

**CHAPTER III**  
**COMPLIANCE AUDIT**

## CHAPTER III

### COMPLIANCE AUDIT

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

#### 3.1 Avoidable/Unfruitful Expenditure

##### *HEALTH AND FAMILY WELFARE DEPARTMENT*

##### *PERUNTHALAIVAR KAMARAJ MEDICAL COLLEGE SOCIETY*

#### 3.1.1 Avoidable interest payment

**Failure to provide sufficient funds to meet the expenditure of construction of Medical College buildings resulted in avoidable payment of interest of ₹ 2.35 crore to the contractor on belated payments**

The Pondicherry Medical College Society<sup>1</sup> (Society) was set up (June 2005) to establish Medical College in Union Territory of Puducherry at a cost of ₹ 234 crore<sup>2</sup> which would be met from Grants released by UT Government. For creating infrastructure facilities, works of construction of service, college and hospital blocks were awarded (August 2006/March 2007) to a contractor through tender at a cost of ₹ 127.52 crore. The works, which were scheduled to be completed within 12 to 16 months (not later than March 2008), were completed only in August 2013 (Service block) and December 2013 (College block) while the work of construction of Hospital block was nearing completion as of May 2014. Scrutiny of the records relating to execution of these works revealed the following.

During 2008-09, against the proposed outlay of ₹ 79 crore for 2008-09 only an amount of ₹ five crore was released towards recurring expenditure and no amount was provided to meet the non-recurring expenditure. Due to non-provision of funds, the society could not settle the bills of contractor amounting to ₹ 10.07 crore, which were pending as of April 2008. The contractor stopped work in April 2008 and requested (July 2008) to

<sup>1</sup> Renamed as Perunthalaivar Kamaraj Medical College Society in September 2010

<sup>2</sup> Towards Building component which was later revised to ₹ 351.44 crore

foreclose the works and demanded interest for delayed payments. However, society did not foreclose the works.

When UT Government instructed (December 2009) the contractor to resume work, he requested for compensation by way of price escalation. The society agreed and entered into a supplementary agreement for completion of balance works and the contractor resumed (December 2009) works and all outstanding dues were settled during January 2010. After resuming work, contractor among other claims, insisted (May 2010) upon his demand for interest on belated payments and the same was rejected (January 2011) by Society. The contractor sought for arbitration (February 2011) and an arbitrator was appointed (May 2011) who among other things awarded (May 2012) an amount of ₹ 2.35 crore in favour of contractor towards interest on belated payments which was paid (August 2012). Had the required funds were provided during 2008-09, the interest payment could have been avoided. Further, since the work was delayed, possibility of cost escalation cannot be ruled out.

When pointed out, Department stated (November 2013) that as Planning and Research Department reduced the proposed allocation of Health Department, only an amount of ₹ five crore could be allocated proportionately for setting up of Medical college during that year. But the fact remains that failure to allot sufficient funds led to non-completion of work within time besides resulting in avoidable interest payment of ₹ 2.35 crore.

The matter has been referred to Government in June 2014; reply has not been received (January 2015).

## ***ADI DRAVIDAR WELFARE DEPARTMENT***

### **3.1.2 Unfruitful expenditure on purchase of land**

<p><b>Purchase of land falling under Coastal Regulatory Zone for establishing a residential school resulted in unfruitful expenditure of ₹ 13.64 crore</b></p>
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Ministry of Environment and Forest, Government of India declared (February 1991) the coastal stretches as Coastal Regulation Zone (CRZ) imposing restrictions on industries, operation and processes and regulating activities in the CRZ. Based on this notification, Union Territory Government published (December 1993) the lands with survey numbers that fall under CRZ.

The UT Government proposed (2005-06) to establish a residential school for 1,500 students exclusively for Scheduled Caste (SC) students in Puducherry region who were unable to compete with students of other

communities, to get admission in the professional colleges. At the first instance, it was proposed to admit 1,500 students from class VI to XII standard. Towards this purpose land measuring 11H-06A-04Ca<sup>3</sup> was identified (May 2008) by site selection committee and the same was purchased (February 2010) at a cost of ₹ 13.64 crore.

Scrutiny of records revealed that land purchased by Department was not contiguous and also fell in CRZ - No Development Zone, which the site selection committee had failed to notice during identification of land. As the land was not contiguous, Director, Adi-dravidar Welfare Department, proposed (February 2012) to buy the adjacent land measuring 3H-45A-50Ca to establish residential school. However, as this land was also covered under CRZ, the Senior Town Planner opined (August 2012) that necessary permission had to be obtained from Puducherry Coastal Regulatory Authority before taking up any development activities in these areas, no further action was taken to purchase the adjacent land and the land already purchased was kept idle.

Thus, the imprudent decision of UT Government to purchase land despite knowing that it fell under CRZ, in which developmental activities would be permitted only for the benefit of local inhabitants/fishermen folks, resulted in unfruitful expenditure of ₹ 13.64 crore besides defeating the social objective of establishing Residential school for SC students.

The matter has been referred to Government in August 2014; reply had not been received (January 2015).

## ***TOWN AND COUNTRY PLANNING DEPARTMENT***

### ***PUDUCHERRY SLUM CLEARANCE BOARD***

#### **3.1.3 Unfruitful expenditure on construction of tenements**

**Failure of Slum Clearance Board in providing clear site, free access and to get revised structural design in time for construction of tenements resulted in unfruitful expenditure of ₹ 32.03 lakh.**

Central Public Works Department (CPWD) works manual stipulates that availability of clear site is a desirable prerequisite before approval of Notice Inviting Tenders.

The UT Government, under Slum Upgradation Programme, released (July 2006) ₹ 25 lakh as grants-in-aid to Puducherry Slum Clearance Board (Board) for construction of 20 tenements (A3 block) at Mottai Thoppu,

<sup>3</sup> Hectare-Are-Centiare

Puducherry for accommodating slum dwellers. The work was awarded (August 2007) to a contractor for ₹ 38.48 lakh for completion within seven months (March 2008). As of May 2014, the work was not completed. Scrutiny of records revealed the following:

Though the work was awarded in August 2007, clear site for execution was given by the Board only in December 2007. As a result, contractor requested for cost escalation due to increased cost of materials. The Board declined his request and foreclosed (March 2008) the work.

In retender, the work was again awarded (February 2009) to the same contractor, being single tenderer for ₹ 51.75 lakh. However, the work could not be commenced immediately due to delay in finalization of structural design. It was noticed that though soil investigation was conducted in June 2006, Board requested Pondicherry Engineering College (PEC) only in April 2009 for suitable modification of the footing and other structural components and the same was made available by PEC in May 2009. Apart from this, it was also noticed that the site could not be accessed from July 2009 to April 2010 due to ongoing works in adjacent site. Hence, the work commenced only in June 2010. It was executed upto lintel level for a value of ₹ 32.59 lakh and payment of ₹ 32.03 lakh was made to the contractor. Meanwhile, the contractor stopped the work and requested (May 2012) revision of rates based on the latest Schedule of Rates owing to the above delay.

Based on this request, the Board prepared (December 2012) a revised estimate and the same was forwarded (January 2013) to Town and Country Planning Department for approval and the work was foreclosed (October 2013). The revised estimate was yet to be approved (March 2014). As such, the work which was planned to be completed by March 2008 remained incomplete even after expiry of almost seven years. Thus, failure of the Board in ensuring clear site, free access and to get revised structural design in time resulted in unfruitful expenditure of ₹ 32.03 lakh.

On this being pointed out, Government justified (August 2014) its inability to handover clear site, free access to site and to get revised structural design in time and stated that failure/lapses were not intentional.

**REVENUE AND DISASTER MANAGEMENT AND  
TOWN AND COUNTRY PLANNING DEPARTMENTS**

**3.1.4 Unfruitful expenditure on release of funds to landless labourers  
for construction of house**

**Issue of pattas and release of assistance for construction of houses to landless labourers even before completion of land acquisition proceedings and subsequent termination of these proceedings resulted in unfruitful expenditure of ₹ 28.40 lakh.**

The Land Acquisition Act, 1894 provides that Collector shall make an award under Section 11A within a period of two years from the date of publication of declaration and if no award is made within that period, the entire proceedings for the acquisition of the land shall lapse. The Puducherry Slum Clearance Board (PSCB) implements ‘The Puducherry Perunthalivar Kamarajar Centenary Housing Scheme for Houseless Poor – 2003’ (Scheme) to provide financial assistance of ₹ one lakh for construction of house to Below Poverty Line families in free sites allotted by UT Government. The financial assistance is provided in three instalments<sup>4</sup>. During 2010-11, 71 beneficiaries, who were released (February 2011) first instalment of ₹ 0.40 lakh under Phase V of the scheme, did not construct houses till date. Scrutiny of the records revealed the following:

In order to provide free house sites to landless labourers in Yanam region, the site selection committee identified (December 2009) land to an extent of 0H-51A-95Ca with structures owned by Pondicherry Industrial Promotion Development Investment Corporation (PIPDIC). Following this, Revenue Department proposed (April 2010) allotment of free house sites to landless labourers. Notification under Section 4(1) of Land Acquisition Act, 1894 was issued (May 2010) and declaration under Section 6 was issued in October 2010.

Based on the assurance given by the Deputy Collector (Revenue)-cum-Land Acquisition Officer that an amount of ₹ 2.25 crore would be given as compensation within 60 days, PIPDIC handed over (December 2010) the land to the Collector, Puducherry. The amount was drawn by Director of Survey and Land records (DS&LR) and was forwarded (May 2011) to Deputy Collector (Revenue) (LAO) who kept the amount under civil deposit (October 2011). Pending completion of land acquisition proceedings, 79 pattas<sup>5</sup> were issued (January 2011) to the beneficiaries by Deputy Collector, Yanam and PSCB released (February 2011) ₹ 28.40 lakh

<sup>4</sup> First instalment of ₹ 40,000 on approval, second instalment of ₹ 30,000 on completion up to lintel level and third instalment of ₹ 30,000 on completion of roof

<sup>5</sup> Legal document issued by Revenue department specifying the ownership of land

as first instalment to 71 beneficiaries. However, as the land was not subdivided, beneficiaries could not construct houses.

As there was dispute<sup>6</sup> regarding ownership of land, land acquisition proceedings which were initiated in October 2010 for passing award were delayed and LAO requested (September 2012) DS&LR to obtain administrative approval for demolition of existing structures and additional amount of ₹ 30.97 lakh for passing award. However, neither was administrative approval given nor was additional amount deposited till October 2012 and land acquisition proceedings lapsed.

Subsequently, though PIPDIC was addressed (November 2013) for re-notifying and restricting the acquisition to vacant portions available, the same was not agreed to by PIPDIC and it requested return of entire property. Accordingly, Revenue Department directed (January 2014) LAO to withdraw the entire land acquisition proceedings with UT Government's approval, which was awaited (August 2014) and the amount of ₹ 2.25 crore was not returned to DS&LR. Thus, issue of pattas and release of assistance to beneficiaries even before acquisition of land and subsequent termination of land acquisition proceedings led to unfruitful expenditure of ₹ 28.40 lakh as they could not construct houses.

When pointed out, Government accepted (November 2014) that award could not be passed due to procedural lapses. It further stated that notices cancelling pattas have been issued and PSCB has initiated action to recover the subsidy amount with interest from beneficiaries. However the fact remains that pattas were issued and assistance was provided to the beneficiaries even before passing the award and the objective of providing houses to landless labourers was not achieved.

## **HOME DEPARTMENT**

### **3.2 Implementation of Coastal Security Scheme**

#### **3.2.1 Introduction**

Government of India (GOI) approved Coastal Security Scheme in January 2005 with an objective of addressing the critical gap in policing of coast and close coastal waters by setting up Marine Police Force in all coastal States and Union Territories. Under Phase I of the scheme, one Coastal Police Station (CPS) was opened during November 2006 at Karaikal having

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<sup>6</sup> The land was actually mortgaged to PIPDIC by an entrepreneur during 1989 which was later (August 1999) taken up by PIPDIC on default of repayment. However, the land owner who relinquished his rights in the land due to default claimed (July 2011) that he was also eligible for compensation

operational jurisdiction over entire coastal area<sup>7</sup> of UT. While GOI provided three<sup>8</sup> interceptor boats and necessary financial assistance for buildings, vehicles and computers, the manpower is provided by UT. The CPS is manned by an Inspector of Police and supporting police personnel functioning under the supervision and control of the Superintendent of Police (Security), Puducherry. Three more CPSs were sanctioned under Phase II during March 2012 with respective jurisdictions over Puducherry, Mahe and Yanam.

Audit on implementation of Coastal Security Scheme under Phase I was conducted during 2013-14 with main focus on utilisation of sophisticated interceptor boats and functioning of CPS, Karaikal covering the period 2009-14.

### **Audit Findings**

#### **3.2.2 Under-utilisation of boats due to non-provision of funds for fuel and maintenance**

GOI had prescribed (September 2009) that interceptor boats were to be tasked for a minimum of 120 hours of coastal patrolling operation in a month with a yearly tasking of minimum 1,400 hours which was revised (October 2010) by GOI as 150 hours for daily tasking and 1,800 hours for yearly tasking.

Scrutiny of log books of the boats revealed that one 12 ton boat berthed at Karaikal<sup>9</sup> had run for 793 hours only against the prescribed norms of 3,870 hours<sup>10</sup>. Log books of the remaining two boats disclosed that the 12 ton boat berthed at Puducherry was tasked for 1,019 hours and the five ton boat at Karaikal was tasked for 1,119 hours only as of March 2014 against the prescribed norms of 7,830 hours<sup>11</sup> and 8,070 hours<sup>12</sup> respectively. The shortfall was 86.99 *per cent* and 86.13 *per cent* respectively which was due to non-availability of funds for fuel expenses and poor maintenance as discussed below:

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<sup>7</sup> Five nautical miles in sea from shore and one kilometre in land (amended in March 2012 as 500 metres on land with concurrent jurisdiction with local police station)

<sup>8</sup> Two 12 ton boats (Diesel) stationed at Puducherry and Karaikal and one 5 ton boat (Petrol) stationed at Karaikal

<sup>9</sup> Met with an accident during December 2011 and awaiting condemnation as the boat was beyond the scope of economical repair

<sup>10</sup> September 2009 to October 2010 @ 120 hours per month and November 2010 to December 2011 @ 150 hours per month

<sup>11</sup> September 2009 to October 2010 @ 120 hours per month and November 2010 to March 2014 @ 150 hours per month

<sup>12</sup> July 2009 to October 2010 @ 120 hours per month and November 2010 to March 2014 @ 150 hours per month



- GOI sanctioned (December 2009) ₹ 52 lakh as advance towards fuel expenses for boats for the financial year 2009-10 with instructions to provide funds for subsequent years through budget which would be reimbursed. Though this fund released was utilised to operate the boats during the years 2010-12, they were kept largely idle during 2012-14 as budget provision was not made for fuel.
- The expense for lifting the boat from water to carry out maintenance work was to be borne by UT. However, it was noticed that no provision was made in the budget to meet this expense and department faced difficulty in obtaining funds for hiring of crane to disembark and embark the boat and other related expenses.
- Due to non-provision of funds for fuel and maintenance, the boats were not taken for regular sea patrolling leading to excessive marine growth on under-water hull and they could not achieve the design speed of 30 knots.

When pointed out, Superintendent of Police replied (June 2014) that ₹ 52 lakh released by GOI was sufficient upto 2011-12 and necessary budget provisions were made during successive years. But, Audit found that no provisions were made in the budget for fuel expenses during 2012-14 and boats were tasked only to the extent of fund released by GOI. Regarding non-provision of funds for maintenance of boats it was replied that ₹ 10 lakh towards maintenance was included in the budget proposals for the year 2014-15.

### 3.2.3 Shortage of manpower and inadequacy in training

The men-in-position of CPS Karaikal, other than ministerial staff as of May 2014 is as follows (Table 1) :

**Table 1 : Men-in-position at Karaikal CPS**

Cadre	Sanctioned strength	Men-in-position
Inspector	1	1
Sub-Inspector (SI)/Asst. Sub-Inspector (ASI)	3	1
Head Constables (HC)/Police Constables (PC)	21	13
Lascar <sup>13</sup> PC	8	3
Coxswain Syringer <sup>14</sup>	3	3
Engine Driver	6	1
VHF Operator	3	Nil
<b>Total</b>	<b>45</b>	<b>22</b>

Against 45 sanctioned posts, only 22 were filled up as of May 2014, of which three HCs were at service placement to various other offices in

<sup>13</sup> Deckhands

<sup>14</sup> Personnel incharge of Navigation

Karaikal. Further, as recruitment of crew on regular basis was not done, the boats at Karaikal and Puducherry were being manned by three Coxswain Syrangens and an Engine Driver engaged on contract basis.

As per Para 16.1 of Standard Operating Procedures (SOP), no police personnel should be posted to a Coastal Police Station without being given basic training in coastal security. The details furnished by the department revealed that during 2006-14 four training courses<sup>15</sup> were conducted by Indian Coast Guard for 12 personnel<sup>16</sup> of CPS. It was noticed that the Inspector of Police, Head of CPS was not trained in Coastal security. Similarly, the Coxswain Syrangens and engine driver, who were responsible for navigation and maintenance of on board machinery were also not given 'on the job training' as provided in SOP.

Thus, Interceptor boats were not utilised optimally for sea patrolling due to lack of funds for fuel and maintenance and training of personnel had gaps.

The matter has been referred to Government in July 2014; reply had not been received (January 2015).

## **EDUCATION DEPARTMENT**

### **3.3 Creation of infrastructure facilities in Government schools under Rashtriya Madhyamik Shiksha Abhiyan in Union Territory of Puducherry**

#### **3.3.1 Introduction**

Government of India (GOI) launched Rashtriya Madhyamik Shiksha Abhiyan (RMSA), in March 2009 to universalize access to and improve quality of education at secondary stage. In order to improve the quality of education at secondary level and universal retention by 2020, schools were provided with funds under RMSA to improve their infrastructure facilities such as construction of class rooms, laboratories, libraries, toilet blocks and residential accommodation for Teachers in remote areas and providing safe drinking water facilities. Seventy five *per cent* of project cost would be borne by GOI and the remaining 25 *per cent* would be borne by the respective State/Union Territory (UT) Government. The scheme is implemented by Education Department with the assistance of State Project Director (SPD).

<sup>15</sup> One training on handling of fast interceptor boat, two basic marine training course and one on-job training by Indian Coast Guard

<sup>16</sup> Sub-Inspector-1, Head Constables – 2, Police Constables – 6 and Lascar Police Constables - 3

An audit was conducted during April-June 2014 covering the period 2011-2014 to ascertain whether adequate infrastructure was created for schools under RMSA. Out of 129 schools covered under RMSA in UT, 67<sup>17</sup> schools were provided with non-recurring grants for developing infrastructure facilities of which 14 schools in Puducherry region and three schools in Karaikal region (25 *per cent*) were selected based on stratified sampling method.

### 3.3.2 Financial Management

As per the framework for implementation of RMSA, funds would be released by GOI in two instalments each year i.e., one in April for expenditure between April and September and the second in September for expenditure between October and March. Release of second instalment would be based on the progress in expenditure and quality of implementation. The UT Government has to apply for the second instalment after utilising at least 50 *per cent* of the funds earlier released and also subject to submission of certificate regarding the release and receipt of the UT share against the amount of the Central funds released till then.

During 2009-14, against sanctioned amount of ₹ 22.78 crore, an amount of ₹ 12.62 crore was released for creation of various infrastructure<sup>18</sup> in schools as the funds were not utilised within the financial years as discussed in succeeding paragraph. Even out of ₹ 12.62 crore released, only an amount of ₹ 4.17 crore (33 *per cent*) was utilised as of March 2014 which included ₹ 3.60 crore released to PWD for civil works. Audit observed that due to non-utilisation of available funds, UT Government could not get balance installments from GOI and needy schools were deprived of benefits of creation of infrastructure facilities.

### 3.3.3 Planning

#### 3.3.3.1 Absence of School Improvement Plan (SIP)

The Framework for implementation of RMSA issued by GOI during 2010-11 stipulates that schools should prepare School Improvement Plan (SIP) to reflect the school needs with the assistance of civil engineers to evaluate and estimate the required work every year. However, no instruction was issued to the schools to prepare SIP and none of the schools furnished SIP until 2012-13 and only 40 schools had prepared SIP during 2013-14. When pointed out, it was stated that as only 129 schools come under RMSA purview, it would not be a difficult task to plan for the development of the school with the help of U-DISE<sup>19</sup> data and by personal

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<sup>17</sup> 46 in Puducherry, 14 in Karaikal, four in Yanam and three in Mahe

<sup>18</sup> Additional classrooms, Headmaster room, office-cum-storeroom, lab equipments, science laboratory, toilets and drinking water facilities, etc

<sup>19</sup> Unified – District Information System for Education

visits. It was, however, observed that in absence of SIP the SPD would not be able to identify school needs. As a result, eleven works (construction of classrooms) awarded under RMSA in five schools were not taken up due to non-availability of site as discussed in paragraph 3.3.4.

Government while accepting the fact that SIP was not collected in all schools, replied (November 2014) that school needs would be identified with the help of SIP and U-DISE data in future.

### **3.3.3.2 Deficiencies in implementation**

The Annual work plan for the year 2009-10 envisaged strengthening infrastructure of 24 schools at a cost of ₹ 7.04 crore which included construction of 16 class rooms in 12 schools. GOI approved (March 2010) the proposal and released an amount of ₹ 1.34 crore as first installment towards creation of infrastructure and UT Government released (March 2010) ₹ 1.15 crore. However no work was taken up during 2009-10 due to belated release (March 2010) of funds.

The Annual work plan for the year 2010-11 approved by GOI proposed to strengthen 33 schools at a cost of ₹ 8.18 crore and ₹ 1.87 crore was released (January 2011). The UT Government also released (March 2011) ₹ 2.18 crore. However no work was taken up during this year also due to belated release of funds. During 2011-12, though it was proposed to upgrade two schools<sup>20</sup> and to take up works like construction of classrooms, laboratories, libraries etc., for ₹ 4.82 crore, none of them were taken up as no funds were released.

Based on the availability of the above release of funds (₹ 6.54 crore), the UT Government issued (February 2012) administrative sanction for construction of 48 classrooms and 18 HM/Office-cum-store rooms in 25 schools at a cost of ₹ 5.56 crore after two years since the release of funds by GOI. The works were entrusted to Public Works Department (PWD) and an amount of ₹ 3.60 crore was released (March 2012) to it. No works were proposed for the years 2012-14 despite availability of fund.

When pointed out, Government accepted (November 2014) that execution of works could not be taken up due to non-release of state share during the years 2011-13. It was further stated that during August 2014, ₹ eight crore has been released to PWD with an instruction to take up the work on priority basis. But the fact remains that works as proposed in the annual work plans were taken up only after a delay of two years and were not completed as discussed in succeeding paragraph.

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<sup>20</sup> Government middle schools at Adhingapet and Manalipet in Puducherry Region

### 3.3.4 Civil works

Out of 66 construction works (48 class rooms and 18 HM rooms/ office-cum-store rooms) taken up, 12 rooms in respect of five schools have been completed, while work in respect of 29 rooms is under progress. It was, however, noticed that construction in respect of 25 rooms was not yet taken up due to non-availability of site (15 rooms) and revision of estimates (10 rooms).

Scrutiny of the records revealed that in respect of 29 works under progress, the works were belatedly awarded by PWD only during January 2013-March 2014 even though fund was released to it in March 2012 after more than two years delay. As a result, an amount of ₹ 2.59 crore<sup>21</sup> released towards these works remained blocked with PWD for that period.

When pointed out, Government replied that (November 2014) a joint inspection with PWD officials was proposed to explore the possibility of constructing classrooms. Further, PWD officials were instructed to furnish the progress of work every month through monthly returns.

### 3.3.5 Monitoring and Evaluation

#### 3.3.5.1 *Central Plan Scheme Monitoring System Web Portal not updated*

Ministry of Finance, GOI developed a web portal known as Central Plan Scheme Monitoring System (CPSMS) to monitor fund transaction and utilisation with utmost precision upto grass root level. Accurate and precise financial data are to be provided through the CPSMS portal by the beneficiary schools as all planning and monitoring relies on the data uploaded. It was, however, seen that no data was provided in the said portal by the schools concerned. In the absence of data in the web portal, GOI could not effectively monitor the implementation of program at grass root level. On being pointed out, Government replied (November 2014) that all schools have now been registered in CPSMS website and necessary training was given to all heads of institutions to update CPSMS website.

#### 3.3.5.2 *Internal Audit*

Manual on Financial management and procurement for RMSA envisages that the state implementing society should introduce proper internal audit system to ensure proper utilisation of funds. In case where an in-house internal audit team is not available, qualified Chartered Accountant firm may be engaged for carrying out internal audit. It was noticed that separate Internal Audit wing was not formed and hence no internal audit was

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<sup>21</sup> ₹ 3.60 crore – ₹ 1.01 crore (cost of 12 class room/HM rooms completed)

conducted during 2009-14. On being pointed out, Government replied (November 2014) that an internal audit unit was formed which had commenced (August 2014) its work.

### 3.3.6 Conclusion

The amount released was not utilised effectively and delays were noticed in strengthening/upgradation of schools despite availability of fund. School Improvement Plan was not prepared by schools and hence proper assistance to needy schools could not be ensured. Civil works remained incomplete and were not monitored properly defeating the purpose of provision of fund under RMSA.

## LOCAL ADMINISTRATION DEPARTMENT

### 3.4 Implementation of Integrated Communication Technology in Rural Panchayats

#### 3.4.1 Introduction

The Union Territory Government of Puducherry (UT Government) forwarded (December 2006) a proposal seeking financial assistance from Government of India (GOI) to implement Integrated Communication Technology (ICT) at a cost of ₹ 1.53 crore with an objective of providing ICT infrastructure to all rural local bodies in the UT for establishing certain e-Governance applications<sup>22</sup> with proper networking. All the 10 Commune Panchayats (CPs) and 98 Village Panchayats (VPs) were to be provided with one computer (two in case of CPs) under phase I (December 2006-March 2007) at a cost of ₹ 87.21 lakh and one additional computer under phase II (April 2007-March 2008) at a cost of ₹ 65.76 lakh. GOI sanctioned (March 2007) ₹ 1.53 crore and released (April 2007) ₹ 87.21 lakh as first instalment.

Audit was conducted during March-June 2014 covering the period 2009-14 to evaluate the impact of ICT which revealed the following:

<sup>22</sup> Birth and Death information system, Birth and Death information system for extract of French records, Property Tax information system, Professional Tax, Trade licences, Rent monitoring system for Municipal Shopping Complexes, Payroll Accounting system, Letter and File monitoring system, Leave Monitoring system and standard packages for engineering section

## Audit Findings

### 3.4.2 Non-provision of Network connectivity

Interconnectivity of VPs with respective CPs and Local Administration Department (LAD) was essential for successful implementation of ICT and it was proposed (December 2006) to achieve this by covering all the VPs under State Wide Area Network (SWAN). The UT Government purchased and distributed (May 2009) 123<sup>23</sup> computers (cost-₹ 51.42 lakh) to all CPs/VPs under phase I. It was, however, noticed that none of the VPs were connected with respective CPs till date. Only CPs was connected with LAD under SWAN and no action was taken to connect the VPs under SWAN.

When pointed out, it was replied (April 2014) that VPs would be connected under National Optical Fibre Network (NOFN) which was currently being implemented by GOI.

The reply is not acceptable as the Director, LAD stated that VPs would be connected under NOFN, a project approved by GOI in October 2011 to connect all the Panchayats in India, without taking any action to connect the VPs under SWAN as originally proposed. Further, it was noticed that NOFN is yet to be completed.

### 3.4.3 Non-operationalisation of software modules

Under ICT it was proposed to deploy software modules developed by NIC, Puducherry in 10 identified functional areas of all 108 Panchayats. The Department, however, could not furnish the details of software modules developed and deployed by NIC, Puducherry for VPs.

When pointed out, Director, LAD stated (April 2014) that NIC, Puducherry is co-ordinating the implementation of Panchayat Enterprise Suite (*e-panchayat*), an online application hosted by Ministry of Panchayat Raj (MoPR), GOI made available in phases. As VPs were not connected, the above software<sup>24</sup> is currently being implemented at CP level alone. As a result, the objective of providing ICT infrastructure upto grass root level was not achieved.

### 3.4.4 Unnecessary purchase of additional computers

The UT Government had purchased and supplied 118 computers under Phase I of the scheme to all the CPs/VPs during May 2009. However, due to non-provision of interconnectivity and necessary software as envisaged, the computers already supplied under Phase I were not put to the intended

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<sup>23</sup> One each to 98 VPs, two each to 10 CPs and 5 for LAD

<sup>24</sup> Nine modules were taken up for implementation, of which user credentials were created only for six modules

purpose of creation of ICT. The UT Government, however, decided to utilise the amount released by GOI in full and purchased (March 2011) another set of 108 computers for ₹ 29.16 lakh and supplied them to all the CPs/VPs during May 2011.

It was further noticed that on expiry of elected term of VPs in July 2011, all the 196 computers distributed to 98 VPs have been returned to the respective CPs/LAD. As of April 2014, some of these computers were also deployed in Election department for other purposes defeating the objective of creation of ICT upto the level of CPs/VPs due to lack of software and network.

When pointed out LAD replied (June 2014) that though computers were procured and supplied to CPs/VPs, in absence of Net based application, the need for connectivity did not arise. Further, e-panchayat software which requires net connectivity was made available only during the year 2012 for which connectivity is proposed to be provided under NOFN. It was further stated that computers were provided to VPs under the Phase I to enable the functionaries to get themselves acquainted with computer operations and in absence of elected VPs after the year 2011, the computers have been returned to respective CPs and SWAN connectivity was not extended to VPs.

The reply is not acceptable, as computers were provided to all the VPs during 2009 itself with the objective of providing ICT infrastructure. However no action was taken to cover the VPs under SWAN and the computers were returned to respective CPs and were utilised for other works defeating the intended objective of creating ICT infrastructure upto VP level.

### **3.4.5 Conclusion**

Though UT Government proposed to cover the VPs under SWAN to establish e-Governance and obtained (April 2007) funds from GOI, no action was taken to cover VPs under SWAN and to install software to establish e-Governance. In respect of CPs covered under SWAN, e-Governance software was only partially installed. Thus, the objective of providing ICT infrastructure to rural panchayats was not fulfilled. Further, purchase and distribution of additional computers to CPs/VPs was unnecessary as computers already purchased were not put to use due to lack of necessary software and network.



## **TRANSPORT DEPARTMENT**

### **3.5 Repairs and Services to Government Vehicles by Government Automobile Workshop and Fleet Management in Selected Departments**

#### **3.5.1 Introduction**

A Government Automobile Workshop (GAW) functions in Union Territory of Puducherry to carry out repairs, upkeep, maintenance, render technical advices and servicing of all Government vehicles other than vehicles of Agriculture department which were maintained by Government Agricultural Engineering Workshop (GAEW). In addition, a fuel station was functioning in GAW to supply Petrol, Oil and Lubricants (POL) to Government vehicles. Apart from this, a mini workshop also functioned in Karaikal for servicing Government vehicles operated in that region. As of May 2014, 1,552 vehicles were in operation in all Government departments and an expenditure of ₹ 30.41 crore was incurred by GAW during 2011-14 towards maintenance and POL expenses.

Audit on Repairs and Services to Government vehicles by GAW along with fleet management in four selected departments viz. Agriculture, Health, Police and Public works in Puducherry and Karaikal Regions was conducted during March 2014 to July 2014 covering the period 2011-14 to assess the effectiveness of services offered by GAW.

#### **Audit findings**

##### **3.5.2 Excess expenditure on Purchase of POL**

In order to supply fuel to Government vehicles, GAW earlier procured fuel from Indian Oil Corporation (IOC), Chennai at concessional Central Sales Tax (CST) rate up to 31 March 2007. Consequent to introduction of VAT, the concession was withdrawn and hence GAW supplied fuel at market rate from April 2007. When GAW addressed (April 2007) the Commercial Tax Department, Puducherry for concessional CST, it was replied (May 2007) that GAW was not eligible for it.

It was noticed that Co-operative societies in UT were permitted to operate retail outlets for sale of fuel and cost of fuel sold by them was much less than GAW, as they were eligible for concessional CST rate. While CST was levied at the rate of two *per cent* for Co-operative societies, the same was levied at the rate of 27 *per cent* (Petrol) and 21.43 *per cent* (Diesel) for GAW. However, Government continued to allow all departments to procure fuel from GAW at higher rates.

Only during September 2013, did the UT Government decide to stop procuring fuel through GAW and instructed all departments to procure fuel from co-operative retail outlets from November 2013. Had this decision

been taken in May 2007 itself, excess expenditure on purchase of fuel from GAW could have been avoided. However, the injudicious decision to purchase 5,496 KL of diesel/petrol at higher rate from GAW during 2011-14 led to avoidable expenditure of ₹ 4.71 crore.

### 3.5.3 Non implementation of the Scheme “Modernization of GAW”

Scrutiny of records revealed that dependence on GAW for maintaining Government vehicles had been decreasing due to purchase of new model vehicles. GAW issued No Objection Certificates (NOCs) to nominated private workshops for carrying out repairs of these vehicles as they were not equipped to service new model vehicles with latest technology. It was noticed that the issue of number of NOCs increased from 273 in 2011-12 to 326 in 2013-14 showing that use of GAW was on a decline. Further, it was noticed that Planning Commission while finalising the outlays for tenth five year plan, had also recommended (2002) closure of GAW and entrusting the works to private firms.

Despite the above, UT Government proposed to modernise<sup>25</sup> GAW at an outlay of ₹ 1.50 crore during the twelfth Five Year Plan (2012-17) and provided an amount of ₹ 97 lakh during 2011-14. However, due to restricted activities and lack of technically qualified Head of Department, GAW was not in a position to implement the scheme and diverted ₹ 93.02 lakh to meet expenditure on salaries.

When pointed out, Government stated (November 2014) that proposal for closure of GAW as suggested by Planning Commission was under consideration and no funds would be provided for the scheme in future. However, the fact remains that UT Government had not implemented the recommendation of Planning Commission to close GAW for more than 12 years.

### 3.5.4 Failure to set up emission test centre

The Central Motor Vehicles Rules, 1989 specified Emission Test (ET) for all vehicles to comply with air pollution norms. For this purpose, Emission Testing Centre was proposed to be established in GAW so that vehicles, both private and Government, could be tested and two ET equipment<sup>26</sup> costing ₹ 8.31 lakh were purchased during September 2005. However, the equipment were not put to use and kept idle for want of trained officials resulting in idling of equipment.

Government replied (November 2014) that GAW would be instructed to install the equipment and conduct emission tests.

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<sup>25</sup> Purchase of computers, machinery and equipment, tools etc and imparting training

<sup>26</sup> Exhaust gas analyser, smoke meter, computer, video camera, printer and UPS

### **3.5.5 Non-utilisation of vehicles**

#### **3.5.5.1 Non-utilisation of farm machinery**

The Agriculture Department issued farm machinery like Tractors, Trailers, Paddy Thrashers, Power Tillers, etc., during 2002-06 and handed them over to 11 registered Uzhavar Uthaviyagam<sup>27</sup> (UU) and six Pasumai Padai<sup>28</sup> (PP). The machinery so transferred had to be provided to farmers at reasonable rent in order to help them to carry out farming activities.

Test check of records revealed that out of 179 farm machinery purchased, 69 costing ₹ 21.28 lakh were not put to use and kept idle from the date of purchase.

When pointed out, Government replied (October 2014) that farm machinery were put to use to the maximum extent possible and action is being taken for condemnation of the unutilised machinery after getting opinion from GAEW. But the fact remains that machinery were not utilised from their date of purchase as revealed (November 2013) from the inspection report submitted by the Deputy Director (Agricultural Engineering) to Joint Director of Agriculture.

#### **3.5.5.2 Delay in condemnation of old vehicles**

Government had fixed norms/lives for various types of vehicles in terms of distance run (in kilometers) and length of use (in years). Based on this norm, old vehicles are identified for condemnation. After getting recommendations from condemnation committee constituted for this purpose, sanction of Government for disposal through tender-cum-public auction is obtained. The UT Government issued (March 2005) instructions that auctioning of condemned vehicles should be completed within three months from the date of receipt of requisition from the client department.

It was noticed that during 2011-14, 281 vehicles have been proposed for condemnation. Of this, condemnation proposals were approved by UT Government in respect of 150 vehicles<sup>29</sup>, while approval was yet to be received in respect of remaining which were pending over a period ranging from one to five years. However, GAW did not take steps to auction the vehicles for which condemnation proposals were approved and any delay would only result in poor realizable value.

When pointed out, Government replied (November 2014) that auction sale was conducted for 139 vehicles during September 2014 and remaining vehicles would be auctioned after completing necessary formalities.

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<sup>27</sup> Farmers Help Centres

<sup>28</sup> Farm Advisory Committee

<sup>29</sup> Motorcycles, cars and vans purchased during 1970-2004

### **3.5.6 Conclusion**

Though Planning Commission had recommended closure of GAW, UT Government went ahead with attempting to modernise it and the amount provided for modernisation was diverted to meet salary expenditure. Dependence on GAW for carrying out repair works decreased over the years and as a result repair works were being carried out at nominated private workshops.