

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

HEALTH AND FAMILY WELFARE DEPARTMENT

2.1.1 Avoidable expenditure on payment of health insurance premium for ineligible beneficiaries

Provision of health insurance cover to ineligible families under 'Health Insurance Scheme for Below Poverty Line families' in Mahe Region resulted in avoidable expenditure of ₹ 88.90 lakh.

Government introduced (April and May 2008) a health insurance scheme to 3,190 below poverty line (BPL) families residing in Mahe Region with the objective of providing comprehensive health insurance cover to BPL families with annual income of less than ₹ 24,000. As agreed to in the Memorandum of Understanding signed (November 2007) between the Director of Health and Family Welfare Services (DHFWS) and an insurance company, Government was to pay the company, annual insurance premium at the rate of ₹ 1,506 per unit of five members of the BPL families to be covered in the region. The scheme was extended by Government for a further period of one year, i.e., up to May 2010. The insurance company was paid total premium of ₹ 96.08 lakh for the two-year period in respect of 3,190 BPL families in Mahe region.

Scrutiny of records revealed that in response to DHFWS's request to furnish the number of BPL families in Mahe region, the Regional Administrator of Mahe informed (June 2007) that there were 3,190 BPL families in the region with annual family income of less than ₹ 24,000. DHFWS adopted this figure for coverage of BPL families under the health insurance scheme without verifying its correctness.

It was noticed in audit that in the proforma prescribed for monitoring the functioning of the public distribution system at the district level, furnished (June 2007) to the Ministry of Food and Civil Supplies, Government of India, the Regional Administrator gave the number of BPL cards in Mahe as 245 as of May 2007. This data was furnished by the Regional Administrator based on the records of Civil Supplies and Consumer Affairs Department. The number of BPL cards in the region as on 31 March 2008

and 2009 were only 240 and 237 respectively, out of the total 6,795 and 6,932 ration cards issued including above poverty line (APL) cards. Further, a survey undertaken by the Puducherry State Health Mission for coverage of National Rural Health Mission in Mahe Region indicated that only 0.5 per cent of the total population (39,000) of Mahe constituted BPL population.

A cross-verification by Audit of the monthly progress report showing the beneficiaries under the Health Insurance Scheme at the Government Hospital, Mahe with the records of the Civil Supplies and Consumer Affairs Department, Mahe relating to the issue of ration cards in the region revealed that 46 out of 47 beneficiaries test-checked were from the APL category. Hence, it is evident that the number of BPL families adopted for coverage of the health insurance scheme was without any basis and the benefit of health insurance cover was irregularly extended to 2,950 (2008-09) and 2,953 (2009-2010) APL families, who were not eligible for coverage under the scheme. The reply of the Regional Administrator that the list of beneficiaries was not readily available seemed to confirm the above fact.

Thus, the irregular extension of the benefits of the scheme meant for BPL families, to ineligible beneficiaries resulted in avoidable expenditure of ₹ 88.90 lakh towards premium paid for them during 2008-10.

When this was pointed out, Government replied (July 2010) that the DHFWS had obtained the list of families which could be termed as BPL families based on their income, from the appropriate authority i.e., the Regional Administrator, Mahe and that it was not required of the DHFWS to question the veracity of the statement issued by the Regional Administrator. The contention is not acceptable as the Government revised (July 2002) the annual income criteria for BPL families from ₹ 15,000 to ₹ 24,000 for issuing ration cards. Moreover, when asked for the details of list of beneficiaries, the Regional Administrator was unable to furnish the same.

PUBLIC WORKS DEPARTMENT

2.1.2 Avoidable additional expenditure on foreclosure of contract

Failure of the Executive Engineer, Public Health Division, Puducherry to provide a clear site for construction of a collection well and pump house led to foreclosure of the contract and execution of the work by another contractor at higher rates resulting in additional expenditure of ₹ 47.10 lakh.

A piece of land measuring 700 sq.m. at Pudupalayam in Puducherry was transferred (November 2003) to the Public Works Department by the Pondicherry Slum Clearance Board for construction of a pumping station and stacking yard for an underground sewerage scheme to Nellithope and surrounding areas. On becoming aware that the land was already in use by

the Puducherry Municipality which had started constructing a tuition centre and a health centre there, the Executive Engineer (EE), Public Health Division, requested (November 2004) the Commissioner of Puducherry Municipality to clear the site.

Despite being aware that the land was in use by the Puducherry Municipality (November 2004), the EE awarded (April 2005) the work of 'Laying trunk sewer, pumping main, collection well and pump house' for Zone III of Puducherry to a contractor for a contract value of ₹ 1.71 crore with a stipulation to complete the work in 10 months. Out of the total contract value of ₹ 1.71 crore, the value of construction of the collection well and the pump house was for ₹ 26.02 lakh. The contractor commenced the work in May 2005. However, the work could not be taken up in some roads¹ and the component of construction of the collection well and the pump house could not be executed as the site earmarked for the purpose was already being used by the Puducherry Municipality which had constructed a tuition centre and a health centre. The contractor stopped (December 2005) the work and sought for (August 2006) foreclosure of the contract. The Chief Engineer foreclosed (November 2006) the contract, accepting the failure on the part of the department and instructed the Superintending Engineer, Circle II to complete the balance work through some other agency. An estimate of ₹ 85.30 lakh for part of the balance work including construction of the collection well and the pump house in the same location was sanctioned in February 2009. There was no response to the tender call made in March 2009. The land occupied by the Puducherry Municipality was cleared off to an extent of 645 sq.m. before the work was awarded (August 2009) to a contractor in the second call for ₹ 94.87 lakh which included the construction of collection well and pump house for ₹ 73.12 lakh in the same location as against the original cost of ₹ 26.02 lakh. The work was in progress (May 2010) and the contractor was paid ₹ 74.93 lakh as of May 2010.

Failure of the EE to hand over a clear site to the first contractor in 2005 resulted in foreclosure of the contract and construction of the collection well and the pump house through another contractor at higher rates, resulting in an additional expenditure of ₹ 47.10 lakh².

The matter was referred to the Government in July 2010. Reply had not been received (November 2010).

¹ Pondicherry Municipality commenced the work of laying cement concrete and black topping in these roads on the instructions of Member of Legislative Assembly

² ₹ 73.12 lakh – ₹ 26.02 lakh

2.2 Unfruitful expenditure

LOCAL ADMINISTRATION DEPARTMENT

2.2.1 Unfruitful expenditure on creation of infrastructural facilities

Failure of the Government to analyse the viability of a project resulted in non-operationalisation of a truck terminal constructed by the Oulgaret Municipality, rendering the expenditure of ₹ 2.52 crore incurred on creation of infrastructural facilities unfruitful.

To prevent heavy goods vehicles entering Puducherry town and to reduce traffic congestion, Government approved (1998) a proposal of constructing a truck terminal at Mettupalayam in Puducherry. The proposed terminal was to provide required infrastructural facilities to truck operators and transport agencies.

The land required for the terminal was acquired by the Revenue Department and handed over (May 2003) to Oulgaret Municipality for creation of infrastructural facilities. The Municipality, out of grants-in-aid provided by the Town and Country Planning Department, created (2005-06 to 2007-08) infrastructural facilities such as internal roads, idle parking areas, toilet blocks, street lights and high mast lamps, bore wells, security shed, drivers' rest sheds, temporary sheds for petty shops, etc., at a cost of ₹ 2.52 crore. The terminal was formally inaugurated by the then Chief Minister in June 2007.

Even though the truck terminal was declared open, the truck operators/transport agencies were reluctant to shift their vehicles to the truck terminal and demanded allotment of plots/sheds on long-term lease or outright sale basis. Government constituted (January 2008) a committee for the purpose of examining issues relating to allotment, framing of by-laws, requirement of additional facilities etc., and to give recommendation to Government. The Committee, which was to submit their recommendations to Government in a month, visited truck terminals in Chennai and Bangalore to examine the methodology adopted in similar truck terminals, held many discussions with the truck operators and submitted its interim report in May 2009 only. The Committee suggested to Government, among other things, to develop common godown facilities, office spaces and to allot spaces on rental basis to the truck operators under build, own, operate and transfer (BOOT) system. In order to avoid the lengthy procedure in the selection of a consultant for the preparation of detailed project report and to study the viability and sustainability of the project, as approved (June 2010) by the Government, the Municipality addressed (July 2010) the Ministry of Urban Development (MOUD), Government of India to suggest a consultant with expertise in technical, financial and legal fields. Reply from MOUD was awaited (September 2010).

As the infrastructural facilities were created without analysing the viability of the project, some of the facilities in the truck terminal were found in dilapidated condition due to non-maintenance. Besides, the objective of reducing traffic congestion in Puducherry town was not achieved even after three years.

The failure of the Government to analyse the viability of truck terminal before providing infrastructural facilities rendered the expenditure of ₹ 2.52 crore unfruitful.

The matter was referred to Government in May 2010. Reply had not been received (November 2010).

PUBLIC WORKS DEPARTMENT

2.2.2 Abandoning of a Manimandapam (Memorial) for Perunthalaivar Kamarajar midway due to non-allotment of adequate funds

Commencement of construction of a Manimandapam by the Public Works Department without adequate allotment of funds led to foreclosure of a contract and abandonment of the work midway after incurring expenditure of ₹ 2.30 crore.

According to paragraph 2.1 of the Central Public Works Department Works Manual, availability of adequate funds is one of the pre-requisites for execution of any work and no work should be commenced and liability created before allotment of funds.

Government accorded (September 2006) administrative approval and expenditure sanction for ₹ 21.83 crore for construction of a Manimandapam³ for Perunthalaivar Kamarajar at Karuvadikuppam in Puducherry. The Chief Engineer (CE), Public Works Department, technically sanctioned (February 2007) the estimate for civil work for ₹ 10.49 crore. The work was awarded (August 2007) to a firm in the second call of tender for a contract price of ₹ 14.72 crore for completion within 12 months. The contracting firm, which commenced the work in September 2007, stopped it in April 2008, citing non-payment of their bills and requesting assurance from the department regarding availability of funds for making payments to them. The work was executed up to the plinth level and ₹ 1.82 crore was paid to the firm at that stage.

In a review meeting conducted (September 2008) by the Minister for Public Works, it was suggested to minimise the project cost in view of paucity of funds and explore the possibility of completing the balance work on build, operate and transfer (BOT) basis. When requested by the

³ A memorial complex consisting of administrative block, museum, art gallery, library, study hall, auditorium and open air theatre

department, the contractor refused (October 2008) to carry out the balance work on BOT basis and the CE foreclosed (October 2009) the contract, after obtaining approval from the Works Advisory Board. Since the art gallery, museum and library of the complex related to the Art and Culture Department, the proposal of completing the balance work was forwarded (November 2009) to the Director of Art and Culture requesting for permission to complete the work under the BOT mode by calling for expressions of interest. The Executive Engineer (EE), Buildings and Roads (North) Division, incurred (February 2010) a total expenditure of ₹ 2.30 crore⁴ on the work. The firm claimed ₹ 41.02 lakh on account of extended stay costs towards overheads, under-utilisation of materials, idling charges for plant and machinery, expenses on security and maintenance of staff and interest on delayed payments.

Scrutiny (April 2009) of records of the EE revealed that even though the contract value was ₹ 14.72 crore and seven out of the 12 month contract period fell in the financial year 2007-08, a budget provision of ₹ 1.65 crore only was made for the work. For the year 2008-09 also, a budget provision of only ₹ 70 lakh was made for the work. The Superintending Engineer, Buildings and Road Circle-I stated (June 2008) that an amount of ₹ 12.90 crore was required to carry out the work and requested the CE to arrange for provision of additional funds of ₹ six crore to request the contractor to resume the work. However, no additional funds were allotted during the year 2008-09. In 2009-10 also, only a token provision of ₹ 1,000 was made for the work. The non-allotment of adequate funds resulted in foreclosure of the contract and abandoning of the work midway, after incurring an expenditure of ₹ 2.30 crore.

When this was pointed out by audit, Government stated (July 2010) that the department was exploring the possibility of constructing a convention centre in the site by utilising the structure already created.

Thus, the intended objective of constructing a Manimandapam for Perunthalaivar Kamarajar was not achieved. Besides incurring an unfruitful expenditure of ₹ 2.30 crore, there was an additional liability of ₹ 41.02 lakh on avoidable contractual claims.

⁴ Civil works ₹ 2.07 crore, providing hoarding to display model ₹ 1.77 lakh, consultancy service ₹ 16.68 lakh and model tableau ₹ 4.47 lakh

HOME AND REVENUE AND DISASTER MANAGEMENT DEPARTMENTS

2.2.3 Acquired land remained idle as it fell under the Coastal Regulation Zone

The intended objective of providing an India Reserve Battalion complex could not be achieved even after five years as the land acquired at a cost of ₹ 1.63 crore fell under the Coastal Regulation Zone.

The Ministry of Environment and Forests (MOEF), Government of India (GOI) notification (February 1991) declared the entire Indian coastal stretches as a coastal regulation zone (CRZ) and imposed certain restrictions on the setting up and expansion of industries, operations or processes etc., in CRZ. MOEF constituted (January 2002) the Puducherry Coastal Zone Management Authority (PCZMA), empowering it to examine the proposals for changes or modifications in classification of CRZ in the Union Territory of Puducherry (UT).

In order to construct a complex for the India Reserve Battalion (IRB) which was established in March 2005 by the UT with a sanctioned strength of 1007 personnel, it was proposed to acquire 100 acres of land. As against the total requirement of land, Government land to an extent of 24 acres and private land to an extent of 73 acres in Pillayarkuppam and Kirumampakkam revenue villages along the Puducherry coast were proposed for acquisition. A site selection committee constituted for selection of suitable land for construction of the IRB complex recommended (September 2004) that the land identified could be acquired subject to compliance of CRZ regulations. Even though a major portion of the proposed land fell under CRZ, the Deputy Collector (Revenue) South, who was also the Land Acquisition Officer, observed that the land was suitable for the purpose for which acquisition was being made. The private land acquired at a cost of ₹ 1.63 crore as well as the Government land were handed over to the Department in October 2005 and December 2005 respectively without obtaining clearance from PCZMA. The Commandant of IRB handed over (September 2006) the entire land to the Public Works Department (PWD) for construction of the building for the IRB.

The Puducherry Planning Authority (PPA) returned (May 2008) the PWD's building plan of the complex on the grounds that a major portion of the acquired land was within the CRZ area and that the construction of IRB Complex did not fall within the permitted activities under the CRZ notification. It directed PWD to obtain the opinion of PCZMA, the competent authority regarding development in CRZ area. However, neither the PWD nor the Police department approached PCZMA.

As there was no scope for construction of IRB complex in the near future, the Commandant of IRB sought (February 2009) the approval of Government for the construction of temporary sheds at the police complex at Gorimedu and Puducherry stating that the IRB personnel were housed in substandard motor transport garage of police complex without basic amenities. In the meantime, following a decision taken by the Union Home Minister in a Review Meeting conducted during April 2010 to transfer the already acquired land to the Tourism Department, the Chief Secretary to the Government of Puducherry addressed (May 2010) the Collector-cum-Special Secretary (Revenue) for allotting alternative site for the establishment of IRB headquarters.

Thus, the failure of the two departments in acquiring land which fell under CRZ, without obtaining necessary clearance from PCZMA resulted in non-achievement of the desired objective of providing an IRB complex even after five years.

When this was pointed out by audit, the Government (Home Department) stated (October 2010) that even though construction of buildings in approximately 19.65 acres was possible and the remaining area could be used to meet routine physical activities of IRB such as playground, parade ground, firing range etc., construction activities could not be taken up due to objections from local village people. It was stated that a suitable alternative site for IRB was being looked for, as the land was under transfer to the Tourism Department.

However, the fact remained that defective planning in acquisition of land falling under CRZ for the construction of IRB complex resulted in expenditure of ₹ 1.63 crore on acquisition of land becoming unfruitful, besides keeping the land idle for more than five years.

The matter was referred to the Government in November 2010. Reply from Revenue and Disaster Management Department had not been received (November 2010).

ELECTRICITY DEPARTMENT

2.2.4 Unfruitful expenditure on partial erection of transmission line

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| <p>Failure of the Puducherry Electricity Department to resolve the issue of right of way in order to complete the stringing of a second circuit transmission line over already existing double circuit towers resulted in unfruitful expenditure of ₹ 90.06 lakh.</p> |
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In order to interlink all the 110 kilo volt (KV) sub-stations in Puducherry region and to ensure stable and reliable power supply in the Kalapet area, the Puducherry Electricity Department (PED) intended (January 2004) to erect a second circuit 110 KV transmission line for a route length of

12.904 kms from Sedarapet sub-station to Kalapet sub-station. The new line was proposed to be laid over the double circuit towers (DCTs) already erected through the Tamil Nadu Electricity Board (TNEB) during the year 1992 for which necessary tree/crop compensation to the landowners was settled by TNEB between 1994 and 1996. Government sanctioned (February 2004) ₹ 94.90 lakh⁵ for the second circuit work and the entire amount was deposited with the Power Grid Corporation of India Limited (PGCIL), the implementing agency, in two instalments (March and May 2004).

The Works of Licensees Rules 2006 framed by the Ministry of Power, Government of India stipulate that in cases where the owner/occupier of a building or land raises objections, the licensee should, for carrying out the work, obtain permission in writing from the District Magistrate or the Commissioner of Police or any other officer authorised. Even though PED deposited the entire amount with PGCIL in May 2004, a formal agreement was signed only in June 2006. The conditions of agreement stipulated that the work was to be completed within a period of 24 months from the date of receipt of advance payment and the PED was responsible for providing right of way. In the event of performance of the work being affected for more than six months due to unforeseen circumstances, the parties were to consult and decide further course of action.

The contractor engaged by PGCIL for the work completed (May 2006) the work of stringing of new 110 KV line on the existing DCTs upto a route length of 7.691 kms and the balance work of stringing in 5.213 kms could not be taken up due to objection raised by the local people of the villages in Tamil Nadu State, who once again demanded compensation for tree/crop losses which the department reported as inadmissible as per the Indian Electricity Rules which provided for only one time tree/crop compensation. As the negotiation with the villagers did not yield any favourable result, PED took up the matter with the Revenue officials of Tamil Nadu. However, the work could not be started after May 2007 due to stiff resistance by the public and PED resorted to negotiation.

Since PED was unable to solve the issue of right of way even after two years, PGCIL communicated (June 2008) its decision to foreclose the contract. The contract was foreclosed in August 2008 after a meeting was held (August 2008) between PED and PGCIL. The bills for supply, erection, freight and insurance furnished by PGCIL amounting to ₹ 75.40 lakh were not adjusted (September 2010) against the advance payment.

The balance work of stringing in 5.213 kms was not taken up even as of October 2010. The failure of PED to take lawful action at the appropriate time to provide the right of way for the left-over portion resulted in

⁵ ₹ 79.45 lakh (Estimated cost of the work) plus ₹ 14.30 lakh (Consultancy fees @ 18 per cent) plus ₹ 1.15 lakh (Service Tax @ eight per cent on consultancy fees)

unfruitful expenditure of ₹ 90.06 lakh⁶ incurred for the stringing of new 110 KV transmission line partially.

When this was pointed out by Audit, Government stated (October 2010) that on receipt of particulars regarding the payment of compensation made to land owners in respect of the existing line, legal action had been initiated in September 2010 to restore the stringing of 110 KV line in the villages of Tamil Nadu. The reply is not tenable as the details were already made available by TNEB in the year 2006, PED could have taken lawful action in the year 2007 itself.

2.3 Blocking of funds

LOCAL ADMINISTRATION DEPARTMENT

2.3.1 Blocking of funds due to non-availability of site for construction of a community hall

Release of grant-in-aid to Oulgaret Municipality by the Department without even ensuring the availability of clear site to construct a community hall and non-adherence to provisions of General Financial Rules resulted in blocking of funds of ₹ 59.84 lakh for more than three years.

General Financial Rules (GFR) stipulate that Government departments should consider sanction of grants-in-aid to institutions only on the basis of viable and specific schemes drawn up in sufficient details by the institutions and that, in the event of non-utilisation, the refund of the amount of grants-in-aid with interest thereon should be brought out clearly in the letter sanctioning the grants-in-aid. The sanctioning authority may release grants-in-aid in instalments by prescribing the quantum and periodicity.

Government sanctioned (November 2006) grant-in-aid of ₹ 59.84 lakh to Oulgaret Municipality for construction of a community hall at Kalapet under the scheme of 'Financial assistance to municipalities for creation of infrastructural facilities in Tsunami affected areas'. Based on an assurance given by the Kalapet Fishermen Village Panchayat that the land required for the community hall would be handed over to the municipality, Oulgaret Municipality prepared (March 2007) a preliminary estimate of the work at a cost of ₹ 59.84 lakh and forwarded it to the Director, Local Administration Department for arranging release of grant-in-aid to the municipality. Government released (March 2007) grant-in-aid of ₹ 59.84 lakh for the purpose to the municipality. The release order, however, did

⁶ ₹ 75.40 lakh (expenditure for stringing upto 7.691Kms) plus consultancy fees @ 18 per cent and service tax @ eight per cent on consultancy fees.

not specify that in the event of non-utilisation of the grant-in-aid, the amount should be refunded with interest.

The Superintending Engineer of Oulgaret Municipality technically sanctioned (June 2008) the detailed estimate of the work for ₹ 65.20 lakh and issued work order (December 2008) to the successful tenderer for a value of ₹ 67.31 lakh, after getting approval from the Municipal Council.

All the efforts taken (September 2008 to May 2009) by the municipality to get the required land, which is owned by 11 fishermen, through registration of gift deeds in favour of the municipality did not fructify. The present village panchayat president and members were not willing to hand over the land free of cost and the land owners demanded compensation. As no clear work site to proceed with the work was available, it was decided (May 2009) to refund the earnest money deposit to the tenderer and to refund the grant-in-aid to Government. The Municipality, however, had not refunded the amount (June 2010) to Government.

Thus, the premature release of ₹ 59.84 lakh by the Department in lump sum without even ascertaining the availability of clear site to commence the work and non-adherence to the provisions of GFR regarding grants-in-aid resulted in blocking of funds for more than three years. It is pertinent to mention here that the Government obtained loans from Government of India during 2006-07 to cover the gap in resources of the Union Territory with interest rate of nine *per cent* per annum.

When pointed out by Audit, Government stated (September 2010) that due to difference of opinion among the Panchayat office-bearers in handing over the land, the proposal was dropped and that the funds released would be utilised for construction of a fish market at Kalapet. However, the fact remained that the premature release of grant meant for creation of infrastructural facilities in Tsunami affected areas resulted in blocking of funds, which could have otherwise been utilised more productively elsewhere.

CO-OPERATION DEPARTMENT

2.3.2 Blocking of funds due to premature release of funds

Premature release of funds to the Indian Coffee Workers' Co-operative Society resulted in blocking of ₹ 50 lakh outside Government account for more than three years.

Rule 209(3) of the General Financial Rules (GFRs) stipulates that Government departments should consider sanction of grants to any institution or organisation seeking grants-in-aid from Government only on the basis of viable and specific schemes drawn up in sufficient detail by the institution or organisation.

Based on a request (December 2005) from the Indian Coffee Workers' Co-operative Society (ICWCS) to provide financial assistance to them to construct a new building for the society, the Chief Minister directed the Registrar of Co-operatives (RCS) to include this item in the proposals for providing financial assistance to co-operatives during 2006-07. Government released (December 2006) ₹ 50 lakh⁷ to the ICWCS for construction of a new building. The RCS instructed (December 2006) ICWCS to keep the amount in a separate account to be opened in the Pondicherry State Co-operative Bank and requested (February 2007) it to get the building plan approved early and start the work.

Scrutiny of records revealed that at the time of seeking Government assistance, ICWCS had not submitted any detailed sketch or plan and the plan furnished had only a rough cost estimate of the building. The Indian National Trust for Art and Cultural Heritage (INTACH), Puducherry objected (September 2007) to the demolition of the old building of ICWCS as the existing building was a heritage building and suggested only additions and alterations (renovation) to the existing building. It was further noticed that ICWCS obtained (June 2009) building permission from the Puducherry Planning Authority for additions and alterations in the old building, as suggested by INTACH, instead of demolishing it. For speedy execution of work, it was decided (October 2009) to entrust the work to the Puducherry Adi-Dravidar Development Corporation (PADCO). Preparation of architectural drawings for the building was entrusted (November 2009) to INTACH and the preparation of detailed estimate of the work by PADCO was in progress (April 2010). ICWCS earned interest of ₹ 6.87 lakh from the investment of grant-in-aid up to September 2009.

Even though ICWCS had no immediate requirement for utilisation of the funds, the RCS failed to instruct ICWCS to refund the amount to Government. Thus, the premature release of entire funds sought for by ICWCS based on their rough cost estimate without obtaining detailed sketch or plan in contravention of the provisions of the GFRs resulted in blocking of funds of ₹ 50 lakh outside Government account for more than three years. As the Government obtained loans from Government of India, with interest rate of nine *per cent* per annum, to cover the gap in resources of the Union Territory during 2006-07, the interest liability of the Government could have been reduced to that extent, had the money been made available to ICWCS only when there was actual requirement.

The matter was referred to the Government in July 2010. Reply had not been received (November 2010).

⁷ ₹ 12.50 lakh as loan and ₹ 37.50 lakh as grant-in-aid

2.4 Loss of revenue

LOCAL ADMINISTRATION DEPARTMENT

OULGARET MUNICIPALITY

2.4.1 Non-levy of entertainment tax for the undeclared cable television connections

The Entertainments Tax Officer's failure to enforce the provisions of Act and rules led to non-levy of entertainment tax for the undeclared cable television connections given by the cable television operators and loss of revenue of ₹ 1.08 crore to the Oulgaret Municipality.

The Pondicherry Municipalities (Second amendment) Act, 1999 provides for levy of entertainment tax on cable television exhibition of any programme including cable television network at the rate of 10 per cent of the amount collected by a cable operator (CO) by way of contribution or subscription or installation or connection charges from a subscriber. The Pondicherry Municipalities (Entertainments Tax) (Amendment) Rules 1999 stipulate that the COs have to register with the Municipality and renew their registration every financial year. The entertainment tax was to be collected by the Entertainments Tax Officer (ETO) on the basis of the monthly returns submitted by the COs. The ETO was empowered to determine the quantum of tax in the event of non-submission of returns by the COs or submission of incomplete, incorrect or false returns. The COs were required to intimate in writing to the ETO every revision in the charges not less than 48 hours prior to such revision. Section 184 of Pondicherry Municipalities Act, 1973 provides for imposition of fine on every person who is prosecuted for non-payment of any tax, cess, fee or other sum due on proof to the satisfaction of the Magistrate. The Oulgaret Municipality (Municipality) brought the COs operating in its jurisdiction into tax net from June 2000.

Scrutiny of records pertaining to collection of entertainment tax from the COs by the Oulgaret Municipality revealed the following:

Sixty eight registered COs were operating in the municipal area as of March 2001 with reported subscriber strength of 8,843. Many of these COs, besides non-renewing their registration every financial year, had, neither paid entertainment tax regularly to the Municipality nor submitted the monthly returns showing the charges collected by them as envisaged in the rules. A survey conducted by the Municipality during 2005-06 revealed that unregistered operators were also exhibiting cable television within the municipal jurisdiction and there were 31,259 cable connections as against the 8,843 connections declared by the COs initially. Despite the existence of 22,416 undeclared connections, the Commissioner of the Municipality, who is also the ETO, had not determined the quantum of entertainment tax due to the Municipality from the COs. There was no

response to the notice served to the COs based on the survey report and the ETO had not taken coercive action to bring all COs into tax net. The entertainment tax collection declined from ₹ 15.72 lakh in 2004-05 to ₹ 0.07 lakh in 2008-09. To an audit query, the Revenue Office of the Municipality replied (October 2009) that entertainment tax of ₹ 59.22 lakh from 68 COs was due as of 31 March 2009 in respect of 8,843 connections.

A comment was made in paragraph 3.3.8 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004 regarding non-collection of tax from COs who had neither renewed their permits/registration nor paid the tax upto March 2004 in the five Municipalities of Union Territory of Puducherry. During discussion of the paragraph by the Committee on Public Accounts (PAC), the Director of Local Administration (LAD) stated (February 2009) that none of the COs was operating in the municipal areas without permit. Scrutiny of records of Oulgaret Municipality, however, revealed that unregistered COs and COs who had neither renewed their registration nor submitted the monthly returns were still (October 2009) operating in the municipal area and no stringent action was taken by the Municipality against them. Thus, the statement of LAD before the PAC that there was no CO without permit was factually incorrect.

The failure of the ETO of the Municipality to enforce the provisions of the Act and rules had resulted in non-levy of entertainment tax of ₹ 1.08 crore⁸ for the undeclared connections from April 2006 to March 2010.

The matter was referred to the Government in July 2010. Reply had not been received (November 2010).

2.5 General

2.5.1 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, 2007-08 and 2008-09, departmental replies were not received for 54 paragraphs/reviews as of September 2010.
- (b) Government departments had not taken any action as of September 2010 on 198 recommendations made by the PAC in respect of Audit Reports of 1977-78 to 2001-02 as detailed in **Appendix 2.1**.

⁸ 22,416 X ₹ 100 per month X 48 months (from April 2006) X 10 per cent