

EXECUTIVE SUMMARY

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Based on the audited accounts of the Government of Union Territory of Puducherry for the year ending March 2013, this Report provides an analytical review of the Annual Accounts of the Union Territory Government. The Report is structured in three chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the Government's fiscal position as on 31 March 2013. It provides an insight into trends in receipts and expenditure, committed expenditure, borrowing pattern and fiscal status of the Government, besides giving a brief account of Central funds transferred directly to the UT implementing agencies through the off-budget route.

Chapter II is based on the audit of Appropriation Accounts and gives grant-wise description of appropriations and the manner in which the allocated resources were managed by the service delivery departments.

Chapter III is an inventory of the Government's compliance with various reporting requirements and financial rules. The Report also has additional data collated from several sources in support of the findings.

Audit findings

1. Finances of the Union Territory Government

Funds transferred directly to implementing agencies: During 2012-13, GOI directly transferred ₹ 32.90 crore to the Union Territory implementing agencies for implementation of various schemes/programmes. Under the present system, these funds are not routed through the UT budget/Treasury system and hence flow of these funds is not captured in the Finance Accounts of the UT. As such, the Annual Finance Accounts of the UT does not provide a complete picture of the resources under the control of the UT Government. There is no single agency monitoring the use of these funds and no data is readily available on such programmes on the amounts spent on major flagship programmes.

High share of revenue expenditure in total expenditure: The revenue expenditure of ₹ 3,051 crore during 2012-13 constituted 90.61 *per cent* of total expenditure. The committed expenditure such as salaries, pension and interest payments constituted around 62 and 64 *per cent* of revenue receipts and revenue expenditure respectively.

Inadequate priority to Development expenditure: The capital expenditure decreased by ₹ 60 crore from ₹ 375 crore in 2011-12 to ₹ 315 crore in 2012-13 and it accounted only for 9.36 *per cent* of the total expenditure. The

development expenditure (expenditure on social and economic sectors) as percentage of aggregate expenditure decreased from 72 in 2011-12 to 64 in 2012-13.

Low return on investments: As of 31 March 2013, Government invested ₹ 960 crore in Government companies and co-operative institutions. Though the average rate of interest on UT Government's borrowings was eight *per cent*, the average rate of return on investment was only 0.4 *per cent* during 2008-13.

High ratio of fiscal liabilities to GSDP: The outstanding fiscal liabilities increased from ₹ 3,325 crore in 2008-09 to ₹ 5,880 crore in 2012-13. The fiscal liabilities constituted 34 *per cent* of GSDP in 2012-13.

2. Financial management and budgetary control

During 2012-13, expenditure of ₹ 3,580.57 crore was incurred against total grants and appropriations of ₹ 5,760.48 crore, resulting in overall savings of ₹ 2,179.91 crore (37.84 *per cent*). In 103 cases, no expenditure was incurred against the provision of ₹ 1,247.94 crore. There were persistent savings of more than ₹ 10 lakh in 11 grants during 2008-13. Out of total anticipated savings of ₹ 1,954.33 crore in 10 grants, ₹ 196.85 crore was not surrendered. In 47 cases, the expenditure exceeded the approved provisions, resulting in excess expenditure of ₹ 149.16 crore.

3. Financial Reporting

There was large scale pendency in furnishing of Utilisation Certificates by various grantee institutions for grants-in-aid of ₹ 348 crore. The pendency ranged from one to more than nine years. Thirty two autonomous bodies/authorities did not submit to Audit their annual accounts due for the period upto 2011-12 as of December 2013. Temporary advances aggregating to ₹ 286.68 crore were pending for adjustment by the Drawing and Disbursing Officers. The Union Territory Government departments reported 323 cases of misappropriation, loss, defalcation, etc., involving Government money of ₹ 44.64 crore upto March 2013. Final action on these cases were pending for periods ranging from one to more than 15 years.