	3	4	5	6	7
2006-07	364.31	1.07	0.35	0.84	364.89	99.84
2007-08	350.30	4.43	0.37	0.12	354.98	98.68
2008-09 PGST VAT	382.23	1.11	0.47	1.95	381.86	100.10

The above table shows that the collection of revenue at the pre-assessment stage ranged between 98.68 and 100.10 *per cent* during 2006-07 to 2008-09.

4.4 Arrears of revenue

The arrears of revenue pending for collection as on 31 March 2009 under the principal heads of revenue, as reported by various departments was Rs 261.50 crore as indicated below:

(Rupees in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
(1)	(2)	(3)	(4)	(5)
1.	Electricity	135.24	24.91	The arrears comprise of Rs 45.92 crore from the high tension (HT) consumers and Rs 89.32 crore from low tension (LT) consumers. Out of the HT arrears, Rs 22.65 crore is due from a UT Government owned company; Rs 84.22 lakh is pending with Claims Commissioner, New Delhi; Rs 12.80 crore is covered under litigation and Rs 3.78 crore is proposed to be recovered through Revenue Recovery Act. Rupees 5.85 crore is due from other consumers/ industries. Under LT category, Rs 21.54 crore is due from Local Bodies and Rs 4.79 crore from Government departments. Rupees 62.99 crore is due from other consumers/ industries.

(1)	(2)	(3)	(4)	(5)
2.	Commercial Taxes	111.85	5.73	The arrears relate to collection of tax under PGST/CST and VAT Acts. Rupees 72.37 crore is pending due to court stay orders, Rs 30.67 lakh is proposed to be recovered through Revenue Recovery Act and Rs 39.17 crore is pending at various stages of recovery.
3.	Public Works	11.16	2.06	The arrears relate to water charges due from consumers and licence fee from Government servants.
4.	Government Automobile Workshop	1.37	----	The arrears are due from Government departments towards sale of petrol, oil and lubricants.
5.	Port	0.64	----	The arrears relate mainly to lease rent due from M/s. Concor (A Government of India undertaking).
6.	Police	0.32	----	The arrears relate to supplies made to other parties and recovery of licence fee from retired Government servants.
7.	Stationery and Printing	0.27	0.03	The arrears relate to payment due from Government departments.
8.	Agriculture	0.17	0.08	The arrears relate mainly to rent due from UT Government owned companies and the amount due from commune panchayats.
9.	Town and Country Planning	0.14	0.14	The arrears relate to enhanced plot cost due from the allottees from various housing schemes.
10.	Information and Publicity	0.11	0.09	The arrears are mainly due from Pondicherry Tourism and Development Corporation towards canteen rent.
11.	Tourism	0.08	0.02	The arrears are mainly due from guests/Government Officials/MLAs/ Hon’ble Ministers towards room rent.
12.	Co-operation	0.08	0.02	The arrears relate to audit fees, leave salary and pension contribution dues.
13.	Judicial	0.05	0.04	In some cases, accused are undergoing imprisonment and in some cases, appeals are pending in courts.
14.	Legislative Assembly Secretariat	0.01	0.01	The arrears relate to payment of rent by the lessees towards Legislators’ hostel canteen.
15.	Health and Family Welfare	0.01	----	The arrears are due from local bodies and Deputy Director (Employees’ State Insurance).
	Total	**261.50**	**33.13**	

The other departments *viz*., Transport, Women and Child Development, Fisheries and Fishermen Welfare and Industries did not furnish (November 2009) the details of arrears of revenue despite being requested (October 2009).

4.5 Fraud and evasion of tax

The details of cases of fraud and evasion of the 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 2008	Cases detected during 2008-09	Total	Number of cases in which assessment/investigation completed and additional tax and penalty levied		Number of pending cases as on 31 March 2009
			Number of cases	Amount demanded	
28	64	92	12	Rs 22,230	80

The Government needs to take quick action in respect of the pending cases.

4.6 Failure to enforce accountability and protect interest of the Government

The Accountant General (Commercial and Receipt Audit), Tamil Nadu arranges periodical inspection of the Government departments to test-check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with inspection reports (IRs). Important irregularities are included in the IRs issued to the heads of offices inspected with the 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 Accountant General within two months from the dates of issue of the IRs. Serious irregularities are also brought to the notice of the heads of the departments by the office of the Accountant General.

Audit scrutiny of IRs issued upto December 2008 disclosed that 560 paragraphs involving Rs 77.89 crore relating to 176 IRs remained outstanding at the end of June 2009. Department-wise break up of the IRs and audit observations outstanding as on 30 June 2009 are mentioned below:

(Rupees in crore)

Sl. No.	Tax heads	Outstanding		Amount
		Inspection reports	Audit observations	
1.	Sales tax	41	210	64.26
2.	Land revenue	29	63	1.79
3.	Stamp duty and registration fees	53	113	1.34
4.	Taxes on vehicles	29	125	4.11
5.	State excise	24	49	6.39
Total		**176**	**560**	**77.89**

4.7 Compliance with earlier Audit Reports

During the last three years from 2005-06 to 2007-08, the department/Government accepted audit observations involving Rs 23.93 crore, out of which only Rs 19.67 lakh has been recovered till October 2009 as mentioned in the following table:

(Rupees in crore)

Year of Audit Report	Revenue effect of chapter	Amount accepted by the department	Amount recovered
2005-06	22.13	22.13	Nil
2006-07	1.13	Nil	Nil
2007-08	9.49	1.80	0.20
Total	**32.75**	**23.93**	**0.20**

Thus, only 0.84 *per cent* of the accepted amount has been recovered till October 2009. The Government needs to monitor and effect speedy recovery of the amounts pointed out in the Audit Reports as well as IRs.

4.8 Results of audit

Test check of the records of sales tax, state excise, stamp duty and registration fees and taxes on vehicles, etc. conducted during the year 2008-09 revealed under assessment/short levy/loss of revenue amounting to Rs 117.43 crore in 75 audit observations. During the course of the year, the departments accepted Rs 73.48 crore, of which, Rs 73.47 crore was pointed out during 2008-09 and the rest in earlier years. The department recovered Rs 5.14 lakh.

After the issue of a draft paragraph, the department recovered the entire amount of Rs 2.81 lakh pertaining to that audit observation during 2008-09.

This chapter contains a review on "state excise receipts" and a paragraph relating to incorrect remission of stamp duty and registration fee involving Rs 73.28 crore. The departments accepted the audit observations and recovered Rs 0.75 lakh during the year. These are mentioned in the succeeding paragraphs 4.9 and 4.10.

REVENUE (EXCISE) DEPARTMENT

4.9 Review on receipts from state excise

Highlights

- **There is no provision for levy of penalty on non-lifting of the minimum guaranteed quantity of *arrack*. 596 bidders did not lift the minimum guaranteed quota of *arrack* of 1.71 crore bulk litres. In the absence of a penalty clause, no action could be taken against the bidders.**

(Paragraph 4.9.8)

- **There is no provision in the Pondicherry Excise Act for levy of interest on belated payment of excise dues. Therefore, interest on belated payment of licence fee, excise duty, additional excise duty, countervailing duty, etc., could not be levied. This resulted in foregoing of revenue recoverable on account of interest.**

(Paragraph 4.9.9)

- **No periodical returns were prescribed for submission to the higher authorities to facilitate monitoring of excise receipts and overall functioning of the department.**

(Paragraph 4.9.11)

- **Non-levy of the additional excise duty from 23 April 2007 to 31 March 2008 resulted in non-realisation of revenue of Rs 35.48 crore.**

(Paragraph 4.9.13)

- **Import fee on the rectified spirit, extra neutral alcohol and special spirits was not levied resulting in non-realisation of revenue of Rs 36.26 crore.**

(Paragraph 4.9.14)

- **Due to issue of incorrect notification, there was non-realisation of revenue of Rs 31.25 lakh.**

(Paragraph 4.9.18)

4.9.1 Introduction

The levy and collection of the excise receipts of the Union Territory of Puducherry are governed by the Pondicherry Excise Act, 1970, the Pondicherry Excise Rules, 1970 made thereunder and instructions/ notifications issued from time to time. The receipts consist of state excise duty, additional excise duty, countervailing duty, additional countervailing duty, and lease rent in respect of *arrack* and toddy shops. It is the second largest revenue earning head of the state receipts. There are six distilleries and one brewery in the state. The state imports Indian made foreign liquor, rectified spirit, etc., from other states. There is a provision for bonded[2] warehouses and the goods are removed on the payment of duties from the bonded warehouses. The arrears of excise duty can be recovered as arrears of land revenue under the Revenue Recovery Act.

A review of the system of assessment, levy and collection of excise receipts was conducted by audit. It revealed a number of system and compliance deficiencies which have been discussed in the subsequent paragraphs.

4.9.2 Organisational set up

The administration of the excise laws in the Union Territory of Puducherry is carried out by the Excise Commissioner, Puducherry, as the head of the department, under the control of the Revenue Secretary. He is also the Collector of Puducherry and Additional Secretary (Revenue) to the Government. For the purpose of excise receipts, the state has been divided into four zones *viz*., Puducherry, Karaikal, Mahe and Yanam. Puducherry Zone is headed by a deputy commissioner and the other three zones are headed by deputy collectors. They are assisted by tahsildars and deputy tahsildars in collection of the excise revenue.

4.9.3 Scope of review

The records for five years from 2003-04 to 2007-08 of the office of the Deputy Commissioner (Excise), Puducherry, Deputy Collectors, Karaikal,

---

[2] Bonded warehouses : It is that part of a distillery in which spirits in a fit state of consumption or intended for redistillation are kept without payment of excise duty.

Mahe and Yanam including all six distilleries and one brewery were test-checked between February and May 2009.

4.9.4 Audit objectives

The review was conducted with a view to:

1. assess the efficiency and effectiveness of the system of levy and collection of duty and fee in respect of distilleries/brewery;

2. ascertain whether the provisions of the Act and Rules made thereunder were adequate and complied with; and

3. assess whether an adequate internal control mechanism existed to ensure proper realisation of duty, fee, interest and penalty.

4.9.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Excise department in providing the necessary information and records for audit. An entry conference was held in March 2009 in which the department was apprised of the audit objectives and the scope and methodology of the review. The audit findings were reported to the department/Government in May/August 2009. The results of audit and recommendations were discussed in an exit conference held in October 2009. The Government was represented by the Secretary to the Government, Revenue and Disaster Management department, and the department by the Commissioner of Excise, Puducherry. The replies of the Government and the department received during the exit conference and at other times have been appropriately incorporated in the relevant paragraphs.

Audit findings

4.9.6 Trend of revenue

A comparison of the budget estimates and the actual receipts for the last five years ending 31 March 2008 is mentioned in the following table:

(Rupees in crore)

Year	Budget estimates	Actuals	Variation	Variation percentage of increase (+) / decrease (-)
2003-04	85	105.66	20.66	(+) 24.31
2004-05	90	110.29	20.29	(+) 22.55
2005-06	98	125.17	27.17	(+) 27.72
2006-07	115	143.49	28.49	(+) 24.77
2007-08	138	224.02	86.02	(+) 62.33

The variations between the budget estimates and the actuals ranged between 23 and 62 *per cent* indicating that the budget estimates were not formulated in a scientific manner keeping in view the actual revenues realised in the past years.

After this was pointed out, the Government stated (October 2009) that the audit point had been noted for compliance and future guidance.

The Government may ensure that budget estimates are framed in a manner to be as close to actuals as possible.

4.9.7 Position of arrears

The status of uncollected revenue of state excise pertaining to the period from 1968-69 to 2007-08 and outstanding as on 31 December 2008 as furnished by the department is mentioned in the following table:

Sl. No.	Particulars	Number of cases	Amount (Rupees in lakh)
1.	Cases forwarded to the Government for write-off (interest amount on fully paid principal as on 31.12.2007)	198	567.00
2.	Cases forwarded to the Government for write-off (interest amount on unpaid principal as on 31.12.2007)	Not available	1,775.00
3.	Cases pending for decision before various courts (principal amount)	24	123.09
4.	Cases pending with the department under RR Act (principal amount)	289	1,123.17
	Total	**511**	**3,588.26**

The age-wise pendency of the arrears furnished by the department in respect of the cases pending before various courts and the department (principal amount only) as on 31 December 2008 (excluding 12 cases[3] pending before court in respect of Karaikal region) is mentioned below:

[3] The information in these cases was not furnished by the department despite being requested (August 2009).

Age	Number of cases[4]	Arrear amount[5] (Rupees in lakh)
Above 25 years	71	144.65
From 15 years to 25 years but less than 25 years	27	40.18
From 10 years to 15 years but less than 15 years	164	859.60
From 5 years to 10 years but less than 10 years	3	4.37
Less than 5 years	36	185.70
Total	**301**	**1,234.50**

The foregoing table indicates that 85 *per cent* (Rs 10.44 crore) of the arrears were pending for more than 10 years, of which 14.97 *per cent* (Rs 1.85 crore) of arrears relate to more than 15 years.

4.9.7.1 Test check of the records indicated that out of 301 cases, relating to the years 1968-69 to 2007-08 in 110 cases, the entire demand raised by the department was still pending as on 31 December 2008.

4.9.7.2 In accordance with the Government order dated 29 October 1999, the department had obtained securities from the licensees. However, audit did not find even a single case out of the 36 cases where the department had initiated action to recover the revenue by disposing off the securities at their disposal.

After this was reported to the Government, the Government accepted (October 2009) the audit observation and stated that necessary action would be taken to collect the amount.

System deficiencies

4.9.8 Absence of a penalty provision for non-lifting of minimum guaranteed quantity of *arrack*

As per the Pondicherry Excise Act, 1970 readwith Rule 178-A of the Pondicherry Excise Rules, 1970, no licensee shall purchase *arrack* from the Government Distillery less than the minimum guaranteed quantity specified by the Excise Commissioner in the notification issued under Rule 144. But the Act/Rules do not provide for penalty in case of breach of the above rule by the licensees.

Test check of the records indicated that, during the period from 2003-04 to 2007-08, 613 bidders were given licences for lifting *arrack* from the

[4] Total cases (Court cases 24 + RR Act 289) – court cases (12) = 301 cases.

[5] Total amount (Rs 1,246.26 lakh) – amount of 12 court cases (Rs 11.76 lakh) = Rs 1,234.50 lakh.

distilleries. Out of these, 596 bidders did not lift the minimum guaranteed quantity of *arrack*. As against the total contracted quantity of 8.25 crore bulk litres of *arrack*, only 6.54 crore bulk litres were lifted leaving a balance of 1.71 crore bulk litres. In the absence of a penalty clause, the loss of excise duty incurred on account of short lifting of the minimum guaranteed quantity could not be recovered.

After this was pointed out, the Government accepted (October 2009) the audit observation and stated that the need for framing a provision for the levy of a penalty in the Act had been noted. Further report has not been received (November 2009).

The Government may consider incorporating necessary provision in the Act for levy of penalty for non-lifting of minimum guaranteed quantity.

4.9.9 Absence of a provision for levy of interest on belated payment of the excise dues

The Pondicherry Excise Act, 1970 does not have a provision for charging interest on belated payment of excise dues to the Government.

In the absence of a provision, interest on belated payment of licence fee, excise duty, additional excise duty, countervailing duty and additional countervailing duty could not be charged. This resulted in forgoing of revenue recoverable on account of interest.

After this was pointed out, the Government accepted (October 2009) the audit observation and stated that the need for incorporating a provision for charging interest in the Act had been noted.

The Government may consider framing a suitable provision in the Act for charging interest on belated payment of the excise dues to the Government.

4.9.10 Non-revision of licence fee

With effect from 31 May 2002, the Government fixed the rate of licence fee for the shops conducting wholesale and retail sale of IMFL at the following rates:

- Wholesale vending of IMFL = Rs 3 lakh per annum
- Retail vending of IMFL with bar = Rs 2 lakh per annum
- Retail vending of IMFL without bar = Rs 1.75 lakh per annum

It was observed that no time limit has been prescribed in the Act for periodical revision of the rates of licence fee. Audit noticed that though the sales turnover of IMFL sales had increased from Rs 35.24 crore in 2002-03 to Rs 60.47 crore in 2007-08, i.e., an increase of 72 *per cent*, the rates of licence fee for IMFL wholesale and retail vending remained unchanged.

Besides, the sale of IMFL had gone up from 9.30 lakh cases to 19.52 lakh cases i.e., an increase of 110 *per cent* and given the fact that no new licences were issued[6], except to co-operation and tourism sectors, the existing 87 FL1[7] and 249 FL2[8] licensees continued to pay the same fees every year since May 2002.

After the need for revision of licence fee was brought to the notice of the Government, it stated in October 2009 that the rules would be amended to prescribe escalation clause in the relevant provisions so that increased licence fee could be collected at the time of renewal of IMFL wholesale and retail vending licences.

The Government may consider introducing a provision for periodical revision of the licence fee in the Act.

4.9.11 Failure of the department to establish management control system

Internal controls are intended to provide reasonable assurance of orderly, efficient and effective operations, safeguarding resources against irregularities, adhering to laws, regulations and management directives and developing and maintaining reliable data. Proper internal controls are essential for providing timely warning to an organisation about irregularities or deficiencies in its functioning.

However, no periodical returns (monthly, quarterly etc.,) were prescribed for submission to the competent higher authority to facilitate monitoring of receipts and collection of excise duty/licence fee, *kist* etc., and overall functioning of the excise department. No manual has been prescribed for proper functioning of the department. In the absence of these returns, the efficacy of monitoring the assessment, levy and collection of excise receipt at higher levels could not be ascertained by audit.

---

6 Government Notification No.15306/DCE.91/99-2000 dated 28.2.2000 prohibiting the issue of licence to private persons.

7 FL1 – Licence for possession and sale of Indian made liquors/foreign liquors and beer not to be consumed in the premises.

8 FL2 – Licence for possession and sale of Indian Liquor or Foreign Liquor or both or beer to be taken out of the licensed premises in sealed or capsuled boxes or to be consumed in the premises combined with meal or eatables.

The Government may consider issuing directions for preparing a departmental manual for control records and prescribe returns for effective monitoring of various functions of the department.

4.9.12 Non-levy of excise duty/additional excise duty on export of IMFL outside India

Rule 124 of the Pondicherry Excise Rules, 1970 provides for remission of duty only in respect of goods sent to other states within India from the Union Territory of Puducherry but no such exemption has been allowed in respect of exports out of India.

However, in other states like Punjab and Haryana, the procedures are well defined and orders exist prescribing a detailed procedure for the export of spirits outside the country. No such procedure has been prescribed by the Government of Puducherry for the export of spirits outside India.

It was observed in audit that 26 lakh proof litres of IMFL exported for use outside the country were exempted from levy of excise duty/additional excise duty. In the absence of detailed procedures, the correctness of the exemption of the IMFL exported outside the country amounting to Rs 22.26 crore could not be ascertained.

The Government accepted the audit observation and stated (October 2009) that action would be taken to bring in a specific provision in the Rule. Further report has not been received (November 2009).

Compliance deficiencies

4.9.13 Non-levy of additional excise duty

The Government of Puducherry issued a notification dated 23 April 2007 prescribing the levy of additional excise duty (AED) payable per bulk litre of IMFL and beer. The rate varied between Rs 26 and Rs 149 for IMFL and Rs 9 and Rs 15 for beer, depending upon the declared price range.

Test check of the records of five distilleries and one brewery indicated that 41.35 lakh bulk litres of IMFL and 163 lakh bulk litres of beer were manufactured and exported (to other states within India) during the period from 23 April 2007 to 31 March 2008 on which additional excise duty was not levied. This resulted in non-realisation of revenue of Rs 35.48 crore as mentioned in the following table:

(Rupees in crore)

Sl. No.	Name of the distillery/brewery	Nature of spirit	Quantity in bulk litres	Non-payment of additional excise duty
1.	M/s. United Spirits Limited	IMFL	21,95,871	7.72
2.	M/s. Ravikumar Distilleries		2,19,419	0.95
3.	M/s. Vinbros & Company		9,59,614	4.55
4.	M/s. Premier Distilleries		3,17,432	1.15
5.	M/s. Dee Kay Exports		4,43,009	1.52
6.	M/s. Skol Breweries	Beer	1,63,22,670	19.59
	Total		**2,04,58,015**	**35.48**

After this was pointed out, the Government accepted the audit observation. Further report on recovery has not been received (November 2009).

4.9.14 Non-levy of import fee on spirits imported

As per Section 2(19) of the Pondicherry Excise Act, liquor includes spirits of wine, denatured spirits, wine, beer, toddy and all liquids consisting of or containing alcohol. As per Rule 5A of the Pondicherry Excise Rules, as amended from November 2001, an import fee shall be levied on the import of all Indian liquor and foreign liquor at the rate of Rs 6 per bulk litre. As per Rule 273 (b), a valid licence holder importing alcohol is required to execute a bond in Form A, which prescribes a condition that no liquor/spirit shall be removed before the proper duty or fee, if any, has been paid.

Audit scrutiny revealed that during the period from 2003-04 to 2007-08, 6.05 lakh bulk litres of rectified spirit, extra neutral alcohol and special spirits imported by an *arrack* unit[9] and six distilleries[10] were kept in a bonded warehouse and removed for the purpose of production of IMFL/*arrack*. However, import fee, though leviable on such import, was not levied resulting in non-realisation of revenue of Rs 36.26 crore.

After this was pointed out, the Government accepted (October 2009) the audit observation. A report on further action taken has not been received (November 2009).

4.9.15 Non-raising of demand in respect of establishment charges

As per the provisions of the Pondicherry Excise Rules, the cost of establishment including pay, leave salary, contributory provident-cum-

9 M/s Puducherry Distilleries Limited

10 M/s United Spirits Limited, M/s Vinbros & Co., M/s Premier Distilleries, M/s Deekay Exports, M/s Ravikumar Distilleries and M/s Khoday Industries Limited

pension fund and pensionary contribution in respect of excise supervisory officers deputed at distillery/brewery shall be paid in advance by the distillery/brewery.

It was noticed in audit that the pay commission arrears in respect of 28 officials of the department amounting to Rs 5 lakh (being 40 *per cent* of the total arrears) being first instalment was paid by the Government for their services rendered in all the distilleries and brewery and balance of Rs 9 lakh was paid in second instalment. No demand was, however, raised by the department against the distilleries/brewery for reimbursement of pay commission arrears. This resulted in non-realisation of revenue of Rs 14 lakh.

After this was pointed out, the department accepted the audit observation and stated (October 2009) that necessary demand would be raised. Further report has not been received (November 2009).

4.9.16 Non-collection of additional excise duty and additional countervailing duty

As per notification dated 23 April 2007 additional excise duty and additional countervailing duty shall be levied on excise articles manufactured or imported inside Puducherry.

4.9.16.1 Test check of the permit records and register of despatches in respect of two distilleries[11], indicated that a total quantity of 49,983 bulk litres of IMFL were removed from the warehouse on 23 April 2007 for consumption within the Union Territory without payment of additional excise duty. This resulted in non-realisation of AED of Rs 16 lakh.

4.9.16.2 Test check of the import permit registers and release register of FL 1 licensees[12] in respect of Puducherry, Karaikal and Mahe regions indicated that three lakh bulk litres of beer and 44,189 bulk litres of IMFL were imported from outside states on or after 23 April 2007. The department did not levy additional countervailing duty on the above quantity which resulted in non-realisation of revenue of Rs 79 lakh.

[11] M/s Ravikumar Distilleries and M/s Premier Distilleries

[12] Taurus & Taurus, Lakshmi Vinayaga Beverages, R.R. Wine Merchant, Sri Meenakshi Wines, Happy wines, Ding Dong Liquors, Sri Murugan Enterprises, Malligarjuna Agency, Devi Wines, Sri Murugan Enterprises, Anupama Wines, M/s AMS Liquor Merchants (Karaikal) and M/s Royal Wines (Karaikal), M/s Thiruvonam Wines, M/s Apollo Wines, M/s Thirumal Wines, M/s Durga Wines, M/s Cacatte Wines, M/s Maveli Wines, M/s Prabhat Trade Links, M/s Wine Centre, M/s CeeCee & CeeCees

After this was pointed out, the Government accepted the audit observations and stated (October 2009) that the amount would be collected. Further report has not been received (November 2009).

4.9.17 Non-collection of *kist* for excess lifting of *arrack*

As per Rule 178A of the Pondicherry Excise Rules, 1970 and the conditions of the licence, a licensee is liable to lift the entire minimum guaranteed quantity fixed for each licensee during the year. Further, any excess quantity may be allowed to be drawn subject to the payment of additional *kist* proportionate to the excess quantity allowed to be drawn.

Test check of the records indicated that in 17 cases, the licensees lifted 25.1 lakh bulk litres of *arrack* as against the minimum guaranteed quantity of 23.62 lakh bulk litres during the period from 2003-04 to 2005-06. Additional *kist* proportionate to the excess quantity amounting to Rs 29.52 lakh, though leviable, was not levied.

After this was pointed out, the Government accepted the audit observation and stated (October 2009) that the amount would be collected from the licensees. Further report has not been received (November 2009).

4.9.18 Loss of revenue due to incorrect issue of notification

As per Section 66 of the Pondicherry Excise Act, 1970, the Government is vested with the power to issue any notification exempting intoxicants from payment of the excise duty.

4.9.18.1 The Government of Puducherry issued a notification dated 9 October 2008 exempting the canteen stores department at the NCC group headquarters, Puducherry from the payment of additional excise duty on import of IMFL and beer for a period of 5 years from 23 April 2007.

Audit noticed that though the Government issued the notification with retrospective effect, the Act does not specifically[13] mention that exemption notification with retrospective effect can be issued. This resulted in loss of revenue of Rs 16.25 lakh for the period from July 2007 to March 2008.

4.9.18.2 Pondicherry Excise Rules, 1970, do not provide for exemption of licence fee to be collected every year from licensees. In contravention of the rules, the Government issued a notification in April 1999 exempting the canteen stores department of the NCC Directorate from

---

[13] Karnataka Excise Act, 1966 – Section 67(a) – Government may exempt or reduce whether prospectively or retrospectively the excise duty levied under Section 22 or the licence fee payable by or under this Act, in respect of any liquor sold.

payment of the whole of licence fee, resulting in the loss of revenue of Rs 15 lakh for the period from 2003-04 to 2007-08.

After this was pointed out, the Government stated that action would be taken in consultation with the Law department. Further report has not been received (November 2009).

4.9.19 Conclusion

The review on receipts from state excise revealed several systemic deficiencies that affected the efficiency and effectiveness of levy and collection of the revenue. These included absence of a penalty provision for non-lifting of the minimum guaranteed quantity of *arrack*, absence of a provision for the levy of interest on belated payment of excise dues, no provision about a time limit clause in the Act for periodical revision of the rates of the licence fee and exemption of the excise duty on Indian made foreign liquor exported outside the country. Absence of the departmental manual and necessary mechanism to ensure co-ordination among the functional units resulted in short realisation of the revenue. Failure of the department to monitor revenue realisation also resulted in pendency of arrears for a long time.

4.9.20 Summary of Recommendations

The Government may consider the following recommendations for improving the system and compliance:

- incorporating necessary provision in the Act for levy of penalty for non-lifting of minimum guaranteed quantity;
- framing a suitable provision in the Act for charging of interest on belated payment of the excise dues to the Government;
- introducing a provision for fixing a time limit for periodical revision of the licence fee in the Act; and
- issuing directions for preparing a departmental manual for control records and prescribe returns for effective monitoring of various functions of the department.

REGISTRATION DEPARTMENT
STAMP DUTY AND REGISTRATION FEES

4.10 Incorrect grant of remission

As per Government notification[14] issued in December 2004, remission of *50 per cent* of the stamp duty and transfer duty was granted to women members who acquire property through deed of sale, exchange or gift subject to certain conditions.

Test check of the records in three sub registries[15] indicated that immovable properties valued at Rs 3.05 crore were purchased/acquired by a society, trust and partnership firm represented by women through 11 sale deeds registered in 2006 and 2007. Thus, the women did not purchase the property in their individual capacity and no remission from payment of stamp duty was admissible. However, the registering authorities incorrectly allowed a remission of Rs 15.25 lakh, being 50 *per cent* of the stamp duty of Rs 30.50 lakh, treating the execution of the deeds in favour of the women in their individual capacity. The incorrect remission resulted in short levy of stamp duty of Rs 15.25 lakh.

After this was pointed out (November 2007 and February 2009), the department accepted (between September 2008 and April 2009) and recovered (February 2009) Rs 0.75 lakh in respect of nine sale deeds pertaining to Karaikal. Further report on recovery in respect of the remaining amount has not been received (November 2009).

The matter was reported to the Government between December 2007 and March 2009; reply had not been received (November 2009).

[14] Notification No.8834/Revenue-03/2004 dated 17 December 2004
G.O.Ms.No.59/LAS/2004 of Local Administration, Secretariat, Government of Puducherry dated 28 December 2004.

[15] Karaikal, Bahour and Yanam.

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of Union Territory of Puducherry Public Sector Undertakings

Introduction

5.1.1 The Union Territory Public Sector Undertakings (PSUs) consist of Government Companies. PSUs of Union Territory (UT) of Puducherry were established to carry out activities of commercial nature keeping in view the welfare of people. In UT of Puducherry, the PSUs occupy a noticeable place in the state economy. The PSUs registered a turnover of Rs 399.89 crore for 2008-09 as per their latest finalised accounts as of September 2009. This turnover was equal to 3.40 *per cent* of State Gross Domestic Product (GDP) for 2008-09. The major activities of PSUs are concentrated in financing and manufacturing sectors. The PSUs incurred an aggregate loss of Rs 35.21 crore as per their latest finalised accounts. They had employed 6,907 employees as of 31 March 2009. The UT of Puducherry does not have any departmental undertaking.

5.1.2 As on 31 March 2009, there were 13 Government Companies (all working) and none of them were listed on the stock exchange(s). There is no Statutory Corporation in the Union Territory of Puducherry.

5.1.3 During the year 2008-09, no PSU was either established or closed.

Audit mandate

5.1.4 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. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act.

5.1.5 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 Comptroller and Auditor General of India 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

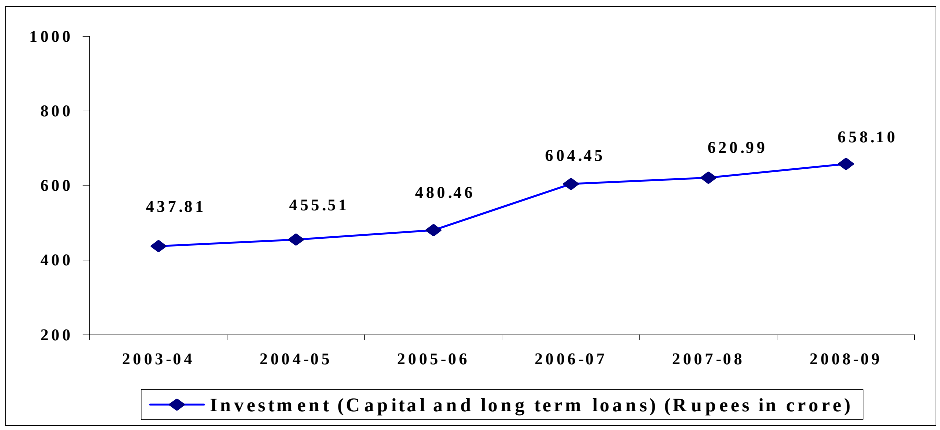
5.1.6 As on 31 March 2009, the investment (capital and long-term loans) in 13 PSUs was Rs 658.10 crore as per details given below:

(Rupees in crore)

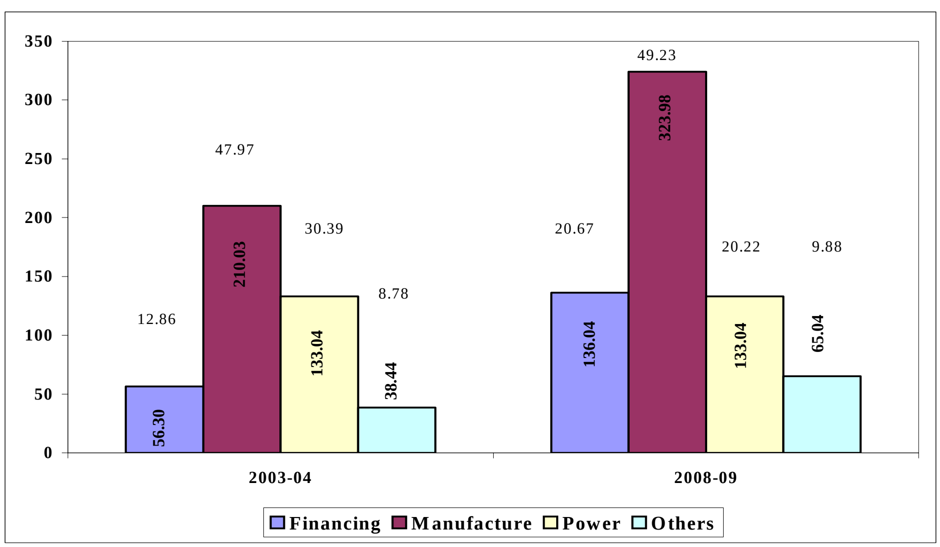
Type of PSUs	Capital	Long Term Loans	Total
Working PSUs	646.62	11.48	658.10

A summarised position of Government investment in PSUs of UT of Puducherry is detailed in **Appendix 5.1.**

5.1.7 As on 31 March 2009, of the total investment in the 13 PSUs, 98.26 *per cent* was towards capital and 1.74 *per cent* in long-term loans. The investment has grown by 50.32 *per cent* from Rs 437.81 crore in 2003-04 to Rs 658.10 crore in 2008-09.



5.1.8 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated in the bar chart.



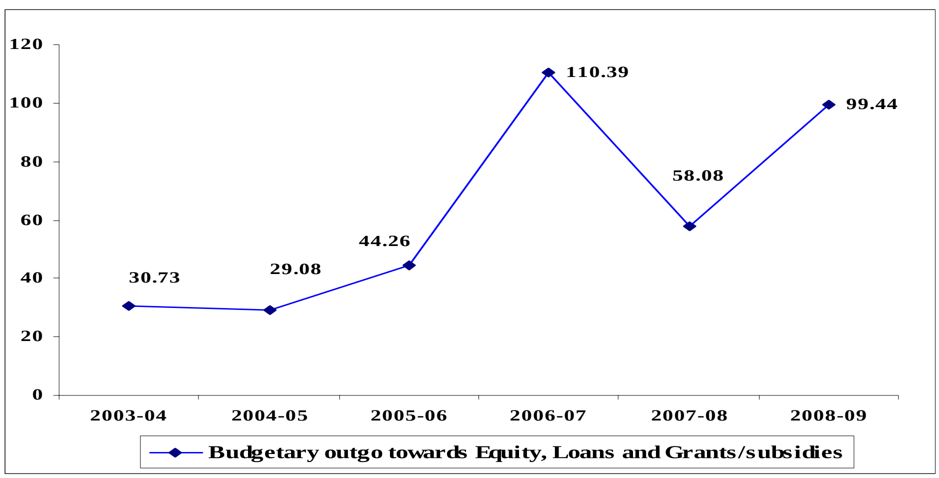
Budgetary outgo, grants/subsidies, guarantees and loans

5.1.9 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 5.3**. The summarised details are given below for three years ended 31 March 2009.

(Amount-Rupees in crore)

Sl. No	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	9	87.41	7	32.05	7	40.52
2.	Loans given from budget	---	---	---	---	1	0.95
3.	Grants/Subsidy received	5	22.98	5	26.03	5	57.97
4.	Total Outgo (1+2+3)	111	110.39	91	58.08	9[1]	99.44
5.	Guarantee Commitment	1	0.03	1	3.19	1	3.19

5.1.10 The details regarding budgetary outgo towards equity, loans and grants/subsidies for 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 the UT of Puducherry by way of subsidy. During the last five years upto 2008-09, the Government of Puducherry did not waive any loan in respect of any of the PSUs.

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

5.1.11 As regards guarantee commitment, only Pondicherry Adi Dravidar Development Corporation Limited availed the Government of India guarantee of Rs 3.19 crore during the year 2007-08. No guarantee commission was payable to the UT Government by the Company.

Reconciliation with Finance Accounts

5.1.12 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of the UT of Puducherry. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below:

(Rupees in crore)

Outstanding in respect of	Amount as per Finance Accounts 2008-09	Amount as per records of PSUs	Difference
Equity	639.80	636.25	3.55
Loans	4.03	1.62	2.41
Guarantees	3.19	3.19	NIL

5.1.13 Audit observed that the differences occurred in respect of three PSUs and the differences were pending reconciliation over the period of four years upto 2008-09. The matter was taken up with the companies to reconcile the figures with the Government of UT. The UT Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

5.1.14 The financial results of PSUs are detailed in **Appendix 5.2.** 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 State GDP for the period 2003-04 to 2008-09.

(Amount - Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover	244.64	246.69	209.40	343.31	307.39	399.89[2]
State GDP	5,439	5,192	6,214	6,401	7,103	11,773.57
Percentage of Turnover to State GDP	4.50	4.75	3.37	5.36	4.33	3.40

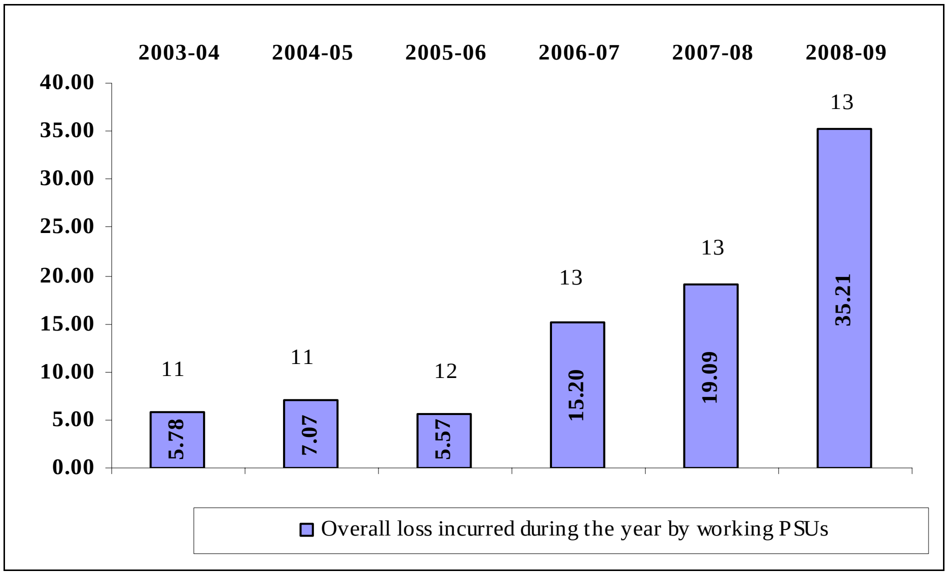
The reason for decrease in percentage of turnover to GSDP[3] during 2005-06 was due to drop in turnover by Pondicherry Textiles Corporation Limited which decreased from Rs 80.84 crore in 2004-05 to Rs 74.00 crore in 2005-06. The percentage of turnover to GSDP increased to all time high of 5.36 *per cent* during the year 2006-07 due to addition of a new company

[2] Turnover as per latest finalised accounts as of 30 September 2009.

[3] Gross State Domestic Product.

(Swadeshee-Bharathee Textile Mills Limited) which contributed a turnover of Rs 16.27 crore apart from increase in turnover by Puducherry Agro Products, Food and Civil Supplies Corporation Limited from Rs 55.96 crore to Rs 89.35 crore in 2006-07 and by Puducherry Road Transport Corporation Limited from Rs 4.14 crore to Rs 19.91 crore during the said period.

5.1.15 The overall losses incurred by the UT PSUs during 2003-04 to 2008-09 are given below in the bar chart.



During the year 2008-09, out of 13 PSUs, five PSUs earned profit of Rs 23.10 crore while six PSUs incurred loss of Rs 58.31 crore leading to overall loss. Two working PSUs prepared their accounts on a 'no profit no loss' basis. The major contributors to profit were Puducherry Power Corporation Limited (Rs 11.85 crore), Puducherry Distilleries Limited (Rs 6.74 crore) and Pondicherry Industrial Promotion Development and Investment Corporation Limited (Rs 3.14 crore). Heavy losses were incurred by Pondicherry Textiles Corporation Limited (Rs 44.09 crore) and Swadeshee-Bharathee Textile Mills Limited (Rs 8.91 crore).

5.1.16 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the UT PSUs incurred avoidable expenditure/loss of revenue to the extent of Rs 16.68 crore and infructuous investment of Rs 9.38 crore, which were controllable with better management. Year-wise details from Audit Reports are stated below:

(Rupees in crore)

Particulars	2006-07	2007-08	2008-09	Total
Net Profit (loss)	(15.20)	(19.09)	(35.21)	(69.50)
Controllable losses as per CAG's Audit Report	9.43	0.42	6.83	16.68
Infructuous investment	8.17	---	1.21	9.38

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

5.1.18 Some other key parameters pertaining to State PSUs are given below:

(Rupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Return on Capital Employed (*Per cent*)	NIL	NIL	NIL	NIL	NIL	NIL
Debt	8.14	3.79	6.81	40.40	14.89	11.48
Turnover	244.64	246.69	209.40	343.31	307.39	399.89
Debt/Turnover Ratio	0.03:1	0.02:1	0.03:1	0.12:1	0.05:1	0.03:1
Interest Payments*	4.49	4.11	3.71	3.86	4.54	7.25
Accumulated Losses	132.67	146.57	155.64	144.74	211.36	263.76

* (Also includes interest paid on cash credit, short term borrowings, etc.)

5.1.19 As per latest finalised accounts of PSUs as on 30 September 2009, the capital employed worked out to Rs 581.28 crore and total return thereon amounted to Rs (-) 27.95 crore. This is in comparison to capital employed of Rs 362.04 crore and return on capital employed of Rs (-) 1.29 crore in 2003-04. Thus, during the last five years overall return on capital employed remained negative.

5.1.20 The UT 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, five PSUs earned an aggregate profit of Rs 23.10 crore and two PSUs[4] declared a dividend of Rs 5.65 crore.

Performance of major PSUs

5.1.21 The investment of 13 PSUs and their turnover together aggregated to Rs 1,057.99 crore during 2008-09. Out of this, the following five PSUs accounted for individual investment plus turnover of more than five *per cent*

[4] Pondicherry Industrial Promotion Development and Investment Corporation Limited – Rs 0.63 crore and Puducherry Power Corporation Limited – Rs 5.02 crore.

of aggregate investment plus turnover. These five PSUs together accounted for 84 *per cent* of aggregate investment plus turnover.

(Rupees in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover of all PSUs
(1)	(2)	(3)	(4)	(5)
Puducherry Agro Service and Industries Corporation Limited	10.83	56.96	67.79	6.41
Puducherry Agro Products, Food and Civil Supplies Corporation Limited	9.94	86.65	96.59	9.13
Pondicherry Industrial Promotion Development and Investment Corporation Limited	109.10	87.17	196.27	18.55
Pondicherry Textiles Corporation Limited	294.22	44.72	338.94	32.04
Puducherry Power Corporation Limited	133.04	54.31	187.35	17.71
Total	**557.13**	**329.81**	**886.94**	**83.84**

5.1.22 All the PSUs had arrears of accounts ranging between one to three years as of September 2009. The reasons for delay in finalisation of accounts are attributable to lack of qualified personnel in PSUs and inadequate control by the Government.

Some of the major audit findings of past five years for the above PSUs are stated in the succeeding paragraphs.

Puducherry Agro Service and Industries Corporation Limited

The Company had arrears of accounts for two years as of September 2009. The arrear was for one year as of September 2006. The arrears have increased due to non-deployment of qualified personnel in the accounts department. The profit of the Company had risen from Rs 0.19 crore in 2005-06 to Rs 0.51 crore in 2006-07. Similarly, the turnover also rose from Rs 49.01 crore to Rs 56.96 crore during the period. Consequently, the return on capital employed increased from 1.32 *per cent* to 3.02 *per cent*.

5.1.23 Deficiencies in implementation

- The Company supplied mineral water to a stockist in contravention of the terms of supply, which led to accumulation of dues of Rs 13.15 lakh and its non-recovery (Paragraph 5.15 of Audit Report 2007-08).

Puducherry Agro Products, Food and Civil Supplies Corporation Limited

The Company had arrears of accounts for two years as of September 2006 and the same continued as of September 2009 due to non-deployment of qualified accounts personnel for finalisation of accounts. The profit of the Company had risen from Rs 0.06 crore in 2005-06 to Rs 0.86 crore in 2006-07. Similarly, the turnover also rose from Rs 55.45 crore to Rs 86.65 crore during the period. Consequently, the return on capital employed increased from 4.36 *per cent* to 12.55 *per cent* due to increase in profit.

5.1.24 Deficiencies in implementation

- The company incurred losses of Rs 48.03 lakh during 1999-2004 due to non-reduction in the salaries and wages corresponding to reduction in the number of retail vegetable outlets (Paragraph 7.14.15 of Audit Report 2003-04).

5.1.25 Deficiencies in monitoring

- The company did not recover empty gunny bags or their cost from retail outlets which resulted in revenue loss of Rs 87.39 lakh during the five years ended 31 March 2004 (Paragraph 7.14.11 of Audit Report 2003-04).

5.1.26 Deficiencies in financial management

- The company did not approach the Government for reimbursement of the loss of Rs 1.76 crore sustained by it in PDS activities during the four years ended 31 March 2003 (Paragraph 7.14.7 and 7.14.9 of Audit Report 2003-04).

Pondicherry Industrial Promotion Development and Investment Corporation Limited

The Company had arrears of accounts for one year as of September 2009. The profit of the Company declined from Rs 4.73 crore in 2005-06 to Rs 3.14 crore in 2007-08. In contrast, the turnover rose from Rs 8.74 crore to Rs 87.17 crore during the period. Further, the return on capital employed decreased from 4.70 *per cent* to 2.05 *per cent* due to the reason that the beneficiaries defaulted in payment.

5.1.27 Deficiencies in implementation

- The Company was appointed (November 1990) as nodal agency for execution of Industrial Growth Centre (IGC) at Karaikal but it delayed completion of phase I of Centre, resulting in cost overrun of Rs 2.28 crore (Paragraph 7.12.9 of Audit Report 2006-07).

- The Company did not include salary and allowances of maintenance staff while arriving at the maintenance cost resulting in loss of Rs 2.21 crore (Paragraph 7.12.10 and 7.12.11 of Audit Report 2006-07).

5.1.28 Deficiencies in monitoring

- Poor monitoring and follow up of outstanding dues resulted in non-recovery of dues amounting to Rs 10.79 crore from the 13 assisted units as on 30 September 2007 (Paragraph 7.12.17 of Audit Report 2006-07).

5.1.29 Deficiencies in financial management

- The Company failed to scrutinise the project reports to ensure marketability of products and availability of sufficient working capital and sanctioned loans to loss making units resulting in non-recovery of dues amounting to Rs 5.48 crore upto the year ending 31 March 2007 (Paragraph 7.12.15 of Audit Report 2006-07).

Pondicherry Textiles Corporation Limited

The Company had arrears of accounts for one year as of September 2009. The loss of the Company rose from Rs 26.18 crore in 2005-06 to Rs 44.09 crore in 2007-08. The turnover decreased from Rs 70 crore to Rs 44.72 crore during the period. There was negative return on capital employed.

5.1.30 Deficiencies in Planning

- Due to improper production planning, the Company did not fully utilise the achievable production capacity of a unit with the lowest cost of production but utilised the other two units with higher cost of production resulting in avoidable extra expenditure of Rs 17.84 crore during the period from 2001-02 to 2005-06 (Paragraph 7.13.11 of Audit Report 2005-06).

5.1.31 Deficiencies in monitoring

- The Company (i) failed to achieve the installed capacity and norms for efficiency resulting in extra expenditure of Rs 10.06 crore during the five years ending 31 March 2006, (ii) took additional time for production of yarn as compared to the norms resulting in excess consumption of power valued at Rs 5.24 crore and (iii) did not have any system to measure production/consumption of steam. Consequently, there was consumption of heat in excess of the norm valued at Rs 2.05 crore during the five years upto 2005-06 (Paragraphs 7.13.8, 7.13.9, 7.13.13 and 7.13.14 of Audit Report 2005-06).

5.1.32 Deficiencies in achievement of objectives

- The Company received Rs 28.11 crore for the modernisation programme but spent Rs 10.99 crore only on modernisation and utilised the remaining amount of Rs 17.12 crore to meet its working capital requirements. Consequently, the amount of Rs 10.99 crore spent on the incomplete modernisation did not yield desired results apart from the objectives of modernisation remaining unfulfilled (Paragraph 7.13.15 of Audit Report 2005-06).

5.1.33 Deficiencies in financial management

- The Company sold processed grey cloth based on the material cost only without considering the variable costs. This resulted in cash loss of Rs 6.90 crore during the period of five years ending 31 March 2006 (Paragraph 7.13.20 of Audit Report 2005-06).

Puducherry Power Corporation Limited

The Company had arrears of accounts for one year as of September 2009. The profit of the Company rose from Rs 8.91 crore in 2005-06 to Rs 11.85 crore in 2007-08. The turnover increased from Rs 50.19 crore to Rs 54.31 crore during the period. Consequently, the return on capital employed has also increased from 4.62 *per cent* to 5.75 *per cent*.

Conclusion

5.1.34 The above details indicate that the PSUs are not functioning efficiently and there is scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

5.1.35 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, 619 and 619-B of the Companies Act, 1956. The table below provides the details of progress made by PSUs in finalisation of accounts by September 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of PSUs	11	12	13	13	13
2.	Number of accounts finalised during the year.	11	7	8	12	13
3.	Number of accounts in arrears	8	13	19	20	20
4.	Average arrears per PSU (3/1)	0.73	1.08	1.46	1.54	1.54
5.	Number of PSUs with arrears in accounts	5	9	11	12	13
6.	Extent of arrears	1 to 2 years	1 to 2 years	1 to 3 years	1 to 3 years	1 to 3 years

5.1.36 It could be seen from the table that number of companies piling up arrears in finalisation of accounts had been on the increase from five companies in 2004-05 to 13 companies in 2008-09. Further, the extent of arrears has also increased from one to three years during the period. The reasons for delay in finalisation of accounts are attributable to (i) lack of qualified personnel in accounts department and (ii) accounting centres being distant apart (in PRTC) compilation of accounts became difficult.

5.1.37 The Government had invested Rs 131.88 crore (Equity: Rs 44.95 crore, Loans: Rs 0.95 crore, Grants/Subsidies: Rs 85.98 crore) in nine PSUs during the years for which accounts have not been finalised as detailed in **Appendix 5.4.** In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for, the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts also has the risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.38 The administrative departments have the responsibility to oversee the activities of these entities and ensure 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 measure was 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 with the Chief Secretary to UT Government to expedite the finalisation of arrears accounts.

5.1.39 In view of above state of arrears, it is recommended that:

- The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.

- The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lack expertise.

Accounts Comments and Internal Audit

5.1.40 Eleven companies forwarded their 13 accounts to CAG during the year 2008-09. Of these, eight accounts of eight 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-Rupees in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	---	---	1	0.21	1	0.01
2.	Increase in loss	1	2.90	1	3.31	2	12.74
3.	Errors of classification	---	---	---	---	1	0.10
	Total	**1**	**2.90**	**2**	**3.52**	**3**	**12.85**

The money value of accounts increased from Rs 2.90 crore for one account to Rs 12.85 crore for three accounts in 2008-09.

5.1.41 During the year, the statutory auditors had given unqualified certificates for eight accounts, qualified certificates for two accounts and disclaimers for two accounts and disclaimer as well as qualified certificate for one account. Three companies revised their Accounts based on the comments of Comptroller and Auditor General of India during supplementary audit.

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

Pondicherry Textile Corporation Limited (2007-08)

- The company included the payments of Rs 5.04 crore made towards gratuity under Loans and Advances, the recoverability of which was doubtful in the absence of confirmation from the Commissioner of Payments.

- The company did not charge the incremental gratuity liability of Rs 1.99 crore as ascertained on actuarial basis as on 31 March 2005.

- The company included Rs 3.60 crore towards pay arrears and VRS compensation under current assets as receivable from the Government without any confirmation of its receipt from the Government.

5.1.43 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 in respect of two companies for the year 2007-08 is given below:

Sl. No	Nature of comments made by Statutory Auditors	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2
1.	The Company did not fix norms for arriving in production losses	1	9
2.	System of monitoring advances to the contractor is to be strengthened		
3.	Internal audit system requires strengthening		
4.	There was no system for identifying slow/non-moving items in the finished goods		
5.	There was no system for making short term/long term business plans and review the same with the actuals	1	12
6.	There was no system obtaining confirmation of balances from the debtors.		

Discussion of Audit Reports by PAC

5.1.44 The Performance Reviews on Pondicherry Textiles Corporation Limited and Pondicherry Industrial Promotion Development and Investment Corporation Limited included in the Audit Reports for the year 2005-06 and 2006-07 respectively were pending discussion in PAC as of 30 September 2009.

PUDUCHERRY ROAD TRANSPORT CORPORATION LIMITED

5.2 Performance Audit on the functioning of Puducherry Road Transport Corporation Limited

Executive Summary

The Government of Union Territory of Puducherry introduced passenger services in the Union Territory since March 1988 and formed an exclusive government company for operation of passenger transport services in April 2005. As on 31 March 2009, the company was operating with an overall fleet of 82 buses and accounted for 4.80 per cent in passenger traffic. The performance audit of the company for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the company.

Finances and performance

The company incurred losses from 2005-06 to 2008-09 which accumulated to Rs 30.66 crore as on 31 March 2009. The company earned Rs 17.23 per kilometre but expended Rs 20.04 per kilometre during 2008-09. Audit noticed that with better management of affairs, it is possible to increase revenue and reduce cost so as to serve its cause better.

Share of transport services

Out of 1709 buses licensed for public transport, only 82 buses belonged to the Company. This minimal share which was 5.28 per cent in 2004-05 declined to 4.80 per cent in 2008-09. Similarly, the percentage of average passengers carried per day to population also decreased from 2.11 in 2006-07 to 1.82 in 2008-09. The decrease was due to non-augmentation of buses by the Company compared to the increase in private buses.

Vehicle profile and utilisation

Out of the total strength of 82 buses, 20 buses (24 per cent) were overage (that is more than eight years old). The company's fleet utilisation in Puducherry and Karaikal regions ranged from 88.52 percent in 2005-06 to 90.35 per cent in 2008-09 as compared to the All India Average (AIA) of 92 per cent. The data on route-wise profitability to enable the management to take decisions on improving the profitability of routes was not compiled by the company and there was no system for working out the route-wise break-even revenue for comparison with actual revenue. The company had no control over the cancelled kilometres as no reasons were kept on record for cancellation of 24.24 lakh kilometres (71 per cent) out of the total 34.26 lakh kilometres during the four years up to 2008-09. There was a loss of 5.48 lakh kilometres and potential revenue of Rs 92.03 lakh for want of motor vehicle inspection certificates.

Economy in operations

The company fixed norm for fuel consumption only in May 2006 which remained unchanged till date. The company could not achieve even its own norm resulting in excess consumption of fuel valued at Rs 4.11 crore during 2005-06 to 2008-09.

Need for a regulator

The company could have curtailed cost and increased revenue with better operation efficiency by improving vehicle productivity and by reducing excess consumption of fuel. The fare per kilometre was 27 paise since November 2008 which was lower than 28 and 32 paise in respect of town and mofussil services of State Transport Undertakings of Tamil Nadu. Thus, it is desirable to have an independent regulatory body to fix the fare, specify operations on uneconomical routes and address grievances of commuters.

Inadequate monitoring

The company did not prepare MIS on various operational parameters. The company did not have a system of preparation of projections for achievement of various operational parameters. There was no monitoring mechanism at top level.

Conclusion and recommendations

Though the company has been incurring losses due to high cost of operations and low fare structure, there is scope for improvement of the performance in the areas of fleet utilisation, vehicle productivity and fuel consumption. Effective monitoring by the management of key parameters coupled with policy decisions on fixation of targets and fare can result in improvement in performance of the company. This review contains four recommendations to improve the company's performance which include reduction of cost of operations and establishment of fare policy.

Introduction

5.2.1 In the Union Territory of Puducherry (UT), public road transport is provided by Puducherry Road Transport Corporation Limited (Company) which has been mandated to provide an efficient system of road transport services. The UT also allows the private operators to provide public transport in the town and the mofussil areas. The fare structure is controlled by the Government, which is the same for both the Company as well as private operators.

5.2.2 The Government of Union Territory of Pondicherry introduced (March 1988) public transport service through Pondicherry Tourism Development Corporation and named it as Pondicherry Tourism and Transport Development Corporation (PT&TDC). In April 2005, the tourism development activity was entrusted to the newly formed Puducherry Tourism Development Corporation and erstwhile PT&TDC was renamed as Puducherry Road Transport Corporation Limited for operation of exclusive passenger services. The Company is under the administrative control of the Transport Department of the Government. The Management of the Company is vested with the Board of Directors (BOD) comprising Chairman, Managing Director (MD) and two Directors appointed by the Government of UT. The day-to-day operations are carried out by the MD, who is the Chief Executive of the Company. The Company has four regions *viz*., Puducherry, Karaikal, Mahe and Yanam with one depot in each region and a workshop each at Puducherry and Karaikal. The bus body building and tyre re-treading operations are carried out through external agencies.

5.2.3 As on 31 March 2009, the Company was operating with an overall fleet of 82 buses. The turnover of the Company was Rs 20.67 crore in 2008-09, which was 0.18 *per cent* of Gross State Domestic Product of Rs 11,773.57 crore during 2008-09. The Company employed 531 employees as on 31 March 2009.

Scope and Methodology of audit

5.2.4 This review was conducted between February 2009 and July 2009. The review covers the performance of the Company during the period from 2004-05 to 2008-09. The review mainly deals with the operational efficiency, financial management, fare policy and monitoring by top management of the Company. The audit examination involved scrutiny of records at the Head Office, two regional offices at Puducherry and Karaikal, which cover 93 *per cent* of fleet of the Company along with the depot and workshop attached to them.

The Audit methodology included scrutiny of agenda notes/minutes of the meetings of the BOD, scrutiny of records maintained at the Head Office, Regional Offices and Depots, analysis of data on various physical and financial parameters and interaction with the Company personnel.

Audit objectives

5.2.5 The objectives of the performance review were to assess:

5.2.6 Operational performance

- the extent to which the Company was able to keep pace with the growing demand for public transport;
- whether the Company succeeded in recovering the cost of operations;
- the extent to which the company was running the operations efficiently; and
- the extent to which economy was ensured in cost of operations.

5.2.7 Financial management

- whether the Company was able to meet its commitment and recover its dues efficiently.

5.2.8 Fare policy

- the existence and adequacy of the fare policy.

5.2.9 Monitoring by top management

- whether monitoring by the Company's top management was effective.

Audit Criteria

5.2.10 The audit criteria for assessing the audit objectives were:

- all India averages for performance parameters.
- physical and financial targets fixed by the management and standards/norms for fuel efficiency by other State Transport Undertakings (STUs) and
- procedures laid down by the Company.

Financial position and working results

5.2.11 The Company had finalised its accounts for 2005-06 in September 2009. The financial position and working results for 2004-05 and 2005-06 and the provisional figures for financial position/working results from 2006-07 to 2008-09 are given below:

(Rupees in lakh)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
A. Liabilities					
Paid up Capital	2,810.73	2,992.89	3,209.89	3,309.89	3,327.69
Reserve and Surplus (including Capital Grants but excluding Depreciation Reserve)	---	---	98.78	98.78	98.78
Borrowings (Loan Funds)	271.68	271.68	271.68	271.68	271.68
Current Liabilities and Provisions	194.33	144.20	165.88	195.73	172.72
Total	**3,276.74**	**3,408.77**	**3,746.23**	**3,876.08**	**3,870.87**
B. Assets					
Gross Block	965.70	1,259.83	1,418.10	1,440.19	1,446.59
Less: Depreciation	615.31	715.88	858.65	962.88	1087.38
Net Fixed Assets	350.39	543.95	559.45	477.31	359.21
Capital works-in-progress (including cost of chassis)	98.39	16.28	17.29	0.28	0.28
Investments	-	-	-	-	-
Current Assets, Loans and Advances	673.86	477.98	681.20	650.28	445.33
Accumulated losses	2,154.10	2,370.56	2,488.29	2,748.21	3,066.05
Total	**3,276.74**	**3,408.77**	**3,746.23**	**3,876.08**	**3,870.87**

5.2.12 The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/loss and earnings and cost *per* kilometre of operation are given below:

(Rupees in lakh)

Sl.No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1.	Total Revenue	1,082.50	1,423.28	1,985.12	2,078.49	2,066.76
2.	Operating Revenue[5]	1,058.48	1,396.22	1,942.42	2,042.70	2,039.15
3.	Total Expenditure	1,042.12	1,639.98	2,092.58	2,299.05	2,403.57
4.	Operating Expenditure[6]	1,042.12	1,639.98	2,092.58	2,299.05	2,403.57
5.	Operating Profit/ Loss	16.36	(-)243.76	(-)150.16	(-)256.35	(-) 364.42
6.	Profit/Loss for the year	40.38	(-) 216.70	(-) 107.46	(-) 220.56	(-) 336.81
7.	Accumulated Profit/ Loss	(-)2,154.10	(-)2,370.56	(-)2,488.29	(-) 2,748.21	(-)3,066.05
8.	**Fixed costs**					
	Personnel costs	313.19	390.21	490.29	579.07	693.65
	Depreciation	78.39	136.05	176.46	172.34	127.91
	Interest	---	---	---	---	---
	Other fixed costs	6.88	45.93	37.23	39.45	35.14
	Total fixed costs	398.46	572.19	703.98	790.86	856.70
9.	**Variable costs**					
	Fuel and lubricants	467.93	722.75	965.27	1,036.07	1,045.33

[5] Operating revenue includes traffic earnings, passes and season tickets, reimbursement against concessional passes, fare realised from private operators under KM scheme, etc.

[6] Operating expenditure include expenses relating to traffic, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

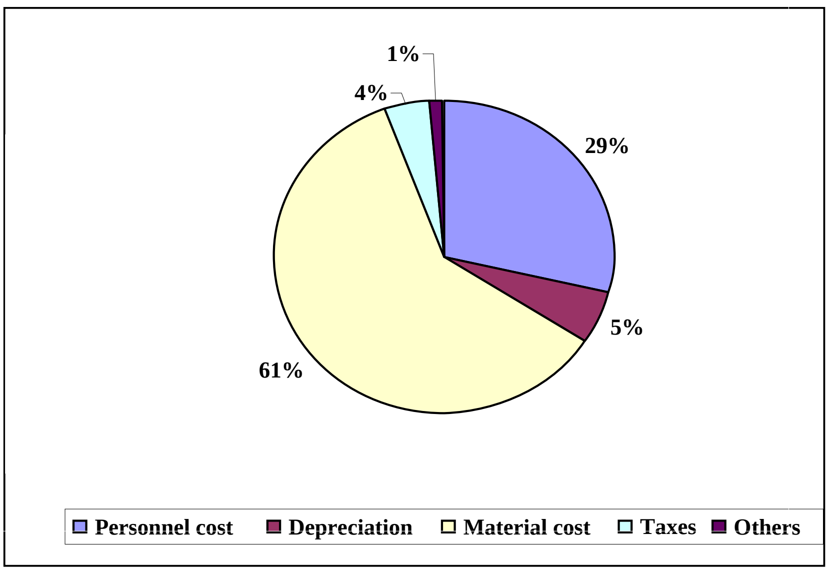
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Tyres and tubes	18.63	31.62	44.80	54.01	65.19
	Other items/spares	18.64	42.39	55.18	47.60	56.87
	Taxes (MV tax, passenger tax, etc.)	63.11	86.91	89.09	69.86	99.18
	Other variable costs	75.34	184.11	234.27	300.64	280.31
	Total Variable Costs	**643.65**	**1,067.78**	**1,388.61**	**1,508.18**	**1,546.88**
10.	Effective KMs operated (in Lakh)	NA	103.85	115.94	122.00	119.91
11.	Earnings per KM (Rupees) (1/10)	NA	13.71	17.12	17.04	17.23
12.	Fixed Cost per KM (Rupees) (8/10)	NA	5.51	6.07	6.48	7.14
13.	Variable Cost per KM (Rupees) (9/10)	NA	10.28	11.98	12.36	12.90
14.	Cost per KM (Rupees) (3/10)	NA	15.79	18.05	18.84	20.04
15.	Net Earnings per KM (Rupees) (11-14)	NA	(-)2.08	(-)0.93	(-)1.80	(-) 2.81
16.	Traffic Revenue[7]	NA	1,396.22	1,942.42	2,042.70	2,039.15
17.	Traffic earning per KM (Rupees) (16/10)	NA	13.44	16.75	16.74	17.01
18	Operating loss per KM (Rupees) (5/10)	NA	2.35	1.30	2.10	3.04

NA: Not available

Elements of Cost

5.2.13 Personnel costs and material costs form the major elements of cost. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

Components of various elements of cost

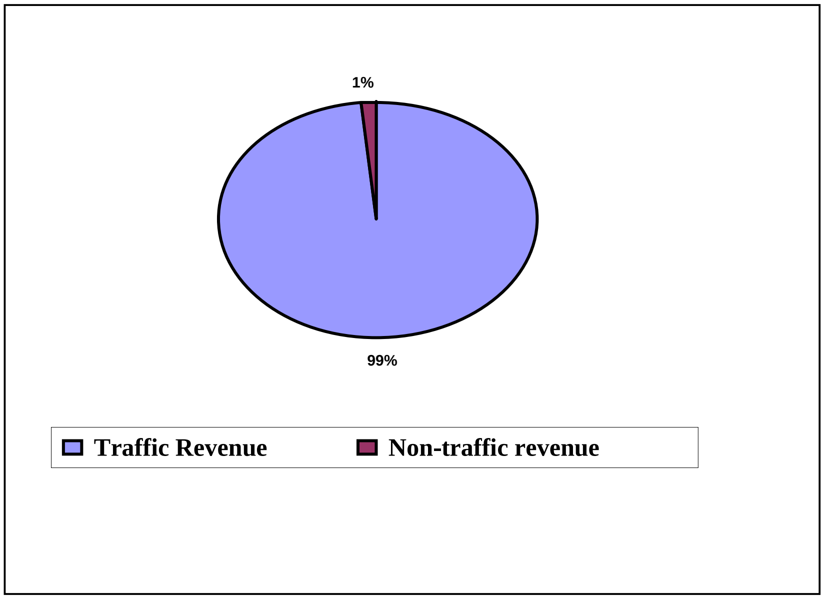


7 Traffic revenue represents sale of tickets, advance booking, reservation charges and contract services earnings.

Elements of revenue

5.2.14 Traffic revenue and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart:

Components of various elements of revenue



Audit findings

5.2.15 Audit explained the audit objectives to the Company during an "Entry Conference" held on 23 February 2009. Subsequently, audit findings were reported to the Company and the Government in August 2009. Audit conducted an exit conference on 30 September 2009 to discuss salient points noticed during the performance audit. The views expressed by the Company have been considered while finalising this review. The audit findings are discussed below:

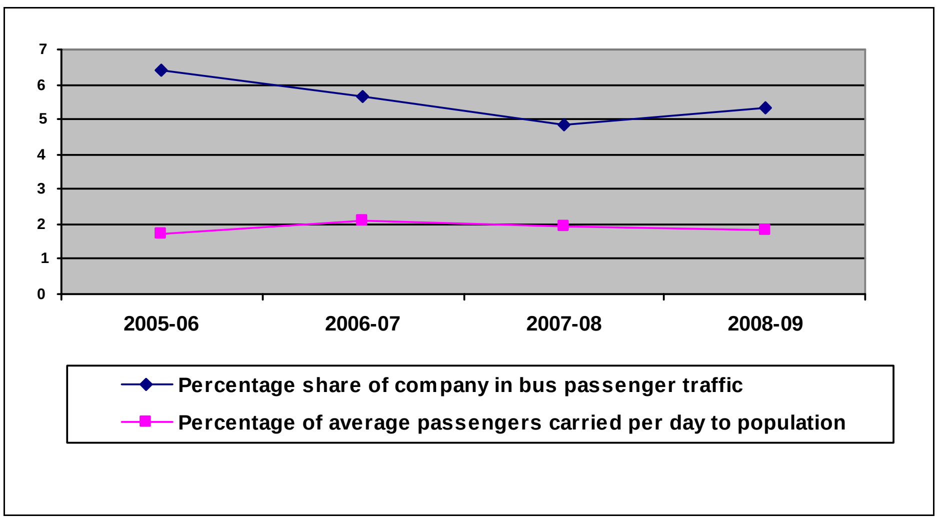
Operational performance

5.2.16 The operational performance of the Company for the five years ending 2008-09 is given in the **Appendix 5.5**. The operational performance of the company was evaluated on various parameters as described below. It was also seen whether the company was able to maintain pace with the growing demand for public transport. Audit findings in this regard are discussed in the subsequent paragraphs. These Audit findings show that the losses were controllable and there is scope for improvement in the performance.

Share of the Company in public transport

5.2.17 An ideal transport policy may seek to achieve a balanced model mix of public transport and to discourage personalised transport. The Government of UT of Puducherry, however, did not have a transport policy, stipulating its mission on public transport nor did the Company have any data on its share in the passenger traffic of the UT till date.

The public road transport in the UT is provided by the company and private operators. The company had no mechanism to provide regular data on total passenger transport in the UT including the data on passengers travelled in its own buses. On the basis of best performing State Road Transport Undertakings, the working group on road transport for the Eleventh Five Year Plan assessed Billion Passenger Kilo Metre (BPKM)[8] per private bus at 0.007. Assuming the same parameter and taking into consideration the fitness certificates issued to the Transport Department to private bus operators, BPKM of private buses was worked out by Audit to arrive at the share of Company *vis-a-vis* private operators. The line graphs depicting the percentage share of the company in passenger traffic of the UT by public road traffic and percentage of average passengers carried per day by the company to the population of UT during four years ending 2008-09 are given below:



[8] BPKM is worked out on the basis of effective KMs operated multiplied by average seating capacity and load factor.

5.2.18 The table below depicts the growth of public transport in the UT:

Sl. No	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Company's buses at the end of year	67	75	76	82	82
2.	Private stage carriages	1,201	1,141	1,599	1,597	1,627
3.	Total buses for public transport	1,268	1,216	1,675	1,679	1,709
4.	Percentage share of company's buses	5.28	6.17	4.54	4.88	4.80
5.	Percentage share of private operators	94.72	93.83	95.46	95.12	95.20
6.	Estimated population (in lakh)	10.50	10.70	10.90	11.10	11.32
7.	Vehicle density per one lakh population	120.76	113.64	153.67	151.26	150.97

The Company's share of buses declined from 6.17 *per cent* in 2005-06 to 4.80 *per cent* in 2008-09

5.2.19 The Company has not been able to keep pace with the growing demand for public transport as its percentage share of buses increased from 5.28 *per cent* in 2004-05 to 6.17 *per cent* in 2005-06. However, it declined thereafter to 4.80 in 2008-09. The percentage of average passengers carried per day to population by the Company also decreased from 2.11 in 2006-07 to 1.82 in 2008-09. The decrease was due to non-augmentation of the buses by the company compared to the increase in private buses. Thus, the company failed to provide adequate transport service to the growing population in the UT. The effective per capita KM operated per year[9] by the Company is given below:

Particulars	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	103.85	115.94	121.99	119.91
Estimated Population (lakh)	10.70	10.90	11.10	11.32
Per capita KM per year	9.71	10.64	10.99	10.59

5.2.20 The above table shows slight increase in 2006-07 and 2007-08 due to increase in operated kilometers with a decline in service by the Company in 2008-09.

5.2.21 The public transport has definite benefits over personalised transport in terms of cost, congestion on roads and environmental impact. The public transport services have to be adequate to derive those benefits. In the instant case, the company was not able to maintain its share in transport mainly due

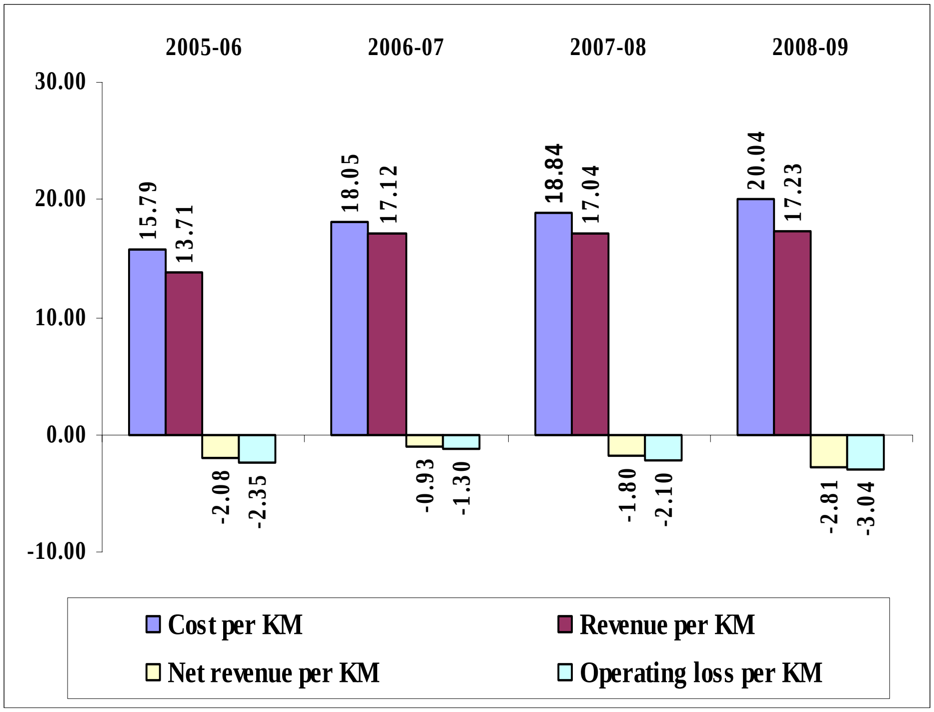
[9] Figures for the year 2004-05 were not made available by the company.

to operational inefficiency and non-availability of adequate funds to replace/add new buses as described in the succeeding paragraphs.

The Company stated (September 2009) that it was not able to maintain its share due to various reasons such as financial crisis, shortage of manpower and lack of infrastructural facilities.

Recovery of cost of operation

5.2.22 The Company was not able to recover its cost of operations during the last four years ending 2008-09. The net revenue showed a negative trend as given in the graph[10] below:



Orissa, Uttar Pradesh and Karnataka registered best net earnings *per* KM at Rs 0.49, Rs 0.47 and Rs 0.34 respectively during 2006-07

The above graph indicates the declining performance of the company over the review period. Though the company's cost per KM was lower than the All India Average (Rs 19.94) up to 2007-08, its revenue was also lower than All India Average (Rs 18.22 per KM). The Company had neither budgeted cost of operation nor any benchmark was laid down for cost of operation. In the absence of a system to enable cost comparisons,

[10] Cost per KM represents total expenditure divided by effective KMs operated. Revenue per KM is arrived by dividing total revenue with effective KMs operated. Net revenue per KM is revenue per KM reduced by cost per KM. Operating loss per KM would be operating expenditure per KM reduced by operating income per KM.

Audit compared their performance with that of STUs of Tamil Nadu, which indicated that the costs of operation in the areas such as fuel, tyre performance and consumption of stores were much higher than that of Tamil Nadu. Audit observed that the negative net revenue was mainly on account of excess fuel consumption.

The Company stated (September 2009) that it has not installed costing system due to lack of skilled man power and infrastructural facilities. The reply is not convincing as the public transport services had been introduced in 1988 and the Company should have assessed the cost of operation for its improvement.

Efficiency and economy in operation

Fleet strength and utilisation

Fleet strength and its age profile

5.2.23 The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) that the desirable age of a bus as eight years or five lakh KMs, whichever was earlier. The table below shows the age-profile of the buses held by the Company for the period of five years ending 2008-09.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total number of buses at the beginning of the year	65	67	75	76	82
2.	Additions during the year	6	18	14	6	Nil
3.	Buses scrapped during the year	4	10	13	Nil	Nil
4.	Buses held at the end of the year (1+2-3)	67	75	76	82	82
5.	Of (4), No. of buses more than eight years old	27	17	16	19	20
6.	Percentage of overage buses to total buses	40	23	21	23	24

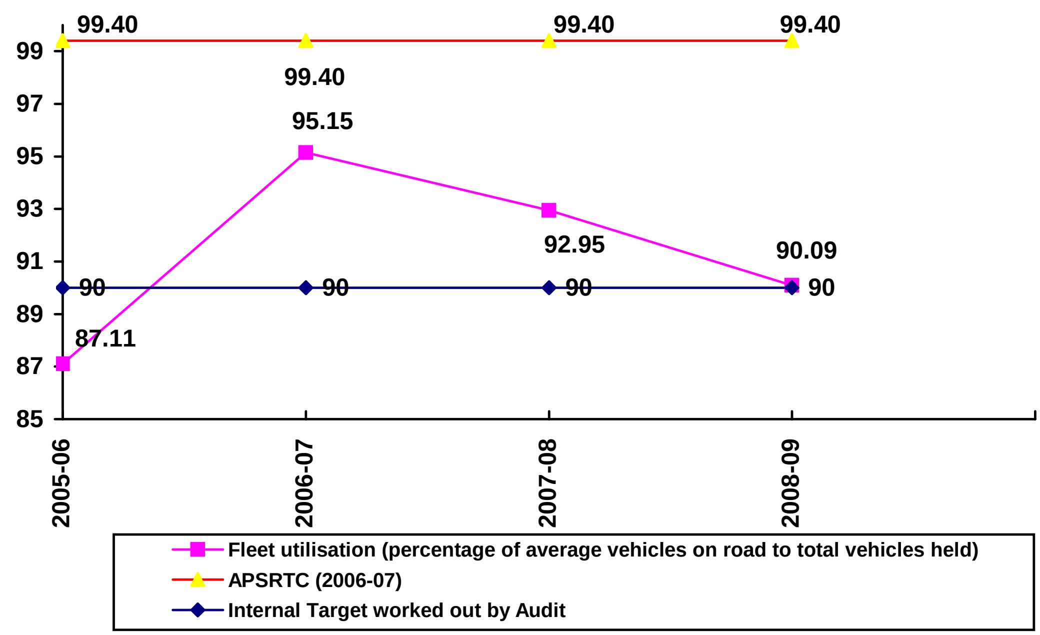
5.2.24 The above table shows that the company was not able to achieve the norm of right age buses. During 2004-09, the company added 44 buses at a cost of Rs 6.48 crore which was funded by the UT Government. To achieve the norm of right age buses at the end of 2008-09, the company was required to additionally buy 20 buses at a cost of Rs 2.95 crore. But these buses were not purchased, as against the request for budgetary support of Rs six crore during the two years up to 2008-09, the Company received Rs 1.18 crore only. The non-extension of adequate assistance was due to refusal (March 2008) by the State Government to give budgetary support till arrears in finalisation of the annual accounts were liquidated by the Company. Despite this, the Company did not show any urgency in finalisation of accounts which were pending from 2005-06 onwards. Audit further noticed that even during funds constraints, it purchased (May 2005) two costlier Volvo buses of Rs 58.39 lakh each instead of TATA buses with identical facilities available at a cost of Rs 30.19 lakh each.

The Company stated (September 2009) that the purchase of Volvo A/c buses was made as per the direction of the Government and considering the comfort levels for passengers. The reply is not convincing as the Government direction was for purchase of Hi-tech buses only and not Volvo buses.

Fleet utilisation

5.2.25 Fleet utilisation represents the ratio of buses on road to the buses held by the Company. The Company had not set any target for fleet utilisation. The company has 82 buses including eight spare buses, thereby, the targeted fleet utilisation would work out to 90 *per cent* against which the fleet utilisation of Puducherry and Karaikal region holding 95 *per cent* buses varied from 88.52 *per cent* in 2005-06 to 90.35 *per cent* in 2008-09 as compared to the All India Average[11] of 92 *per cent* . The fleet utilisation which was at 95.15 *per cent* during 2006-07 started declining continuously during three years upto 2008-09 and came down to 90.09 *per cent* in 2008-09. The particulars for the review period are indicated in the graph given below:

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and 98.3 *per cent* respectively during 2006-07. (Source: STUs profile and performance 2006-07 by CIRT, Pune)



[11] All India Average is for the year 2006-07 which has been used for comparison for the period under review.

There was steep decline in fleet utilisation which came down from 95.15 *per cent* in 2006-07 to 90.09 *per cent* in 2008-09. However, it was above its internal targets except during 2005-06.

The Company accepted (September 2009) the facts and attributed the same to the non-replacement of old buses in time.

Vehicle productivity

5.2.26 Vehicle productivity refers to the average KMs run by each bus *per* day in a year. The vehicle productivity of the Company *vis-a-vis* the over aged fleet for the five years ending 2008-09 is shown in the table below:

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity (KMs run per day *per* bus)	NA	379	418	407	401
2.	Overaged fleet (percentage)	40	23	21	23	24

NA: Not available

State Express Transport Corporation (Tamil Nadu), Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best vehicle productivity at 621, 474 and 469 KMs per day respectively during 2006-07.

Compared to the All India Average of 313 KMs *per* day, the overall vehicle productivity of the Company has been on the higher side for all the years under review. But the same was only 106 to 228 KMs in respect of town services. However, the Company did not fix any target for vehicle productivity. The reasons for reduction of vehicle productivity in 2007-08 and 2008-09 as compared to 2006-07 were due to increase in non-operated KMs during 2007-08 (8.75 lakh KM) and 2008-09 (12.46 lakh KM) on account of want of crew and absence of control over operated KMs by the management as discussed *vide* para 5.2.29.

Capacity utilisation

Load factor

5.2.27 Capacity utilisation of a transport undertaking is measured in terms of load factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. However, the Company without carrying out these studies fixed the load factor as a percentage of revenue collection to the targetted collection of revenue. But, the targetted collection was without any correlation to cost and the Company did not have a system of analysing the viability of the routes (as discussed in detail *vide* Paragraph 5.2.28). Thus, occupancy ratio worked out by the Company neither reflected the real load factor nor helped the management as a tool for analysing the profitability of route. The load factor as intimated by the Company for long routes ranged between 98.10 *per cent* and 110.80 *per cent* during the review period.

However, Audit observed that in respect of town routes it ranged from 45.60 *per cent* to 94.13 *per cent* during the same period.

The Company stated (September 2009) that since the vehicles plied on the routes based on the demand of public, the load factor was not assessed. The reply is not convincing as load factor should have been assessed with reference to the passenger travelled *vis-à-vis* seating capacity.

Route planning

5.2.28 The data on route-wise profitability is an important Management Information System (MIS), which would enable management to take decisions on improving profitability/viability of the routes. Audit noticed that there was no system to assess the profitability of the routes and have adequate controls on unviable routes.

An independent Audit analysis of the viability of operating inter-State and intra-State routes in Puducherry region[12] for the three years from 2006-07 to 2008-09 is given below:

Particulars	Total number of routes	Number of routes making profit	Number of routes not meeting total cost
2006-07	44 (100)	23 (52)	21 (48)
2007-08	44 (100)	22 (50)	22 (50)
2008-09	44 (100)	16 (36)	28 (64)

It can be seen from the table that the percentage of uneconomical schedules increased to 64 *per cent* in 2008-09 from 48 *per cent* in 2006-07. The worsening of the position was mainly due to absence of control over its cost and non-fixation of benchmark of cost.

The Company incurred loss of Rs 2.65 crore in operation of all 19 town routes and 18 out of 23 inter-state routes

Audit noticed that out of 19 routes operated in town, the break-even level was more than 100 *per cent* in respect of 17 routes in 2006-07, in all the 19 routes in 2007-08 and 18 routes in 2008-09 indicating total unviability of these routes resulting in loss of Rs 2.25 crore during the last three years up to 2008-09. The share of transport service provided by the Company in town routes was marginal (15 *per cent)* and incurred huge loss on these services. However, the Company had not reviewed its operations.

The analysis in respect of 25 inter-state routes indicated that the Company was able to break-even in 23 routes in 2006-07, 21 routes in 2007-08 and 15 routes in 2008-09. Though all routes could earn contribution, the same was not sufficient to cover the fixed cost in respect of 14 routes during 2007-08 and 2008-09. Consequently, the Company was incurring loss of Rs 39.66 lakh in these routes during 2006-07 to 2008-09.

---

[12] In respect of other three regions at Karaikal, Mahe and Yenam, the route-wise/bus-wise cost was not available with the Company.

The Company stated (September 2009) that action would be taken for installing costing system in the near future for controlling cost aspects.

Cancellation of scheduled kilometres

The Company did not assign any reasons for cancellation of scheduled KMs to the extent of 71 *per cent*

5.2.29 The details of scheduled KMs, effective KMs, cancelled KMs calculated as difference between the scheduled KMs and effective KMs are furnished in the table below:

Sl.No.	Particulars	2005-06	2006-07	2007-08	2008-09
1.	Scheduled KMs (in lakh)	113.63	119.21	130.74	132.37
2.	Effective KMs (in lakh)	103.85	115.94	121.99	119.91
3.	KMs cancelled (in lakh)	9.78	3.27	8.75	12.46
4.	Percentage of cancellation	8.6	2.74	6.69	9.41
Cause-wise analysis					
5.	Want of buses (in lakh)	1.28	1.20	2.56	1.49
6.	Want of crew (in lakh)	1.64	0.12	0.74	1.00
7.	Others (in lakh)	6.86	1.95	5.45	9.97
8.	Contribution *per* KM (in Rupees)	3.16	4.77	4.38	4.11
9.	Avoidable cancellation (want of buses and crew) (in lakh)	2.92	1.32	3.30	2.49
10.	Loss of contribution (8x9) (Rupees in lakh)	9.23	6.30	14.45	10.23

State Express Transport Corporation (Tamil Nadu), Tamil Nadu State Transport Corporations (Salem and Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07.

It can be seen from the table that the percentage of cancellation of scheduled KMs varied from 2.74 to 9.41 against the percentage of 2 to 2.61 in respect of STUs of Tamil Nadu during 2005-06 to 2008-09. Audit observed that out of total loss of 34.26 lakh KMs, no reasons were kept on record for 24.24 lakh KMs (71 *per cent*). This was due to absence of management control over these cancellations. Due to cancellation of scheduled KMs for want of buses and crew, etc., the Company was deprived of contribution of Rs 40.21 lakh during 2005-06 to 2008-09.

An analysis of absenteeism of drivers/conductors indicated that the man days lost due to unauthorised absence was 3.4 to 7.9 *per cent* of total available man days as detailed below:

Year	Man days lost due to unauthorised absence	
	Drivers	Conductors
2005	413	2,026
2006	2,237	3,347
2007	1,661	3,308
2008	2,364	3,233

The Company had 54 buses in Puducherry region and 22 buses in Karaikal region. There are no norms for the deployment of drivers/conductors per bus. However, if norm of five crew per bus fixed by Tamil Nadu STUs is taken into consideration, the Company is required to engage 380 drivers/conductors as per the norms. However, the average staff strength of drivers/conductors was only 291 during the four years up to 2008-09. As the Company was operating its transport services with lesser staff strength than required, it becomes important for the Company to control unauthorised absence. However, no effective action was taken to control the same and avert revenue loss.

Docking of vehicles for fitness certificates

5.2.30 The buses are required to be made fit before sending them for renewal of Fitness Certificate (FC) under Section 62 of the Central Motor Vehicle Rules 1989. As the date of expiry of the old fitness certificate is known in advance, management is required to make advance plan so that bus days are not lost due to delay in renewal. The Company did not have an annual plan for renewal of FC. Consequently, the renewal of FC of 47 buses was held up for periods ranging from 11 to 59 days for want of motor vehicle inspection report/certificate resulting in loss of 5.48 lakh KMs and loss of potential revenue of Rs 92.03 lakh during the three years ending 2008-09.

The Company accepted (September 2009) the audit observations.

Fuel cost

Fuel consumption in excess of company's norms resulted in extra expenditure of Rs 4.11 crore

5.2.31 Fuel is a major element which constituted 43.49 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The table below gives the targets fixed by the Company for fuel consumption, actual consumption, mileage obtained per KM, All India average and estimated extra expenditure.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09
1.	Gross KMs (in lakh)	103.85	115.94	121.99	119.91
2	Actual Consumption (in lakh litres)	26.35	28.84	28.91	26.18
3.	Kilometre obtained per litre (KMPL)	3.94	4.02	4.22	4.58
4.	Target of KMPL fixed by Company	No norm	4.75	4.75	4.75
5.	Consumption as per norm (in lakh litres)	21.86[13]	24.41	25.68	25.24
6.	Excess Consumption (in lakh litres) (2-5)	4.49	4.43	3.23	0.94
7.	Average cost per litre (in Rupees)	28.33	32.48	33.14	35.44
8.	Extra expenditure (Rupees in lakh) (6x7)	127.20	143.89	107.04	33.31

[13] Worked out on the basis of KMPL of 4.75.

North East Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL respectively

It can be seen from the above table that the mileage obtained per litre was showing increasing trend but the same was less than the norms fixed by the Company. The Company consumed 13.09 lakh litres of fuel in excess of its own norms during 2005-06 to 2008-09 resulting in extra expenditure of Rs 4.11 crore.

Audit observed that:

- The Company, though operating public transport since 1988, fixed a target of 4.75 KMPL only in May 2006 which remained unchanged till date. Audit noticed that a comparable STU of Tamil Nadu (TNSTC, Villupuram) had KMPL of 4.95 in 2005-06 which steadily increased to 5.35 in 2008-09. But the Company had not reviewed the fuel efficiency with reference to other similar transport corporations. The financial impact due to low KMPL compared to actual performance of STU in Villupuram was Rs 6.57 crore during 2005-09.

- There was no monitoring in respect of Mahe and Yanam regions, where the average achievement was less than 4 KMPL.

The Company stated (September 2009) that action would be taken for effective monitoring of consumption of fuel.

Financial management

5.2.32 Raising of funds for capital expenditure, *i.e.*, for replacement/addition of buses happens to be the major challenge in financial management of company's affairs. This issue has been covered under paragraph 5.2.24. The section below deals with the company's efficiency in raising claims and its recovery.

Claims and dues

5.2.33 The Government of UT of Puducherry introduced students' concession for bus travel with effect from 1 December 2007 and permitted students up to 12th standard to travel in the city buses by paying one Rupee irrespective of the distance. However, the methodology for preferring the claim and the extent of meeting the loss of revenue on issue of concessional tickets was not indicated. The Company has earned revenue of Rs 16 lakh for the period from December 2007 to March 2009 (through issue of 16 lakh tickets) under this scheme in all the four regions. The Company assessed the total loss on account of students' concessional passes up to March 2009 as Rs 50.03 lakh but did not prefer a claim for reimbursement of losses till the same was pointed out by Audit. The claim is yet to be reimbursed by the UT Government.

Adequacy of passenger fare

5.2.34 As per section 67 of Motor Vehicles Act of 1988, the UT Government has powers to fix the maximum rate of passenger fare of stage carriage buses. The Company does not have the fare policy and system of sending proposal for fixation of fare taking into account the normative cost of operation. The maximum fare of 23 paise per km fixed by the UT Government in March 2002 was revised to 27 paise per km in November 2008. This fare was low as the neighbouring Tamil Nadu State Transport Undertakings were charging 28 paise per kilometre for town services and 32 paise *per* kilometre for mofussil services since December 2001.

The above facts lead to conclude that it is necessary to regulate the fares on the basis of a normative cost and it would be desirable to have an independent regulatory body to fix the fares, specify operations on uneconomical routes and address the grievances of commuters.

Fixation of low fare for Volvo bus service

5.2.35 The Company introduced two Volvo buses in May 2005, one running from Puducherry to Bangalore and the other from Thirunallar to Chennai. The rate *per* KM charged by the Company for Puducherry-Bangalore route ranged between Rs 0.77 and Rs 1.07 *per* KM. However, in respect of Chennai-Thirunallar route, the same was between Rs 0.63 and Rs 0.79 *per* KM.

Though the Company has been operating the same Volvo buses in both the routes, the fare structure was not uniformly fixed and the rate *per* KM adopted for Thirunallar-Chennai was always lesser than Puducherry-Bangalore route. As the quality of service provided by these Volvo buses was similar, fixation of lower rate for Chennai route was unjustified, which resulted in a loss of revenue of Rs 89.26 lakh during May 2005 to March 2009. Though the company has been incurring an operating loss (Rs 15.53 lakh) in this route during the two years 2005-06 and 2007-08, it had not rationalised its fare.

The Company stated (September 2009) that the fare was fixed on the basis of the price fixed by the concerned State, where the buses pass over to the destination. The reply is not convincing because in Tamil Nadu, no STU is operating any Volvo bus for long route operations.

Monitoring by top management

Management Information System data and monitoring of service parameters

The Company did not have a system of preparation of projections for operational parameters

5.2.36 For a Road Transport Corporation to operate economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement against targets and norms. The achievements need to be reviewed to address deficiencies and also to re-fix targets for subsequent years. In the light of this, Audit reviewed the system prevailing in the Company and found that the Company did not have a system of preparation of projections for achievement of various operational parameters. Thus, the Company had deprived itself the opportunities of reviewing its performance on annual basis. Similarly, there were no technical details on operations such as percentage of fleet utilisation, vehicle productivity and its occupancy and financial data such as scheduled/actual collection are not consolidated on monthly/quarterly/annual basis to facilitate the management's review and decision making. Further, there was no review of the performance of the Company by the Board of Directors during the review period. There is no technical data in respect of Mahe and Yanam available at Head Office. The Board of Directors did not monitor the operational performance of the Company.

The Company stated (September 2009) that it is proposed to install a costing system and MIS data for analysing various parameters and also to prepare budget and compare with actuals. Fact remains that these vital control aspects were not looked into so far by the management.

Conclusion

- Though Company's share in public transport was just 4.8 *per cent*, the vehicle density (including private operators' vehicles) was comfortable at 150.97 in 2008-09.

- The Company could not recover the cost of operation in any of the five years under review. This was mainly due to operational inefficiencies, lack of monitoring by the top management and low fare.

- The Company did not ensure economy as its fuel cost was higher than its own target.

- The Company did not have a fare policy based on scientific norms.

- The Company did not have effective MIS for controlling its operations.

Though the company has been incurring losses, there is large scope for improvement of the performance in the areas of fleet utilisation, vehicle productivity and fuel consumption. Effective monitoring by the management of key parameters coupled with policy decisions on fixation of targets and fare can result in improvement in performance of the company.

Recommendations

The Company may:

- look into the reasons for high consumption of fuel and take remedial action ;
- devise a fare policy on the basis of normative cost; and
- the top management should regularly monitor the important operational parameters and take remedial measures for improvement.

The UT Government may:

- consider creating a regulator to regulate fares and services on uneconomical routes.

PUDUCHERRY POWER CORPORATION LIMITED

5.3.1 Delay in implementation of reverse osmosis plant

Inordinate delay of more than six years in installation of reverse osmosis plants resulted in locking up of Company's funds of Rs 1.21 crore besides avoidable recurring expenditure of Rs 37.10 lakh.

The Company established (January 2000) a 32.5 MW combined cycle gas power plant in Karaikal district at a cost of Rs 137.77 crore. The water inducted into the cooling system of the plant had corrosive elements and the pipelines were damaged. The plant suffered loss of generation due to downtime, reduction in the heat transfer, high cost of chemical treatment of the cooling water system, *etc*. To overcome these problems, the Company decided (September 2002) to erect two Reverse Osmosis (RO) plants with a capacity of 50 cubic metres per hour each, at a total cost of Rs 3.60 crore for purification/treatment of raw water needed in the cooling system. After obtaining (February 2003) the required sanction of the Government of Union Territory of Puducherry, the Company appointed (May 2003) Central Electricity Authority (CEA) as their technical consultant to carry out detailed study design and selection of supply-cum-erection contractor of the RO plant. The Company invited tenders in August 2004 and evaluated the price bids only by April 2005. There was delay in obtaining revised budgetary approval up to November 2005 and based on the proposal of the sub-committee constituted to examine the RO project, the Board placed an order on Doshion Limited, Ahmedabad (contractor) in February 2007 for a contract value of Rs 4.29 crore with the scheduled date of completion as December 2007.

Audit observed that non-completion of RO plant even seven years after project conceptualisation was the result of deficient planning and monitoring. It was noticed (March 2009) that even after lapse of 15 months of scheduled completion date, the plant has not been installed by the contractor even though the Company had made part payments of Rs 1.21 crore towards advance and supply of material *etc*. The contractor has completed only 15 *per cent* (Rs 26 lakh) of the total value of civil works (Rs 1.75 crore) by January 2009. The materials not required for immediate erection had also been kept in the open yard exposing them to the vagaries of nature.

The Company never had any concrete plan and schedule for completion of the project. The commencement of the project was progressively delayed - eight months for appointment of CEA as their technical consultant, 13 months for finalisation of tender specification and two years for selection of L-1 after opening the bid in February 2005. Even after award of the contract, the contactor delayed the execution and was granted extensions progressively upto March 2009 without imposing any penalty as per the terms of the contract. In the meantime, the Company continued to suffer loss of generation on account of corrosion and had incurred an additional recurring expenditure of Rs 37.10 lakh[14] on account of consumption of sulphuric acid and replacement of heat exchanges during the last four years upto 2008-09.

The Company replied (July 2009) that the delay was due to the negligence of the contractor but stated that the extensions were granted in the interest of work. But, the fact remained that even after many extensions, the project was completed only up to 15 *per cent* by March 2009, which was the due date for final completion of work after the last extension.

Audit concludes that the inordinate delay in execution of the project resulted in not only locking up of the Company's funds of Rs 1.21 crore but also in avoidable recurring expenditure of Rs 37.10 lakh to tide over the problem of corrosion. The Company was yet to decide about levy of liquidated damages on the contractor.

It is suggested that Company should enforce the terms of the contract to secure its financial interest and should set up better planning and monitoring systems.

[14] Expenditure on account of consumption of sulphuric acid (Rs 16.52 lakh), replacement of damaged heat exchangers (Rs 16.40 lakh) and loss of revenue due to down time on account of repairs of pipes (Rs 4.18 lakh).

PONDICHERRY INDUSTRIAL PROMOTION DEVELOPMENT AND INVESTMENT CORPORATION LIMITED

5.3.2 Loss due to erroneous clause in the Memorandum of Understanding

Extension of undue concession in lease rent due to erroneous clause in Memorandum of Understanding resulted in loss of Rs 12.94 lakh and potential loss of Rs 20.48 lakh during the balance period of concession.

The Company, as a part of industrial promotion in the Union Territory of Puducherry, decided (December 1998) to establish a Software Technology Park (STP) in Puducherry. For this purpose, the Company took over (October 1999) 18 acres of land from Education Department on lease for 19 years at a monthly lease rent of Rs 15,696 (Rs 872 *per* acre). As a part of the above programme, the Company entered (January 2001) into a Memorandum of Understanding (MOU) with Software Technology Park of India (STPI[15]), Bangalore for setting up an earth station to provide high speed data communication facility and transferred (May 2001) three acres of land and 2,753 Sq.ft. of built-up area on lease for 18 years at a nominal annual lease rent of Rupee one for the purpose. The proposed earth station was to be run by STPI on commercial basis without any revenue/benefit accruing to the Company.

Audit observed that the Company leased out land and building to STPI on these terms despite the directions of the Board of Directors of the Company to collect this nominal lease rent of Rupee one *per annum* for an initial period of two years only. After Audit pointed out (August 2004) the incorrect clause of the MOU, the Company moved (March 2005) to amend the relevant clause so as to charge an annual lease rent of Rs 31,392[16] for the land and Rs 13,765[17] for the built up area from 3 January 2003 as per the decisions of its Directors. However, the Company's efforts to make an amendment to the MOU have not fructified till date as STPI has refused to accept any amendment to the MOU.

The Company replied (July 2009) that Ministry of Information Technology, Government of India has been addressed to resolve the issue.

---

15 An autonomous society under the Ministry of Communication and Information Technology, Government of India.

16 For three acres, at the rate of Rs 10,464 per acre *per annum*, being the rent payable to PED.

17 For 2,753 sq.ft at the minimum rent of Rs 5 per sq.ft. per month being collected from the allottees of 17 modules owned by the Company.

This erroneous extension of concessional offer to STPI had resulted in loss of Rs 12.94 lakh for the period from January 2003 to July 2009. Further, the Company faces a potential loss of Rs 20.48 lakh for the remaining period of lease up to December 2019.

Chennai
The

(S. NAGALSAMY)
Principal Accountant General (Civil Audit)
Tamil Nadu and Puducherry

Countersigned

New Delhi
The

(VINOD RAI)
Comptroller and Auditor General of India

Appendix 1.1

(Reference : Paragraph 1.1.2 ; Page 3)

Organogram of State Health Mission and State Health Society

State Health Mission

Chairperson	:	Chief Minister
Co-Chairperson	:	Minister for Health and Family Welfare
Convenor	:	Secretary for Health and Family Welfare
Members	:	Minister for Women and Child Welfare, Member of Parliament, Chief Secretary, Director, Health and Family Welfare Services, Representative, Ministry of Health and Family Welfare, Government of India etc.

↓

State Health Society

Governing Body

Chairperson	:	Chief Secretary
Co-Chairperson	:	Development Commissioner
Vice Chairman	:	Secretary, Health and Family Welfare
Convenor	:	Mission Director
Mission Director	:	Director, Health and Family Welfare Services
Members	:	Secretary, Women and Child Welfare, Deputy Director, Family Welfare, Deputy Director, Public Health, Deputy Director, Information, Education and Communication. Representative, Ministry of Health and Family Welfare, Government of India, Mother NGO, All Programme Managers of Disease Control Programme Units etc.

↓

Executive Committee

Chairperson	:	Secretary, Health and Family Welfare
Vice Chairman	:	Director, Health and Family Welfare Services
Convenor	:	Deputy Director, Family Welfare and Maternal Child Health
Members	:	Deputy Director, Public Health, Deputy Director, Information, Education and Communication. Director, Indian System of Medicine (AYUSH), All Programme Managers of Disease Control Programme Units, etc.

↓

State Programme Management Support Unit headed by Deputy Director, Family Welfare and Maternal Child Health

District Health Mission

Karaikal			Mahe and Yanam		
Chairperson	:	Collector	Chairperson	:	Regional Administrator
Co-Chairperson	:	Medical Superintendent, GH	Convenor	:	Deputy Director, GH
Convenor	:	Deputy Director (Immunisation)	Members	:	Joint Block Development Officer Commissioner, Municipality, Deputy Director, Family Welfare, Puducherry, Member, Hospital Advisory Committee, etc.
Members	:	Block Development Officer, Medical Officer in-charge, Chief Educational Officer, etc.			

District Health Society

Governing Body

Karaikal			Mahe and Yanam		
Chairperson	:	Collector	Chairperson	:	Regional Administrator
Co-Chairperson	:	Medical Superintendent, GH	Co-Chairperson	:	Medical Superintendent, GH
Chief Executive Officer	:	Deputy Director (Immunisation)	Chief Executive Officer	:	Deputy Director, GH
Members	:	Block Development Officer Commissioner, Karaikal Municipality, Medical Officer in-charge, CHC, Deputy Director, Family Welfare, Puducherry, etc.	Members	:	Joint Block Development Officer Commissioner, Municipality Deputy Director, Family Welfare, Puducherry, etc.

Executive Committee

Karaikal			Mahe and Yanam		
Chairperson	:	Collector	Chairperson	:	Regional Administrator
Co-Chairperson	:	Medical Superintendent, GH	Co-Chairperson	:	Medical Superintendent, General Hospital
Convenor	:	Deputy Director (Immunisation)	Convenor	:	Deputy Director, GH
Members	:	Medical Officer in-charge, CHC, Deputy Director, Family Welfare, Puducherry, etc.	Members	:	Medical Officer in-charge, CHC, Residential Medical Officer, GH, Deputy Director, Family Welfare, Puducherry, etc.

GH: General Hospital

Appendix 1.2

(Reference : Paragraph 1.1.5 ; Page 4)

List of test-checked health centres

Community Health Centres

1.Mannadipet
2.Karikalampakkam
3.Thirunallar
4.Palloor

Primary Health Centres

1.Nettapakkam
2.Sooramangalam
3.Katterikuppam
4.Thirubhuvanai
5.Kalapet
6.Mettupalayam
7.Ambagarathur
8.Nalambal
9.Nallathur
10.Nedungadu
11.Karaikal medu
12.Kovilpathu
13.Pandakkal

Sub Centres

1. Aranganur
2. Korkadu
3. Pandasohanallur
4. Nathamedu
5. Kodathur
6. Sandaipudukuppam
7. Kalitheerthalkuppam
8. Sanyachikuppam
9. Kanapathi Chettikulam
10. Pillaichavady
11. Kurumampet
12. Thattanchavady
13. Karukankudy
14. Pettai
15. Sethur
16. Vadakattalai
17. Kurumbagaram
18. Vadamattam
19. Chalakkara
20. East Palloor
21. Chembra
22. Cherukallayee
23. Darialthippha
24. Ferampetta
25. Guriampetta
26. Kanakalapetta

Appendix 1.3

(Reference : Paragraph 1.1.6.2 ; Page 5)

Statement showing component-wise expenditure during 2005-09

(Rupees in lakh)

Component	2005-06		2006-07		2007-08		2008-09	
	Funds available	Expendi-ture	Funds available	Expendi-ture	Funds available	Expendi-ture	Funds available	Expendi-ture
Reproductive and Child Health - I	84.03	7.68	77.61	10.42	67.66	0.19	67.98	43.17
Reproductive and Child Health - II Flexible pool	86.63	31.91	197.91	109.65	216.25	131.75	177.99	164.68
Mission Flexible pool	213.54	15.19	365.80	57.63	572.13	110.78	748.35	213.89
Information, Education and Communication activities	22.80	18.75	23.05	5.92	17.32	12.20	5.12	2.70
Immunisation	25.93	10.38	29.62	22.94	26.46	14.15	39.75	20.59
Disease control programme								
(i) Integrated Disease Surveillance Project	57.41	4.76	53.75	14.20	41.61	22.32	35.18	14.71
(ii) National Blind Control Programme	11.77	4.63	70.28	13.66	65.14	49.61	108.19	8.45
(iii) National Leprosy Eradication Programme	9.67	6.31	11.82	9.88	8.20	7.33	7.06	6.00
(iv) National Vector Borne Disease Control Programme	31.88	15.21	157.97	9.30	167.37	50.93	120.00	37.18
(v) Revised National Tuberculosis Control Programme	23.74	12.79	26.49	8.08	23.83	16.09	21.98	18.48
AYUSH	--	--	--	--	17.00	--	82.28	2.80
Total	**567.40**	**127.61**	**1,014.30**	**261.68**	**1,222.97**	**415.35** *	**1,413.88** **	**532.65**

* Excluding Rs 1.90 lakh refunded to GOI

** Excluding UT share of Rs 150 lakh

Appendix 1.4

(Reference : Paragraph 1.2.6 ; Page 22)

List of 22 functions devolved to village and commune panchayats

1.	Social forestry and farm forestry
2.	Minor forest produce
3.	Fuel and fodder
4.	Non-conventional energy sources
5.	Adult and non-formal education
6.	Cultural activities
7.	Markets and fairs
8.	Maintenance of community assets
9.	Land improvement, implementation of land reforms, lands consolidation and soil conservation
10.	Minor irrigation, water management and watershed development
11.	Animal husbandry, dairying and poultry
12.	Small scale industries including food processing industries
13.	Khadi, village and cottage industries
14.	Drinking water
15.	Roads, culverts, bridges, ferries, waterways and other means of communication
16.	Rural electrification including distribution of electricity
17.	Poverty alleviation programmes
18.	Education including primary and secondary schools
19.	Technical training and vocational education
20.	Libraries
21.	Health and sanitation including hospitals, primary health centres and dispensaries
22.	Welfare of weaker sections and in particular of the scheduled castes and the scheduled tribes

Appendix 1.5

(Reference : Paragraph 1.2.7.2(iii) ; Page 24)

Details of Grants-in-aid received and expenditure thereon in the test-checked Commune Panchayats

(Rupees in crore)

	Opening Balance	Receipts	Total	Expenditure	Closing Balance
Bahour CP					
2004-05	2.61	1.77	4.38	1.29	3.09
2005-06	3.09	4.21	7.30	2.09	5.21
2006-07	5.21	6.51	11.72	2.26	9.46
2007-08	9.46	2.68	12.14	4.46	7.68
2008-09	7.68	9.69	17.37	6.04	11.33
Total		**24.86**		**16.14**	
Mannadipet CP					
2004-05	3.04	2.49	5.53	2.31	3.22
2005-06	3.22	2.72	5.94	2.86	3.08
2006-07	3.08	2.58	5.66	1.32	4.34
2007-08	4.34	2.46	6.80	2.43	4.37
2008-09	4.37	3.24	7.61	2.17	5.44
Total		**13.49**		**11.09**	
Kottucherry CP					
2004-05	0.77	1.00	1.77	0.49	1.28
2005-06	1.28	2.98	4.26	1.05	3.21
2006-07	3.21	3.76	6.97	1.64	5.33
2007-08	5.33	1.36	6.69	2.62	4.07
2008-09	4.07	1.74	5.81	1.84	3.97
Total		**10.84**		**7.64**	

(Source : Records of test-checked commune panchayats)

Appendix 1.6

(Reference : Paragraph 1.3.3.2 ; Page 38)

Status of construction works under police stations/office buildings

Sl No	Name of the work	Approved cost (Rs in crore)	Stage as of May 2009	Stage as of October 2009
(1)	(2)	(3)	(4)	(5)
		2006-07		
1	Training Guest House, Gorimedu	2.39	Work transferred to PASIC by PWD. Modified scheme drawing requested for its submission to DGP	Amount deposited with M/s PASIC on 31.03.2009, Plan approved, tenders floated.
2	First floor over training school building, Gorimedu	0.43	Work completed in July 2008.	Construction completed
3	Station with Circle Inspector Office, Lawspet, Puducherry	0.99	Site under dispute. Work could not be commenced by PWD due to stay by High Court, Madras	Site under dispute. Court case pending
4	Construction of compound wall around entire PAP campus	0.50	Work order to be issued on expiry of model code of conduct	650 m length out of 1400 m completed. 500 m could not be commenced due to encroachment and the balance work was in progress
5	Barracks, Parade/play ground and quarters for SP and Inspector, Vehicle Garage and Dog Kennel at Oduthurai, Karaikal	1.00	Revised drawings to be submitted to Architect, PWD, Puducherry	Expenditure sanction accorded and work was commenced
6	SSP Office-cum-residence, Karaikal	0.40	Suitable land not yet allotted	Space requirement was awaited from field unit
7	Station at Thirunallar, Karaikal	0.30	Scheme Drawing submitted to DGP for approval	Preliminary estimate was to be prepared
8	Traffic Police Station at Police Complex, Yanam	0.30	Scheme drawings sent to Yanam Planning Authority for clearance	Not available
9	Police Barracks at Yanam	0.30	Scheme drawings sent to Yanam Planning Authority for clearance	Not available
10	Reconstruction/ restoration of DGP complex, Puducherry	1.32	Details not available	Proposal for Expenditure sanction to be sent to Home Department
11	Levelling of ground and providing additional facilities, Police Training School, Gorimedu	0.20	Details not available	Expenditure sanction awaited

(1)	(2)	(3)	(4)	(5)
2007-08				
12	Barracks for Women Personnel under Training, Gorimedu	0.75	Building Plan approved in December 2007. Expenditure sanctioned awaited	Expenditure sanction awaited
13	Traffic Police Station staff quarters at Villianur	2.00	Allocation of additional funds for acquisition of land sought for from Planning & Research Department, Puducherry	Not available
14	All Women Police Station and Staff quarters at Villianur	2.00		
15	Class room & lecture hall for training at PTS, Gorimedu	0.75	Drawings submitted to DGP for approval	Not available
16	Building for armory unit in PAP complex, Gorimedu	0.75	Scheme Drawings not yet finalised	Site yet to be selected
17	SP(Rural) Office at Ariyankuppam, Puducherry	0.70	Drawings submitted to DGP for approval	Approval is awaited from PPA
18	Training Complex, Karaikal	0.75	As land was not available, suitable land was yet to be identified	Not available
19	Construction of underground drainage system at Shanmugapuram & Gorimedu police quarters and PAP Barracks, Gorimedu	1.50	Details not available	Details not available
2008-09				
20	Construction of Coastal Police Station, Karaikal	3.32	Amount deposited with PASIC Puducherry, modified scheme drawing sent to Superintendent of Police, Karaikal for approval	Expenditure sanction accorded, Plan approved by Karaikal Planning Authority, Work order issued on 22.08.2009 for construction of retaining wall for Coastal Police Station
21	Construction of a separate Circle Inspector Office at D'Nagar Police Station, Puducherry	0.90	Space requirements furnished to Architect, PWD, Puducherry for preparation of Scheme drawing	Space requirements furnished to Architect, PWD, Puducherry for preparation of Scheme drawing
22	Construction of new building for Ariyankuppam Circle Inspector Office	0.90		
23	Construction of new building or Bahour CIO.	0.90		
24	Construction of Korkadu Out Post and staff quarters	2.00	Land not yet acquired	Land not yet acquired
Total		**25.35**		

(Source : Information furnished by the Director General of Police, Puducherry)

Appendix 2.1
(Reference : Paragraph 2.1.2 ; Page 45)

Extra expenditure due to rejection of the valid lowest tender

	M/s. Aishwarya Feeds	M/s. Appu Food Products	Difference	Quantity purchased	Extra expenditure
	(Rate per MT in Rupees)			(in MT)	(in Rupees)
Calf feed					
Puducherry	5,497	6,100	603	5,487.92	33,09,215.76
Karaikal	5,297	6,100	803	922.50	7,40,767.50
Total (1)				**6410.42**	**40,49,983.26**
Cattle feed					
Puducherry	5,397	6,050	653	1,499.75	9,79,336.75
Karaikal	5,257	6,050	793	350.00	2,77,550.00
Total (2)				**1,849.75**	**12,56,886.75**
Grand Total (1) + (2)					**53,06,870.01**

(Source : Records of Director of Animal Husbandry and Animal Welfare)

Appendix 2.2
(Reference: Paragraph 2.4.1 ; Page 54)

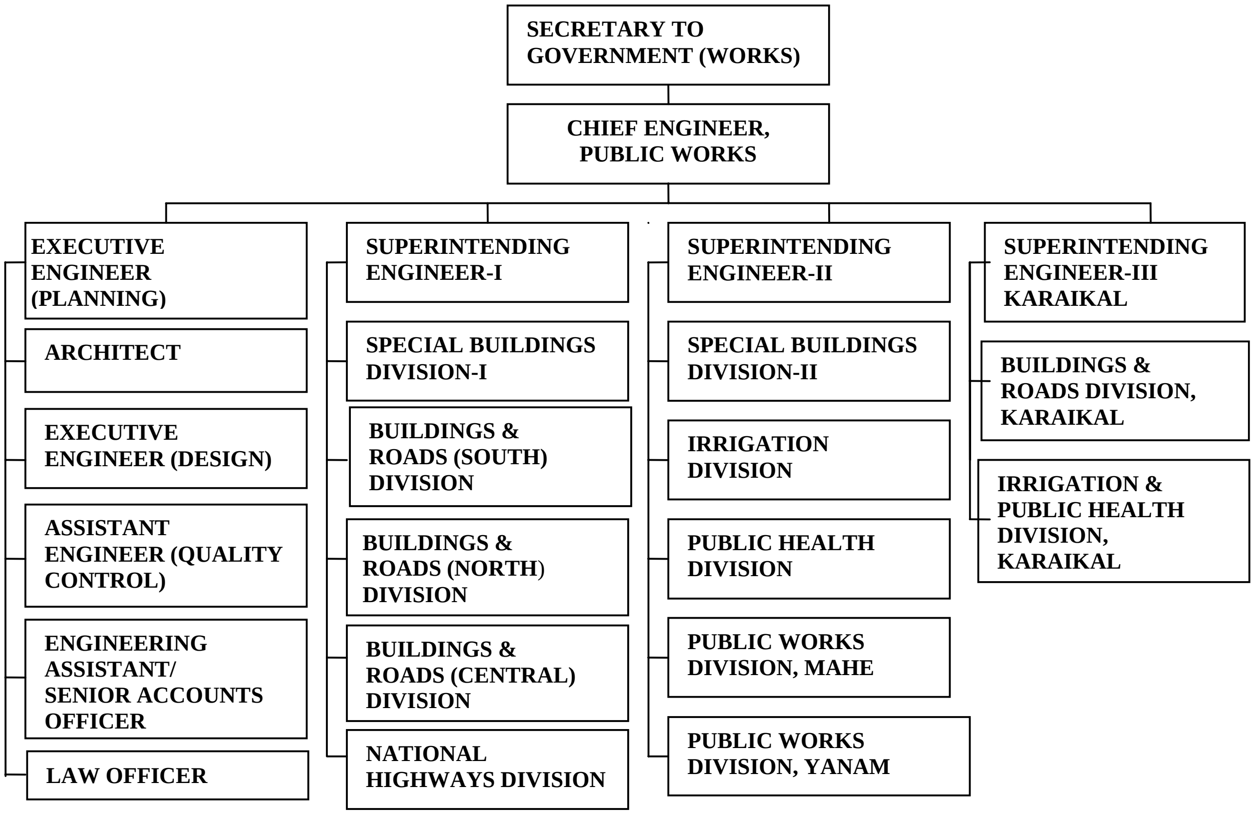
Department-wise pendency of Action Taken Notes

Sl. No.	Department	Number of recommendations pending	Year of Audit Report
(1)	(2)	(3)	(4)
1.	Adi-dravidar Welfare	11	1977-78, 1992-93, 1994-95, 1999-2000 and 2001-02
2.	Agriculture	5	1995-96 to 1999-2000
3.	Animal Husbandry	2	1992-93 and 1998-99
4.	Civil Supplies and Consumer Affairs	3	1998-99
5.	Commercial Taxes	2	1995-96, 1999-2000 and 2001-02
6.	Community Development	3	1992-93, 1996-97 and 1997-98
7.	Co-operation	6	1994-95, 2000-01 and 2001-02
8.	Directorate of Accounts and Treasuries (Finance Department)	1	2000-01
9.	Education	25	1992-93, 1994-95 and 1996-97 to 2001-02
10.	Election	1	1998-99
11.	Electricity	4	1996-97, and 1999-2000
12.	Excise	1	1999-2000
13.	Finance	6	1995-96, 1996-97, 1998-99 and 1999-2000
14.	Finance (Housing)	4	1995-96
15.	Fisheries	3	1997-98 and 1998-99
16.	Health	40	1992-93, 1995-96, 1996-97, 1999-2000 and 2000-01
17.	Industries	20	1988-89, 1990-91, 1992-93, 1993-94, 1998-99, 1999-2000 and 2000-01
18.	Information and Publicity	1	1992-93
19.	Labour	1	1993-94
20.	Local Administration	19	1995-96, 1997-98, 1998-99, 1999-2000 and 2001-02
21.	Planning and Research	2	1995-96 and 2001-02
22.	Police	8	1997-98

(1)	(2)	(3)	(4)
23.	Port	1	1995-96
24.	Public Works	32	1988-89, 1990-91 to 2000-01
25.	Revenue	5	1996-97 to 1998-99
26.	Rural Development	6	1993-94 and 1998-99
27.	Science, Technology and Environment	5	2000-01
28.	Social Welfare	1	1997-98
29.	Stationery and Printing	2	1996-97 and 1997-98
30.	Tourism	2	1994-95
31.	Town and Country Planning	10	1994-95, 1996-97, 1997-98 1999-2000 and 2001-02
32.	Transport	10	1994-95, 1997-98 and 1999-2000
33.	Welfare	1	1997-98
34.	Women and Child Development	2	1996-97 and 1998-99
35.	General	6	2000-01 and 2001-02
Total		**251**	

Appendix 3.1
(Reference : Paragraph 3.1.2 ; Page 56)

Organogram of the Public Works Department



Appendix 3.2
(Reference : Paragraph 3.1.8.2(i) ; Page 62)

Execution of works exceeding ceiling limits without inviting tenders

Name of the Division	2004-05		2005-06		2006-07		2007-08		2008-09		Total	
	Number of works	Value (Rs. in lakh)	Number of works	Value (Rs. in lakh)	Number of works	Value (Rs. in lakh)	Number of works	Value (Rs. in lakh)	Number of works	Value (Rs. in lakh)	Number of works	Value (Rs. in lakh)
Buildings & Roads (Central), Puducherry	44	18.11	92	43.39	45	26.50	46	28.03	42	22.08	269	138.11
PWD, Yanam	Nil	Nil	Nil	Nil	260	112.07	218	141.86	158	90.12	636	344.05

(Source: Divisional records)

Appendix 3.3

(Reference : Paragraph 3.1.8.4 (i) ; Page 64)

Foreclosure of works for want of funds

Name of the work	Agreement value (Rupees in lakh)	Up to date expenditure (Rupees in lakh)	Date of termination/ foreclosure
(1)	(2)	(3)	(4)
National Highways Division 1) Providing storm water disposal arrangements along ECR III & IV reaches from chainage 147/140 to chainage 149/600 in Puducherry	212.75	75.35	11/12/2008
2) Providing paved shoulders along ECR from Kanagachettikulam to Hotel Ashok in Puducherry	189.03	63.70	02/02/2008
3) Providing drainage arrangement with cover slab on southern side of NH 45 A at Thiruvandar koil at Puducherry	42.01	11.66	28/11/2008
4) Providing a service road on northern side of Muthamizhvoil on NH 45 A at Madagadipet	20.70	6.45	28/11/2008
5) Construction of 'U' Drain at Reddiarpalayam in Puducherry	33.30	15.60	30/06/2009
6) Construction of four lane bridge across river Ariyankuppam and its approach road on NH 45 A at Murungapakkam	1,580.24	645.89	09/10/2008
Buildings & Roads (Central) Puducherry 7) Improvements to internal roads in Bharathidasan Nagar, Mudaliarpet	40.50	25.93	10/09/2008
8) Improvements/ formation and construction of side drain from Murungapakkam road to Murungapakkam lake	37.95	25.46	26/08/2008
9) Improvements to drain on the western side of RC 14 Mill and adjacent towards mill	73.00	20.68	09/06/2008
10) Improvements to link road connecting Dr.Ambedkar salai to Thengathittu	38.24	12.25	08/07/2008
11) Improvements to internal road and side drain of Government servant quarters at Lawspet	112.34	28.07	02/12/2008
12) Improvements to Thiruvalluvar Salai including construction of central median from subbiah statue to periyar statue, Puducherry	118.97	26.77	27/09/2008
13) Improvements to Mission street in Puducherry	54.86	21.17	27/05/2009

(1)	(2)	(3)	(4)
Irrigation & Public Health, Karaikal 14) Link road connecting Porayar Road to Pillaitheruvasal near Chief Educational Officer's office, Karaikal	33.40	21.09	08/07/2008
15) Improvements to the Left Bank of Thalaganiyar (North) from Athiadi Head Sluice to Grand Canal Head Sluice in Kottucherry	52.07	7.93	23/06/2008
16) Improvements to the inspection track in the Left Bank of Vanjiar from Melakasakudy regulator to Agramanangudy regulator in Karaikal	47.33	29.96	30/07/2008
17) Providing coastal protection works towards the North of Arasalar in reaches, S/W;- Construction of coastal protection wall around Kottucherrymedu and Akkampet (Ch. from 5000 m to 5500 m and 6200 m to 6500 m) in Karaikal	176.00	70.34	16/02/2009
18) Construction of tail end bed dam across Vanjiar river at Melavely in Karaikal	115.80	32.70	16/02/2009
Irrigation Division, Puducherry 19) Construction of RCC drain from Oulgaret Pallavoikal from Gundusalai culvert (moolakulam) to NH 45A road culvert at Jayanagar, Puducherry	130.67	74.59	30/10/2008
20) Desilting Murthy Nagar kulam in Villianur, Puducherry	10.56	1.80	28/05/2008
21) Lining of Karuvadikuppam drain from Muthialpet foot bridge to State Border in Puducherry	126.12	28.46	09/01/2008
22) Construction of revetment on the right bank of drainage channel from Lingareddipalyam to Katterikuppam and construction of two culverts across Lingareddipalayam channel, Puducherry	81.21	3.98	18/12/2007
23) Improvements to Krishna Nagar drain in Puducherry from Krishna Nagar Road at 2nd cross street culvert infall point to Rainbow Nagar drain Phase-II	117.22	NIL	26/10/2007
24) Balance work for the construction of drainage canal from Shanmugapuram Vazhudavour salai to Annai street (towards southern side) in Puducherry	19.90	NIL	04/01/2008
25) Construction of bed dam across Karuvadikuppam Vellavari drain at Vishnu Nagar in Puducherry	13.73	NIL	06/11/2008
26) Improvements to Krishna Nagar drain in Puducherry (Phase-IV) Reach – ECR culvert near Latha Steel to outfall point into Gorimedu drain-Balance work	31.31	26.92	28/11/2008
Total	**3,509.21**	**1,276.75**	

(Source: Divisional records)

Appendix 3.4
(Reference : Paragraph 3.1.8.4 (ii); Page 64)

Foreclosure of works for want of clear sites

Name of work		Amount of Administrative sanction (Rupees in lakh)	Date of commence-ment/ target date for completion	Expenditure incurred (Rupees in lakh)	Date of foreclosure	Length of drain		Reasons for foreclosure
						Target (in metres)	Completed (in metres)	
1.	Construction of masonry drain in Pallavoikal in the western side of the Sivavishnu Nagar and upto Vetrampet road	23.51	March 2005/ July 2005	14.03	August 2006	494	252	Non-removal of encroachment in the remaining length
2.	Conversion of the Gorimedu ravine into flood carrier-cum-road from Jeevananthapuram to state border in Puducherry	89.25	July 2007/ October 2007	40.26	April 2009	210	210	Failure to arrange for shifting of electrical poles led to non-completion of. left side drain
		112.76		**54.29**				

(Source: Records of Irrigation Division, Puducherry)

Appendix 3.5

(Reference : Paragraph 3.1.8.5(ii) ; Page 65)

Irregular expenditure due to execution of unapproved works

Name of the work	Estimated cost (Rupees in lakh)	Reasons for savings	Unapproved works done utilising savings		Total expenditure including the expenditure on unapproved works (Rupees in lakh)
			Nature of work	Expenditure (Rupees in lakh)	
Improvement and widening of Kanakalapetta flood bank road	362.40	Works stopped by department	Earth filling	69.49	208.06
Widening Gurumpetta Village Road From Savithri Nager Main Road	69.91	Improvement done on existing road deleting widening work	cement concrete road carried out outside the scope	34.60	74.83
Construction of retaining wall on right bank of Isukakalava drain and laying cement concrete road from Blossom oil factory to Gurumpetta Flood Bank	439.07	Change of design and non-execution of estimated length	Laying cement concrete road	56.99	416.15
Improvements to RC-4 Vazhudavour road from Ramanapuram to Iyyankuttipalayam	136.10	Non-execution of estimated length		16.94	45.39
Total	**1,007.48**			**178.02**	**744.43**

(Source: Records of Public Works Divison, Yanam and Buildings and Roads (Central) Division, Puducherry)

Appen

(Reference : Paragraph 5.1.6;

Statement showing particulars of up-to-date paid-up capital, loans outstanding and

Serial number	Sector and Name of the Company	Name of the Department	Month and year of incorporation	Paid-up capital*			
				Union Territory Government	Central Govern ment	Others	Total
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)
Working Government Companies							
Agriculture and allied							
1.	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Agriculture	26 March 1986	10.83	--	--	10.83
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	Civil Supplies and Consumer Affairs	27 September 1990	8.95	--	0.05	9.00
	Sector-wise total			**19.78**	**--**	**0.05**	**19.83**
Finance							
3.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	Industries	17 April 1974	100.56 (68.70)	--	8.54	109.10 (68.70)
4.	Puducherry Adi-dravidar Development Corporation Limited (PADCO)	Welfare	26 September 1986	8.18 (3.92)	1.68	--	9.86 (3.92)
5.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	Welfare	31 March 1993	3.59 (0.12)	--	--	3.59 (0.12)
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	Welfare	31 March 1999	2.95	--	--	2.95
	Sector-wise total			**115.28 (72.74)**	**1.68**	**8.54**	**125.50 (72.74)**
Manufacture							
7.	Puducherry Distilleries Limited (PDL)	Industries	8 December 1971	8.45	--	--	8.45
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELICON)	Industries	7 December 1982	--	--	0.10	0.10
9.	Pondicherry Textile Corporation Limited (PONTEX)	Industries	25 November 1985	294.22	--	--	294.22
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	Industries	4 July 2005	21.21	--	--	21.21
	Sector-wise total			**323.88**	**--**	**0.10**	**323.98**
Power							
11.	Puducherry Power Corporation Limited (PPCL)	Electricity	30 March 1993	133.04	--	--	133.04
	Sector-wise total			**133.04**	**--**	**--**	**133.04**
Service							
12.	Puducherry Tourism Development Corporation Limited (PTDC)	Tourism	1 April 2005	10.99 (5.99)	--	--	10.99 (5.99)
13.	Pondicherry Road Transport Corporation Limited (PRTC)	Transport	19 February 1986	33.28	--	--	33.28
	Sector-wise total			**44.27 (5.99)**	**--**	**--**	**44.27 (5.99)**
	Grand total			**636.25 (78.73)**	**1.68**	**8.69**	**646.62 (78.73)**

*** Paid up capital includes share application money;**

Figures in brackets in column 5(a) and 5(d) indicate share advance held in the companies.

dix 5.1

Page 90)

Manpower as on 31 March 2009 in respect of Government Companies

(Figures in columns 5(a) to 6(d) are Rupees in crore)

Loans& outstanding at the close of 2008-09					
Union Territory Government	**Central Government**	**Others**	**Total**	**Debt equity ratio 2008-09 (Previous year)**	**Manpower (No. of employees as on 31.3.2009)**
(6a)	**(6b)**	**(6c)**	**(6d)**	**(7)**	**(8)**
--	--	--	--	--	392 + 207 (Daily rated)
0.94	--	--	0.94	0.10:1 (0.10:1)	300
0.94	**--**	**--**	**0.94**	**0.05:1**	**899**
--	--	--	--	--	156
--	--	4.25	4.25	0.43:1 (0.74:1)	51
0.68	--	--	0.68	0.19:1 (0.04:1)	1,418
--	--	5.61	5.61	1.90:1 (1.67:1)	11 Daily rated staff 33
0.68	**--**	**9.86**	**10.54**	**0.08:1**	**1,669**
--	--	--	--	--	91
--	--	--	--	--	10
--	--	--	--	(0.02:1)	2,666
--	--	--	--	--	665
--	**--**	**--**	**--**	**--**	**3,432**
--	--	--	--	--	127
--	**--**	**--**	**--**	**--**	**127**
--	--	--	--	--	250
--	--	--	--	--	530
--	**--**	**--**	**--**	**--**	**780**
1.62	**--**	**9.86**	**11.48**	**0.02:1 (0.02:1)**	**6,907**

& Loans outstanding at the close of 2008-09 represent long term loans only

Appen

(Reference : Paragraphs 5.1.14 and 5.1.43

Summarised financial results of Government companies for the latest year

Serial number	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+) / Loss (-)			
				Net Profit/ loss before interest and Depreciation	Interest	Depre-ciation	Net Profit/ Loss
(1)	(2)	(3)	(4)	(5a)	(5b)	(5c)	(5d)
Working Government Companies							
Agriculture and allied							
1.	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2006-07	2007-08	0.91	--	0.40	0.51
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2006-07	2008-09	1.10	0.07	0.17	0.86
	Sector-wise total			**2.01**	**0.07**	**0.57**	**1.37**
Finance							
3.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2007-08	2008-09	3.62	--	0.48	3.14
4.	Puducherry Adi-dravidar Development Corporation Limited (PADCO)	2006-07	2009-2010	(-) 0.07	0.13	0.03	(-) 0.23
5.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	2005-06	2008-09	--	--	--	--
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2007-08	2008-09	--	--	--	--
	Sector-wise total			**3.55**	**0.13**	**0.51**	**2.91**
Manufacture							
7.	Puducherry Distilleries Limited (PDL)	2007-08	2008-09	7.02	--	0.28	6.74
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELICON)	2007-08	2008-09	(-) 0.13	--	--	(-) 0.13
9.	Pondicherry Textile Corporation Limited (PONTEX)	2007-08	2008-09	(-) 36.87	6.00	1.22	(-) 44.09
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2007-08	2008-09	(-) 7.32	1.05	0.54	(-) 8.91
	Sector-wise total			**(-) 37.30**	**7.05**	**2.04**	**(-) 46.39**
Power							
11.	Puducherry Power Corporation Limited (PPCL)	2007-08	2008-09	22.83	--	10.98	11.85
	Sector-wise total			**22.83**	**--**	**10.98**	**11.85**
Service							
12.	Puducherry Tourism Development Corporation Limited (PTDC)	2007-08	2009-2010	(-) 2.51	--	0.28	(-) 2.79
13.	Pondicherry Road Transport Corporation Limited (PRTC)	2005-06	2009-2010	(-) 0.80	--	1.36	(-) 2.16
	Sector-wise total			**(-) 3.31**	**--**	**1.64**	**(-) 4.95**
	Grand total			**(-) 12.22**	**7.25**	**15.74**	**(-) 35.21**

dix 5.2

Pages 92 and 101)

for which accounts were finalised

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

Turnover	Impact of Accounts comments	Paid-up capital	Accumulated profit/loss (-)	Capital employed*	Return on capital employed	Percentage return on capital employed
(6)	(7)	(8)	(9)	(10)	(11)	(12)
56.96	--	10.83	2.83	16.90	0.51	3.04
86.65	--	9.00	(-) 6.28	7.41	0.93	12.55
143.61		**19.83**	**(-) 3.45**	**24.31**	**1.44**	**5.92**
87.17	--	109.10	32.29	153.02	3.14	2.05
1.78	Loss increased by Rs 5.37 lakh	4.91	(-) 4.91	6.53	(-) 0.10	--
9.20	--	3.24	--	5.79	--	--
	--	2.64	--	10.36	--	--
98.15		**119.89**	**27.38**	**175.70**	**3.04**	**1.73**
23.95	--	8.45	21.20	29.82	6.74	22.59
0.17	--	0.10	0.04	0.14	(-) 0.13	--
44.72	Loss increased by Rs 17.09 crore	269.22	(-) 324.15	109.57	(-) 38.09	--
15.24	--	14.21	(-) 20.26	25.45	(-) 7.85	--
84.08		**291.98**	**(-) 323.17**	**164.98**	**(-) 39.33**	**--**
54.31	--	133.04	64.74	205.95	11.85	5.75
54.31	**--**	**133.04**	**64.74**	**205.95**	**11.85**	**5.75**
5.50	--	7.00	(-) 5.55	1.33	(-) 2.79	--
14.24	--	29.93	(-) 23.71	8.94	(-) 2.16	--
19.74	**--**	**36.93**	**(-) 29.26**	**10.27**	**(-) 4.95**	**--**
399.89	**--**	**601.67**	**(-) 263.76**	**581.28**	**(-) 27.95**	

*** 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 balance of paid up capital, free reserves, bonds, deposits and borrowings (including refinance)**

Appen

(Reference : Paragraph 5.1.9;

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off

Serial number	Sector and Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year			
		Equity	Loans	Central Government	Union Territory Government	Others	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)
Working Government Companies							
Agriculture and allied							
1.	Puducherry Agro Service and Industries Corporation Limited (PASIC)	--	--	--	--	--	--
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	--	--	--	15.27 (G) 5.51 (S)	--	15.27 (G) 5.51 (S)
	Sector-wise total	**--**	**--**	--	**15.27 (G) 5.51 (S)**	--	**15.27 (G) 5.51 (S)**
Finance							
3.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	--	--	11.27 (G)	5.11 (G)	--	16.38 (G)
4.	Puducherry Adi-dravidar Development Corporation Limited (PADCO)	3.92	--	0.97 (S)	1.96 (G) 3.94 (S)	0.02 (G) 0.06 (S)	2.95 (G) 4.00 (S)
5.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	0.12	0.95	--	23.70 (G)	--	23.70 (G)
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	0.31	--	--	2.48 (G)	--	2.48 (G)
	Sector-wise total	**4.35**	**0.95**	**11.27 (G) 0.97 (S)**	**33.25 (G) 3.94 (S)**	**0.02 (G) 0.06 (S)**	**44.54 (G) 4.97 (S)**
Manufacture							
7.	Puducherry Distilleries Limited (PDL)	--	--	--	--	--	--
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELICON)	--	--	--	--	--	--
9.	Pondicherry Textile Corporation Limited (PONTEX)	25.00	--	--	--	--	--
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	7.00	--	--	--	--	--
	Sector-wise total	**32.00**	**--**	**--**	**--**	**--**	**--**
Power							
11.	Puducherry Power Corporation Limited (PPCL)	--	--	--	--	--	--
	Sector-wise total	**--**	**--**	**--**	**--**	**--**	**--**
Service							
12.	Puducherry Tourism Development Corporation Limited (PTDC)	3.99	--	--	--	--	--
13.	Pondicherry Road Transport Corporation Limited (PRTC)	0.18	--	--	--	--	--
	Sector-wise total	**4.17**	**--**	**--**	**--**	**--**	**--**
	Grand total	**40.52**	**0.95**	**11.27 (G) 0.97 (S)**	**48.52 (G) 9.45 (S)**	**0.02 (G) 0.06 (S)**	**59.81 (G) 10.48 (S)**

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

dix 5.3

Page 91)

and loans converted into equity during the year and guarantee commitment at the end of March 2009

(Figures in columns 3(a) to 6(d) are Rupees in crore)

Guarantees received during the year		Waiver of dues during the year			
Received	**Commitment**	**Loans repayment written off**	**Loans converted into equity**	**Interest/ penal interest waived**	**Total**
5(a)	**5(b)**	**6(a)**	**6(b)**	**6(c)**	**6 (d)**
--	--	--	--	--	--
--	--	--	--	--	--
--	**--**	**--**	**--**	**--**	**--**
--	--	--	--	--	--
--	3.19	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	
--	**3.19**	**--**	**--**	**--**	**--**
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	--	--	--	--	--
--	**3.19**	**--**	**--**	**--**	**--**

Appendix 5.4
(Reference : Paragraph 5.1.37; Page 99)

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

(Rupees in crore)

Serial number	Sector and Name of the Company	Year upto 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	Loans	Grants/ Subsidy	Others
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Working Government Companies							
Agriculture and allied							
1.	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2006-07	10.83	--	--	--	--
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2006-07	9.00			4.53 (2007-08) 20.78 (2008-09)	--
Finance							
3.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2007-08	109.10	--	--	5.11 (2008-09)	--
4.	Puducherry Adi-dravidar Development Corporation Limited (PADCO)	2006-07	4.91	1.03 (2007-08) 3.92 (2008-09)	--	1.59 (2007-08) 5.9 (2008-09)	--
5.	Pondicherry Corporation for Development of Women and Handicapped Persons Limited (PCDWHPL)	2005-06	3.24	0.23 (2007-08) 0.12 (2008-09)	(0.95) (2008-09)	7.84 (2006-07) 14.05 (2007-08) 23.70 (2008-09)	--
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2007-08	2.64	0.31 (2008-09)	--	2.48 (2008-09)	--
Manufacture							
7.	Puducherry Distilleries Limited (PDL)	2007-08	8.45	--	--	--	--

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELICON)	2007-08	0.10	--	--	--	--
9.	Pondicherry Textile Corporation Limited (PONTEX)	2007-08	269.22	25.00 (2008-09)	--	--	--
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2007-08	14.21	7.00 (2008-09)	--	--	--
Power							
11.	Puducherry Power Corporation Limited (PPCL)	2007-08	133.04	--	--	--	--
Service							
12.	Puducherry Tourism Development Corporation Limited (PTDC)	2007-08	7.00	3.99 (2008-09)	--	--	--
13.	Pondicherry Road Transport Corporation Limited (PRTC)	2005-06	29.93	2.17 (2006-07) 1.00 (2007-08) 0.18 (2008-09)	--	--	--
	Total		**601.67**	**2.17 (2006-07) 2.26 (2007-08) 40.52 (2008-09)**	**0.95 (2008-09)**	**7.84 (2006-07) 20.17 (2007-08) 57.97 (2008-09)**	

Appendix 5.5
(Reference : Paragraph 5.2.16; Page 107)

Operational performance of Puducherry Road Transport Corporation Limited

Particulars	2005-06	2006-07	2007-08	2008-09
Average number of vehicles held	75	76	82	82
Average revenue per kilometre (Rs.)	13.70	17.12	17.03	17.04
Average expenditure per kilometre (Rs.)	15.79	18.04	18.84	18.89
Percentage of Fleet utilisation Pondicherry	90.06	97.13	94.15	90.14
Karaikal	84.25	93.10	91.06	90.85
Number of employees	464	463	534	531
Employee vehicle ratio	6.18	6.09	6.51	6.47
Scheduled kms (in lakh) overall	113.63	119.21	130.74	132.37
Operated kms (in lakh) overall	103.85	115.94	121.99	119.91
Average KM covered per bus per day: Puducherry	526.80	466.25	470.41	470.63
Karaikal	489.39	501.76	498.64	505.57
Loss/Profit per kilometer (Rs.)	-2.09	-0.92	-1.81	-1.85
Number of operating depots	4	4	4	4
Average number of breakdown per 10,000 kilometers	NA	NA	NA	0.11
Average number of accidents per lakh kilometers	NA	0.22	0.36	0.16
Passenger kilometers operated (in crore)	NA	NA	NA	NA
Occupancy ratio Puducherry Town	53.17	94.13	92.26	81.82
Inter state	98.6	107.4	105.1	100.04
Karaikal Town	45.6	82.7	82.6	66.4
Inter state	98.1	110.8	106.2	103.1
Kilometers obtained per litre of Diesel Puducherry	4.01	4.04	4.36	4.81
Karaikal	3.76	3.99	3.92	4.16