

Report of the Comptroller and Auditor General of India

for the year ended March 2016



Government of the Union Territory of Puducherry
Report No. 1 of 2017

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PREFACE

This Report for the year ended March 2016 has been prepared for submission to the Lieutenant Governor under Section 49 of the Government of Union Territories Act, 1963.

The Report contains significant results of the Performance Audit and Compliance Audit of the Departments of the Government of Union Territory of Puducherry under the General, Social and Economic (including Revenue) services including Departments of Adi-Dravidar Welfare, Commercial Taxes, Health and Family Welfare, Home, Industries and Commerce, Revenue and Disaster Management and Town and Country Planning.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2015-16 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports. Instances relating to the period subsequent to 2015-16 have also been included, wherever found necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

CHAPTER I

INTRODUCTION

CHAPTER I

INTRODUCTION

1.1 About this Report

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

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

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

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

This Chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on the previous Audit Reports. Chapter-II of this Report contains findings arising out of Performance Audit of selected Programmes/Activities/Departments. Chapter-III contains observations on Compliance Audit in Government Departments and Autonomous Bodies. Chapter-IV contains audit observations arising out of audit of Revenue Receipts and Chapter-V contains audit observations arising out of audit of Commercial and Trading Activities.

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2015-16, as well as those which had come to notice in earlier years but could not be included in

Abbreviations used in this Report are listed in the Glossary at Page No. 138

the previous Reports. Matters relating to the period subsequent to 2015-16 have also been included, wherever found necessary.

1.2 Profile of audited entities

There are 30 Departments in the Union Territory at the Secretariat level, headed by Development Commissioners / Secretaries, who are assisted by Directors and subordinate officers. There are 13 Government Companies and 73 Autonomous Bodies.

The entities in Puducherry falling under General and Social Sectors are audited by the Accountant General (General and Social Sector Audit), Tamil Nadu and Puducherry and those falling under Revenue and Economic (both PSUs and non-PSUs) Sectors are audited by the Accountant General (Economic and Revenue Sector Audit), Tamil Nadu.

The comparative position of receipts of the Union Territory Government and expenditure incurred by the Union Territory Government during the year 2015-16 and in the preceding two years is given in **Tables 1.1** and **1.2** below:

Table 1.1 - Comparative position of receipts

(` in crore)

Receipts	2013-14	2014-15	2015-16
Revenue receipts	4,308	4,758	5,088
Tax revenue	1,904	1,993	2,260
Non-tax revenue	1,193	1,300	1,138
Grants-in-aid and contributions	1,211	1,465	1,690
Capital receipts	Nil	Nil	Nil
Recovery of loans and advances	3	2	2
Public Debt receipts	750	704	741
Public Account receipts	911	982	1,015
Total receipts	5,972	6,446	6,846

(Source: Finance Accounts of respective years)

Table 1.2 - Comparative position of expenditure

(₹ in crore)

Expenditure	2013-14			2014-15			2015-16		
	Non-plan	Plan	Total	Non-plan	Plan	Total	Non-plan	Plan	Total
Revenue expenditure									
General services	1,191	44	1,235	1,363	54	1,417	1,415	54	1,469
Social services	653	1,008	1,661	717	1,114	1,831	892	1,307	2,199
Economic services	1,283	299	1,582	1,158	386	1,544	1,303	308	1,611
Grants-in-aid and contributions	5	Nil	5	8	Nil	8	6	Nil	6
Total	3,132	1,351	4,483	3,246	1,554	4,800	3,616	1,669	5,285
Capital expenditure									
Capital expenditure	6	356	362	13	601	614	-5	444	439
Loans and advances disbursed	1	Nil	1	1	Nil	1	1	Nil	1
Repayment of public debt	128	76	204	117	66	183	59	110	169
Contingency fund	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Public account disbursements	*	*	709	*	*	845	*	*	938
Total	135	432	1,276	131	667	1,643	55	554	1,547
Grand total	3,267	1,783	5,759	3,377	2,221	6,443	3,671	2,223	6,832

(Source :Finance Accounts of respective years) ;

* Bifurcation of Non-plan and Plan not available.

1.3 Authority for audit

The authority for audit by the Comptroller and Auditor General of India (C&AG) is derived from Article 149 of the Constitution of India and the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure and receipts of the Departments of UT of Puducherry under Sections 13¹ and 16² of the C&AG's (DPC) Act. C&AG is the sole auditor in respect of three Autonomous Bodies, which are audited under Sections 15³ and 19(2)⁴ of the C&AG's (DPC) Act. In

¹ Audit of (a) all expenditure from the Consolidated Fund of Union Territory having a Legislative Assembly, (b) all transactions relating to the Contingency Fund and Public Accounts and (c) all trading, manufacturing, profit and loss accounts, balance sheets and other subsidiary accounts kept in Government Departments

² Audit of all receipts which are payable into the Consolidated Fund of Union Territory having a Legislative Assembly

³ Audit of accounts of a body or authority to which grant or loan is given from Consolidated Fund of Union Territory for any specific purpose

⁴ Audit of the accounts of Corporations (not being companies) established by or under law made by Parliament

addition, the C&AG conducts audit of 70 other Autonomous Bodies, under Section 14⁵ of the C&AG's (DPC) Act, which are substantially funded by the Government.

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by C&AG as per the provisions of Section 139 (5) or (7) of the Act. The Statutory Auditors are required to submit a copy of the Audit Report to the C&AG, which among other things, include financial statements of the Company as per Section 143 (5) of the Act. These financial statements are subject to supplementary audit to be conducted by C&AG within 60 days from the date of receipt of the Audit Report under the provisions of Section 143 (6) of the Company's Act, 2013.

1.4 Planning and conduct of audit

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

After completion of audit of each unit, Inspection Reports (IRs) containing audit observations are issued to the Heads of the Departments, Corporations and Companies. The Departments, Corporations and Companies are requested to furnish replies to the audit observations within one month of receipt of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Report of the C&AG of India, which is submitted to the Lieutenant Governor of the UT of Puducherry under Article 149 of the Constitution of India and Section 49 of the Union Territories Act, 1963.

⁵ Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of Union Territory having a Legislative Assembly

1.5 Significant audit observations

In the last few years, we have pointed out several significant deficiencies in implementation of various programmes / activities through Performance Audits as well as on the quality of internal controls in selected Departments, which impact the success of programmes and functioning of the Departments. Similarly, deficiencies noticed during Compliance Audit of the Government Departments / Organisations were also pointed out.

1.5.1 Performance Audit of Programmes/Activities/ Departments

The present Report contains two Performance Audits and a Follow-up Audit. The highlights of audit observations are given in the following paragraphs:

1.5.1.1 *Performance Audit on Infrastructure facilities for medical education and health care*

A Performance audit was conducted to assess the adequacy of infrastructure facilities for imparting medical education, availability of human resources and health care facilities in Indira Gandhi Medical College and Research Institute and hospital (IGMCRI) attached thereto, managed by Perunthalaivar Kamaraj Medical College Society (Society). The Performance Audit revealed the following:

- Short release of funds by Union Territory Government had resulted in non-creation of envisaged infrastructure, as prescribed by Medical Council of India (MCI) and the execution of various works were delayed. Against 33 infrastructure works to be completed, 23 works were completed while remaining 10 works were yet to be completed.
- The Society in connivance with the General Hospital (GH) had misrepresented facts on actual bed strength to MCI for obtaining annual renewals. The Society had passed a resolution with concurrence of GH to borrow beds along with personnel from the GH to make good the shortfall in bed strength so as to fulfill MCI criteria for annual renewals.
- There was shortfall in bed occupancy, which ranged between 56 and 72 *per cent*, during 2011-16 against the MCI norms of 80 *per cent* due to inadequate infrastructure and health care facilities in IGMCRI, consequent upon which, the patients were referred to the GH for undergoing treatment.
- Against the prescribed number of 348 essential drugs for a tertiary care hospital, only 145 drugs were purchased, of which, on an average 100 drugs were found out of stock.

- The Society had engaged 778 unqualified Multi Purpose Workers without approval of the Union Territory Government and deployed them in core areas of IGMCRI such as operation theatres, wards and laboratories, thereby posing high risk to the lives of the patients.

(Paragraph 2.1)

1.5.1.2 Follow-up Audit on Modernisation of Police Force (MPF)

A Performance Audit on the scheme was conducted in 2009 and the audit observations were included in the Audit Report for the year ended 31 March 2009. The Public Accounts Committee (PAC) had discussed the Report (July 2013) and made certain recommendations. A Follow-up audit was conducted from March to July 2016 covering the implementation of MPF scheme during 2009-16, to assess whether the accepted audit recommendations were implemented and action was taken on PAC recommendations. The results of follow-up audit were as under:

- All the four recommendations made in the earlier Audit Report were accepted by the Department and all the recommendations were implemented partially only.
- Though the scheme period was extended upto March 2013 beyond 2006-07 to 2010-11, the funds released were not utilised and hence, Union Territory Government could not avail the entire allocation made by Government of India (GOI). Thus, the recommendation was partially implemented.
- There was some progress, both under residential and non-residential buildings under construction works. However, some of the works were not taken up due to paucity of funds and non-availability of land. Thus, the recommendation was partially implemented.
- Though the police personnel were given training in weapons, shortfall in annual training practice continued to persist. Thus, the recommendation was partially implemented.
- Monitoring Committee did not hold its meetings regularly as envisaged and no meetings were conducted after December 2015. The recommendation was, therefore, partially implemented.
- Live views were not available from all the 103 CCTV cameras installed and Vehicle Tracking System was not installed in 70 of the 85 vehicles, as envisaged, resulting in non-achievement of objective of monitoring sensitive areas and vehicle movement.

(Paragraph 2.2)

1.5.1.3 Performance Audit of System of Assessment under Value Added Tax in the Union Territory of Puducherry

The Performance Audit of System of Assessment under Value Added Tax in the UT of Puducherry revealed deficiencies in system of assessment itself, which led to large number of detailed assessment cases awaiting finalisation. The non-adherence to instructions, absence of Manual, weak internal control, incorrect application of rate of tax etc had led to non-levy and under-assessment of tax as detailed below:

- Non-adherence to the instructions regarding random scrutiny of returns and utilisation of details contained in MIS reports resulted in non-levy of purchase tax of ` 1.34 crore and irregularities in claim of input tax credit of ` 1.52 crore.
- The failure of the assessing authorities to apply correct rate of tax and effect reversal of input tax credit, while finalising the detailed assessments, resulted in under-assessment of tax of ` 1.65 crore.

(Paragraph 4.11)

1.5.2 Compliance Audit

Audit of financial transactions test-checked in various Departments of the Government, their field offices and Government Companies revealed instances of overpayment, avoidable expenditure, idle investment and other irregularities. Some of the important audit observations are given below:

- Failure to verify the genuineness of the claims submitted by a firm for providing hospital management services, resulted in overpayment of ` 1.14 crore.

(Paragraph 3.1.1)

- Delay in depositing the enhanced compensation amount for land acquisition in the Court, resulted in an avoidable interest payment of ` 0.93 crore.

(Paragraph 3.2.1)

- Failure of Project Implementation Agency to avail of the customs duty exemption resulted in an avoidable expenditure of ` 56.16 lakh.

(Paragraph 3.2.2)

- Sixty three tenements were constructed without proper planning and without identifying beneficiaries of the scheme. There were also

delays in allotment of tenements to eligible beneficiaries despite spending ` 3.72 crore.

(Paragraph 3.3.1)

- Audit of Implementation of housing scheme for poor Scheduled Caste and Other Economically Backward Classes people in Union Territory of Puducherry revealed that Adi-Dravidar Welfare Department failed to finalise the beneficiaries' list in time and the selection of beneficiaries was not handled in a professional manner, leading to non-allotment of houses to eligible poor beneficiaries. Failure to ensure availability of land and non-implementation of scheme at the identified sites in urban areas resulted in denial of intended benefits to the eligible poor beneficiaries. Consequent to delay in identification of beneficiaries and provision in infrastructure facilities, the houses were handed over to the beneficiaries in damaged condition.

Accountability was not fixed for various lapses, which needs to be critically reviewed by the Union Territory Government and the system of beneficiary selection, ensuring site availability, timely construction and handing over of houses streamlined, to achieve the objective of the scheme for welfare of the poor Scheduled Caste and Other Economically Backward Classes people.

(Paragraph 3.4)

- A Performance Audit on 'Implementation of Drugs and Cosmetics Act, 1940' had appeared in the Audit Report for the year 2002-03. The Department had informed (February 2009) PAC that the system of maintaining database was fully computerised and prescribed time schedule was being strictly adhered to.

During the present Audit of Implementation of the Drugs and Cosmetics Act / Rules (covering the period 2013-16), it was observed that the Department of Drug Control had not maintained any database for renewal of licences and was not aware of number of units existing at any given point of time.

There were delays both in issue of new licences and renewal of licences. Blood Banks were allowed to function without valid licences for more than eight years. Periodical inspection of drug manufacturing and sale units was not conducted, as stipulated. Inspection was conducted only at the time of issue of new licences and renewal of licences instead of annual inspections to take care of the implementation of the provisions of the Act.

Samples were not drawn from Indian System of Medicine manufacturing firms for testing. Action was not taken against firms

charging higher prices in violation of Act, manufacturing drugs without approval and sub-standard drugs, which might endanger the safety of the drug users.

Thus, there was a critical need for Union Territory Government to review and streamline its functioning to ensure strict compliance to the provisions of Drugs and Cosmetics Act, 1940.

(Paragraph 3.5)

1.5.3 Commercial and Trading Activities

As of 31 March 2016, there were 12 working Government Companies (Public Sector Undertakings-PSUs) and one non-working Government Company in the Union Territory of Puducherry.

The working PSUs had registered a turnover of ` 362.61 crore, as per their latest finalised accounts as of September 2016. This turnover was equal to 1.37 *per cent* of State Gross Domestic Product (GSDP) for 2015-16. The working PSUs had incurred losses of ` 70.62 crore, as per their latest finalised accounts, as of September 2016. The PSUs had employed 4,899 employees as at the end of March 2016.

As on 31 March 2016, the total investment in working PSUs consisted of 98.39 *per cent* towards capital and 1.61 *per cent* in long-term loans. The investment had grown by 1.14 *per cent* from ` 726.25 crore in 2011-12 to ` 734.52 crore in 2015-16.

As there were arrears in accounts in 12 working PSUs upto 2015-16, their net worth could not be assessed in Audit. As per the latest finalised accounts, out of 12 working PSUs, two PSUs had earned a profit of ` 6.21 crore and nine PSUs incurred a loss of ` 76.83 crore, leading to overall loss. One company had neither earned profit nor incurred any loss.

(Paragraph 5.1)

The Pondicherry Industrial Promotion Development and Investment Corporation Limited, a company with mandate to provide financial assistance to foster industrial development had not effectively pursued its mandate as it had failed to fix the achievable targets for sanction of loans. The sanction of loans was not based on merits of the cases of loanees, which ultimately affected the realisability of the loans and interest thereon. The company had not effectively enforced recovery and failed to monitor the working of units by periodical visits. The Non-performing assets had gone up to 84 *per cent*, threatening the very existence of the company and thus, there was an urgent requirement for the company to take remedial steps for its survival.

(Paragraph 5.2)

1.6 Response to Audit

Two Performance Audits (PA), eight Draft Paragraphs (DPs) and one Follow-up Audit were forwarded demi-officially to the Development Commissioners and Secretaries of the Departments concerned between March and September 2016 to send their responses within six weeks. Government replies have been received in respect of two PAs, one Follow-up Audit and seven DPs. The replies, wherever received, have been suitably incorporated in the Report.

A review of the IRs issued upto 31 March 2016 revealed that 4,865 paragraphs relating to 1,118 IRs remained outstanding at the end of September 2016 (**Appendix 1.1**).

1.7 Follow-up on the Audit Reports

The PAC of the Union Territory Legislature of Puducherry, had prescribed a time limit of three months, from the date of placement of the Audit Reports in Legislature, to the Departments for furnishing replies on the audit observations included in the Audit Reports indicating the corrective action taken or proposed to be taken by them and for submission of Action Taken Notes (ATNs) on the recommendations of the PAC by the Departments.

The position of pendency of paragraphs / recommendations for which replies and ATNs had not been received is shown in **Table 1.3**.

Table 1.3 - Explanatory notes not received (as on December 2016)

Year of the Audit Report	Date of placement of Audit Report in the UT Legislature	Number of paragraphs in the Audit Report			Number of paragraphs for which explanatory notes were not received		
		GSSA	Revenue	Commercial	GSSA	Revenue	Commercial
2009-10	14.09.2011	12	3	1	1	Nil	Nil
2010-11	30.07.2012	11	3	2	2	Nil	1
2011-12	29.07.2013	11	4	2	1	Nil	2
2012-13	23.09.2014	10	3	1	4	2	1
2013-14	06.05.2015	9	3	1	8	2	1
2014-15	08.09.2015	8	6	1	8	6	1
Total		61	22	8	24	10	6
Grand Total		91			40		

From the above, it could be seen that out of 91 paragraphs, explanatory notes to 40 paragraphs in respect of 21 departments, which were commented upon, were awaited (November 2016).

Table 1.4 - Reviews/Paragraphs appeared in Audit Reports *vis-a-vis* discussed (as on 31 December 2016)

Period of the Audit Report	Number of paragraphs appeared in Audit Report				Number of paragraphs discussed
	GSSA	Revenue	Commercial	Total	
2009-10	12	3	1	16	Not yet discussed
2010-11	11	3	2	16	
2011-12	11	4	2	17	
2012-13	10	3	1	14	
2013-14	9	3	1	13	
2014-15	8	6	1	15	
Total	61	22	8	91	

From the above, it may be seen that none of the paragraphs appeared in the Audit Reports for the period from 2009-10 to 2014-15 were discussed by the PAC.

Table 1.5 - Compliance to PAC Reports

Year of the PAC Report	Total number of PAC Reports	Total number of recommendations in PAC Report			Number of recommendations where ATNs not received		
		GSSA	Revenue	Commercial	GSSA	Revenue	Commercial
Up to 2009-10	13	783	40	81	107	5	22
2010-11	2	187	10	20	92	7	8
2011-12	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2012-13	1	119	14	21	48	11	15
2013-14	2	84	18	25	65	10	22
2014-15	2	76	31	36	39	17	18
Total	20	1,249	113	183	351	50	85
Grand Total			1,545			486	

Government Departments had not furnished ATNs as of November 2016 on 486 recommendations made by the PAC in respect of Audit Reports pertaining to the period 1988-89 to 2008-09.

CHAPTER II

PERFORMANCE AUDIT

CHAPTER II

This Chapter contains Performance Audit of Infrastructure facilities for medical education and health care and Follow-up Audit of Modernisation of Police Force.

HEALTH AND FAMILY WELFARE SERVICES DEPARTMENT

2.1 Performance Audit of Infrastructure facilities for medical education and health care

Executive Summary

A Performance Audit was conducted to assess the adequacy of infrastructure facilities for imparting medical education, availability of human resources and health care facilities in Indira Gandhi Medical College and Research Institute and Hospital (IGMCRI) attached thereto, managed by Perunthalaivar Kamaraj Medical College Society (Society). There were inadequacies in creation of infrastructure and in providing health care services in terms of availability of services and quality care as detailed below:

Short release of funds by Union Territory (UT) Government had resulted in non-creation of envisaged infrastructure, as prescribed by Medical Council of India (MCI) and various works were delayed. Against 33 infrastructure works, 23 works were completed while remaining 10 were yet to be completed.

The Society in connivance with the General Hospital (GH) had misrepresented facts on actual bed strength to MCI for obtaining annual renewals. The Society had passed a resolution with concurrence of GH to borrow beds along with personnel from the GH to make good the shortfall in bed strength so as to fulfill MCI criteria for annual renewals.

There was shortfall in bed occupancy, which ranged between 56 and 72 *per cent* only during 2011-16 against the MCI norms of 80 *per cent* due to inadequate infrastructure and health care facilities in IGMCRI, consequent upon which, the patients were referred to the GH for undergoing treatment.

Against the prescribed number of 348 essential drugs for a tertiary care hospital, only 145 drugs were purchased, of which, on an average 100 drugs were found out of stock.

Shortfall was noticed in the posts of professors, tutors, resident doctors and nursing staff, thus impacting the quality of the medical education imparted and health care to the patients.

The Society had engaged 778 unqualified Multi Purpose Workers, without approval of the UT Government and deployed them in core areas of IGMCRI such as operation theatres, wards and laboratories, thereby posing high risk to the lives of the patients.

2.1.1 Introduction

There were eight medical colleges in UT of Puducherry, of which one (Jawaharlal Institute of Post Graduate Medical Education and Research Institute) was functioning under GOI and the remaining seven were run by private managements. There was no medical college run by Union Territory Government of Puducherry. Hence, with the main objective of providing medical education to the local students, Perunthalaivar Kamaraj Medical College Society (Society) was established by UT Government in May 2005. As per the Health Secretariat Notification issued in June 2005, the Society was also to coordinate with the UT Government, GOI, Medical Council of India (MCI), Indian Council of Medical Research, Pondicherry University and other research and development sponsoring agencies in all aspects of research, extension, training and other allied matters relating to medical sciences.

The Indira Gandhi Medical College and Research Institute and Hospital, Puducherry was established in September 2010 under the aegis of the Society for imparting medical education to the local students of the UT of Puducherry. The sanctioned intake of the medical college was 150 admissions annually and first batch of academic activity had commenced during 2010-11. As per clause B.1.9, Minimum Standard Requirements for the Medical College for 150 Admissions Annually Regulations, 1999, the Teaching Hospitals are required to have an attached 750 bedded teaching hospital for providing tertiary care¹ facilities.

2.1.2 Organisational set up

The Chief Minister of Puducherry was the Chairman of the Governing Body of Perunthalaivar Kamaraj Medical College Society and Secretary to Government (Health) was the Vice Chairman. The Director, Health and Family Welfare Services was the Head of the Department and member of the Governing body. The Academic Committee of IGMCRI was headed by the Director and he was assisted by Dean and Medical Superintendent.

¹ Tertiary care is a specialised consultative health care provided for inpatients referred from primary and secondary level hospitals, in an institution that has personnel and facilities for advanced laboratory and imaging investigations

2.1.3 Audit Objectives

The objectives of the performance audit were to assess whether

- adequate infrastructure for medical education was created as stipulated in Medical Council of India regulations;
- health care facilities were sufficiently available in the hospital;
- financial and human resources management was adequate, efficient and effective.

2.1.4 Audit Criteria

The following criteria were adopted to assess the performance of the society.

- Indian Medical Council Act, 1956 notified by Medical Council of India.
- Minimum Standard Requirements for the Medical College Regulations, 1999 for 150 students issued by GOI.
- Indian Public Health Standards, 2012.
- Orders, Instructions, Guidelines etc., of GOI and UT Government of Puducherry.

2.1.5 Audit Scope and Methodology

Audit was conducted from February 2016 to July 2016 covering the period 2011-16. An Entry Conference was held on 21 March 2016 wherein the audit objectives, criteria, scope and methodology were discussed with the Secretary to UT Government (Health). Records were checked at Health Secretariat, the Society, IGMCRI, Directorate of Health and Family Welfare Services and Planning and Research Department. Audit observations were discussed with the Secretary to UT Government (Health) in an Exit Conference held on 26 October 2016. The replies received from UT Government (November 2016) had been incorporated in the Report at appropriate places.

2.1.6 Financial Management

Perunthalaivar Kamaraj Medical College Society, an autonomous society, was fully owned and funded by the UT Government, by release of Grant-in-aid (GIA) for establishment of the IGMCRI. Planning and Research Department of UT Government allocated funds for Medical and Public

Health sector, out of which, funds were allocated and released to the Society.

2.1.6.1 Allotment of funds

The UT Government had given (June 2005) an undertaking to MCI that adequate funds would be provided for creation of facilities in a time bound manner to establish the Medical college and hospital. The year-wise details of proposed outlay and funds allotted for the last five years are given in the following **Table 2.1**.

Table 2.1 – Proposed outlay and release of funds

(` in crore)

Year	Proposed Outlay			GIA sanctioned			GIA released			Expenditure incurred			Saving/ Excess
	Cons- truction	Others*	Total	Cons- truction	Others	Total	Cons- truction	Others	Total	Cons- truction	Others	Total	
2011-12	41.89	38.53	80.42	69.32			69.32			24.58	24.11	48.69	20.63
2012-13	95.87	54.85	150.72	55.00			29.62			37.32	28.77	66.09	-36.47
2013-14	38.53	63.14	101.67	12.45	30.50	42.95	12.45	30.50	42.95	16.20	38.62	54.82	-11.87
2014-15	0.50	62.48	62.98	7.56	42.10	49.66	7.56	42.10	49.66	7.48	44.14	51.62	-1.96
2015-16	0.50	67.04	67.54	30.00	64.80	94.80	11.00	64.80	75.80	10.44	66.47	76.91	-1.11
Total	177.29	286.04	463.33	50.01	261.72	311.73	31.01	236.34	267.35	96.02	202.11	298.13	-30.78

*Others include recurring, non-recurring expenditure and salaries; In respect of the years 2011-13, the bifurcation of GIA sanctioned and released was not available as head of construction was opened only in 2013-14.

Against the total proposed outlay of ` 463.33 crore for the years 2011-16, the UT Government sanctioned ` 311.73 crore (67 per cent) and released only ` 267.35 crore (58 per cent) during 2011-16, against which the expenditure incurred was ` 298.13 crore.

As per the Memorandum of Association of the Society, all moneys credited to the fund shall be deposited in such banks or invested in such manner as the Board may, with the approval of the UT Government, decide. These funds shall be applied towards meeting the expenses of the Society including expenditure incurred in exercise of its power and discharge of its functions. We observed that the Society had incurred expenditure² of ` 30.78 crore (` 298.13 crore – ` 267.35 crore = ` 30.78 crore) which was met out of the amount of fees collected from students and by diversion of security deposits of contractors without the approval of the UT Government.

We further observed that due to short release of funds, all the requisite infrastructure facilities required for the IGMCRI could not be put in place even after a lapse of six years after commencing the college in September 2010. As of March 2016, out of 33 infrastructure works to be completed, 23 were completed and there were 705 beds against the requirement of

² During 2011-15, total College fees available with the Society was ` 21.77 crore and Security Deposit was ` 23.45 crore, out of which, the excess expenditure of ` 30.78 crore was incurred

750 beds as per the norms of the MCI. Moreover, the short-release of funds had a further impact on procurement of health care equipment and essential drugs which have been discussed in this Report.

2.1.6.2 *Other financial issues*

(a) *Inadmissible payment of allowances*

(i) The Memorandum of Association of the Society stipulated that service rules of Central Government including General Financial Rules (GFRs) are applicable to the officers and staff of the society. The GFRs stipulate that all grantee institutions which receive more than 50 per cent of their recurring expenditure in the form of grants-in-aid, shall formulate terms and conditions of service of their employees which are, by and large, not higher than those applicable to similar categories of employees in Central Government and in exceptional cases, relaxation may be made in consultation with the GOI.

We observed that the Society had decided (December 2006) to pay special allowance of ` 10,000 per month and sumptuary allowance of ` 5,000 per month to the faculties of the IGMCRI on the plea that these were being paid to the faculty of the All India Institute of Medical Sciences (AIIMS). We, however, observed that these allowances were not being paid to the faculty of AIIMS. Thus, the payment of these allowances was not only inadmissible to the faculty of IGMCRI but it was also granted on the basis of a wrong premise and that too without the approval of the GOI.

A mention was made in paragraph 3.1.1 of the Report of the C&AG of India for the year 2007-08 about the grant of special allowance and sumptuary allowance, amounting to ` 56.38 lakh to the teaching faculty which were not admissible. We observed that these inadmissible allowances were still being paid to the faculty by the Society without the approval of the GOI. We further observed that the Society had granted one more inadmissible allowance *viz.*, academic research allowance (` 2,500 per month) without the approval of GOI, which together with special allowance and sumptuary allowance resulted in inadmissible expenditure of ` 9.36³ crore at the end of March 2016.

On being pointed out, the Department stated (July 2016) that allowances were being paid as per the decision of the Society (December 2006). The reply was not correct as the Society had granted allowances which were inadmissible as these were not being paid even by the GOI to similarly placed persons in the AIIMS. Moreover, the Society was not competent to grant such allowances without the approval of the GOI. As GOI's approval was not taken before granting such allowances, the action of the Society was in violation of its own regulations.

³ Special allowance – ` 5.35 crore, Sumptuary allowance – ` 2.67 crore and Academic Research allowance – ` 1.34 crore

We, further noticed that the Department had assured in the PAC meeting held in July 2013 that GOI's approval would be obtained for payment of the said allowances. In spite of this assurance, the Department continued to pay all these allowances without obtaining GOI's approval, which resulted in inadmissible expenditure of ` 9.36 crore during 2011-16. Thus, the action of the Society in granting inadmissible allowances to the faculty of IGMCRI calls for fixing of responsibility of the persons at fault for taking arbitrary decision.

(ii) The GOI had sanctioned (February 2004) Patient Care Allowance (PCA) to eligible Group C and D non-ministerial staff, whose regular duties (nurses and ward boys) involved continuous routine contact with patients infected with communicable diseases or those who handled routinely infected instruments and equipment (lab technicians). A mention was made in paragraph 3.2.5.2 of Report of the C&AG of India for the year 2005-06, regarding payment of ` 9.72 lakh towards PCA to 101 ineligible Group C and D staff, whose regular duties did not involve contact with patients infected with communicable diseases.

We observed that during 2011-16, forty one staff members, who were working as assistant, mechanic, clerk, carpenter and driver were still being paid PCA, though their duties did not involve continuous routine contact with patients infected with communicable diseases. The PAC had recommended (March 2012) to regularise the payment of PCA to eligible employees and had recommended the Department to comply with the observations raised in the Report of the C&AG of India for 2005-06. But, we observed that the Department, instead of complying with PAC's recommendation, was still continuing to pay PCA to the ineligible staff resulting in payment of the said allowance amounting to ` 39.07 lakh during the period from 2011-16. Thus, the matter needs investigation and action against the persons responsible, for payment of this allowance to ineligible employees in violation of the above orders, despite PAC's recommendations.

2.1.7 Adequacy of infrastructure and health care facilities

In order to ensure adequacy of infrastructure with respect to the MCI norms as well as to ascertain that the civil works done by the respective contractors were in accordance with the CPWD norms, an Engineering Division in IGMCRI was established during 2005-06 with Chief Engineer as Project Manager to execute the works and to conduct inspections along with quality check. We observed that the civil works were executed for college and hospital blocks which were supervised by the Engineering Division and all necessary checks as per CPWD norms were exercised. We, further observed that there was short release of funds (83 *per cent*) towards construction purposes by the UT Government owing to which shortfall in civil works was noticed. The Engineering Division had, however, prioritised the works based on annual MCI requirements with available

funds and accordingly executed the works. The shortfall in infrastructure and other health care facilities thus, had an overall impact on the functioning of IGMCRI which are discussed in the succeeding paragraphs.

2.1.7.1 Shortfall in infrastructure and equipment

The MCI norms stipulated that any person or entity submitting application for setting up of a medical college should have the capacity to complete the infrastructure works within a period of four years from the date of granting Letter of Permission (LoP). In the instant case, LoP was granted in August 2010 to the Society to start IGMCRI. As such, the construction works should have been completed by August 2014. It was, however, observed that there was shortfall in creation of infrastructure, as discussed below:

- As per the MCI norms, all infrastructure works were to be completed by the end of fourth year. These infrastructure works included 33 works such as auditorium, lecture halls, laboratories, etc., on completion of which permanent recognition was to be given. As of March 2016, out of the 33 works, 23 works were completed and ten works (auditorium, lecture theatre in hospital, central photography section, central workshop, two research laboratories⁴, interns hostel, nurses hostel, residents quarters and staff quarters) were not completed (**Appendix 2.1**).

Thus, in absence of the infrastructure, which was significant with respect to key functional areas of the medical college, the intended objective in imparting medical education to the aspiring students of the UT of Puducherry, remained partially achieved inspite of a passage of six years time.

On being pointed out, UT Government stated (November 2016) that works would be completed during the next three years.

Thus, we observed that though the Society had failed to complete all infrastructure works till date even after the passage of six years (December 2016), permanent recognition was granted by the MCI to the IGMCRI at the end of fifth year.

- As per clause B.1.9, Minimum Standard Requirements for the Medical College for 150 Admissions Annually Regulations, 1999, the teaching hospitals are required to have an attached 750 bedded teaching hospital for providing tertiary care facilities. MCI norms further stipulated that teaching hospital should have bed strength of 750 at the end of fourth year for the purpose of clinical teaching. The shortfall noticed during the audit period, in respect of bed strength and bed occupancy rate, was as shown in the following **Table 2.2**.

⁴ Forensic Medicine and Pharmacology

Table 2.2 – Availability of beds and bed occupancy rates

Year	Bed strength required as per MCI norms	Bed strength actually available	Bed occupancy rate as per MCI norm (in per cent)	Actual Bed occupancy rate
2011-12	415	146	80	72
2012-13	530	425	80	56
2013-14	645	436	80	57
2014-15	750	540	80	56
2015-16	750	705	80	61

It may be seen from the above that shortfall in bed strength and bed occupancy continued year after year. The reason for shortfall in bed occupancy as is evident from the table above, was attributed to inadequate infrastructure and health care facilities in IGMCRI, which resulted in low occupancy ranging between 56 and 72 per cent only during 2011-16, against the MCI norms of 80 per cent.

In order to ensure that shortfall in bed strength and bed occupancy did not impact the yearly renewal inspection by MCI, the Society had passed a resolution with the approval (December 2009) of its Governing Body to borrow beds along with personnel from GH, Puducherry, to make good the shortfalls in fulfilling the MCI criteria.

We observed that the action of the Society in passing the said resolution for getting beds from the GH amounted to misleading the MCI by misrepresenting the actual facts about availability of the requisite number of beds whereas there was always shortage of beds in the IGMCRI since 2011 as indicated in the above table. Besides, the authorities of GH helped in the fraudulent action of the Society by giving beds to it. Thus, the authorities of Society had connived with GH by misrepresenting the real facts to hoodwink the MCI, which continued granting renewals to the IGMCRI year after year from 2011 to 2016. Thus, the action of the Society to misrepresent the facts to the MCI in a fraudulent manner calls for fixing of the responsibility of the concerned officials of the Society and as also of GH for unlawfully helping the Society in providing beds to the IGMCRI.

- Indian Public Health Standards (IPHS) stipulated availability of disease investigation facilities for District hospitals up to 500 beds. IGMCRI, despite being a tertiary care teaching hospital with 705 beds did not have the required facilities for CT Scan, Stress test (Cardiac Investigation), Mass Miniature Radiography (for screening of Pulmonary Tuberculosis), glycosylated haemoglobin, TSH and

Thyroid T₃, T₄ due to lack of specialist, equipment and reagents. In the absence of CT scan, 23 referrals were made to other hospitals during 2011-16, until it was procured in June 2015. Absence of these infrastructure facilities reflected in the low bed occupancy rate, as it ranged from 56 to 72 *per cent* (**Table 2.2**) during 2011-16 against the MCI norms of 80 *per cent*.

While accepting audit observation, UT Government stated (November 2016) that due to lack of infrastructure facilities, the cases were being referred to GH, Puducherry.

Thus, the required basic disease investigation facilities as per IPHS were not in place in IGMCRI due to which, the patients were being referred to the GH, Puducherry. The very objective of setting up the medical college and hospital, therefore, remained unachieved.

- Out of 21 departments, five departments were test-checked for availability of equipment as per MCI norms, which revealed the following as shown in **Table 2.3**.

Table 2.3 – Shortfall in equipment

Department	Equipment as per MCI norms	Equipment available	Percentage of shortfall
General Medicine	54	30	44
Tuberculosis and Chest Diseases	9	3	66
Psychiatry	8	1	88
Surgery	51	26	49
Paediatric surgery	17	11	35
Total	139	71	49

Equipment like Colonoscope, Bronchoscope, EEG monitor, Gastro Intestinal Endoscope and ICU equipment incubator, etc., were not available at all, as a result of which, patients were referred to other hospitals having these facilities. On being pointed out, the UT Government stated (November 2016) that equipment could not be procured due to paucity of fund and assured that steps would be taken to procure necessary equipment at the earliest.

The reply was not acceptable as the Medical College was established in September 2010 and even after six years of its establishment, the percentage of shortfall in procurement of equipment was to the tune of 49 *per cent*, which was indicative of a serious lapse on the part of IGMCRI in providing necessary medical facilities to patients. Consequently, the patients were being referred to other hospitals for undergoing treatment defeating the very purpose of setting up the medical college.

2.1.7.2 Shortfall in availability of drugs

The list of drugs to be purchased by the IGMCRI for supply to patients was to be finalised by the Pharmaco Vigilance Committee⁵ (PVC). The PVC had suggested (November 2010) to adhere to the Indian National Essential list of Drugs, which stipulated that 348 essential drugs should be made available in a tertiary care hospital. Scrutiny of the records during the period 2011-16 revealed as under:

- Out of 348 essential drugs, 145 drugs on an average were procured based on actual requirement by the hospital during 2011-16. Out of these drugs, 100 drugs on an average (69 *per cent*) were found to be out of stock in the hospital during 2011-16 for periods ranging from 90 to more than 270 days, each year, which was attributed (June 2016) by IGMCRI to non-settlement of suppliers' bills, owing to which they could not be insisted for timely supply of drugs by the Department.
- An analysis of indents received from medical, surgery and obstetrics and gynaecology wards during 2011-16 and stock register of pharmacy revealed that 66 indents for essential drugs like T.Ciprofloxacin, T.Ranitidine, Inj. Thiamine, Inj. Ampicillin and IV DNS, which were indented by these wards were not issued as there was no stock in the pharmacy. As a result, patients had to purchase these essential drugs out of their own pockets and the same were administered, as was evident from the nurses' report book.

While accepting audit observation, the UT Government stated (October 2016) that the lesser quantity of drugs was being purchased as against prescribed quantity on need basis and prevalence of diseases in surrounding area. The reply was not acceptable, as indents for essential drugs placed by the respective wards were not in stock and in absence of such drugs, patients were forced to purchase the drugs on their own from market.

Thus, the adequate quantity of drugs to be given free of cost to the patients was not kept in stock, which defeated the purpose of ensuring treatment of patients in the IGMCRI.

2.1.8 Inadequacy of medical personnel

As against the sanctioned strength of 1,693 posts⁶ in various cadres, there were 624 personnel⁷ in position as of March 2016. A scrutiny of the availability of medical personnel revealed as under:

⁵ A committee constituted by the college in July 2010 for finalising the list of drugs and was constituted as stipulated in MCI norms

⁶ Group A (417), Group B (524), Group C (752 inclusive of 399 Multi Purpose Workers)

⁷ Group A (249), Group B (224), Group C (151 inclusive of 34 MPWs)

2.1.8.1 Shortfall in faculty

There were 21 Departments⁸ in IGMCRI and as per MCI norms, there should be 152 faculty members of different categories (Professors, Associate Professors, Assistant Professors and Tutors) and 115 Senior and Junior Residents. IGMCRI, having been given (November 2015) permanent recognition for annual intake of 150 students with teaching hospital of 705 bed strength, was supposed to have full strength of faculty as per MCI norms. A comparative position of faculty, as of March 2016, against the MCI norms is given in the **Table 2.4** below:

Table 2.4 – Shortfall in faculty

Sl. No	Faculty	MCI norms for 150 students	Available	Shortfall	Percentage of shortfall
1	Professor	21	15	6	29
2	Associate Professor	39	38	1	3
3	Assistant Professor	60	65	Nil	Nil
4	Tutor	32	25	7	22
	Total	152	143	14	9

It may be seen from the above table that the shortfall against the post of Professor (Head of Department) was 29 *per cent*. Six departments, *viz.*, Tuberculosis and Chest diseases, Psychiatry, Ophthalmology, Radio-diagnosis, Dentistry and Forensic Medicine were functioning without Heads of Department. MCI norms further stipulated that there should be 115 Senior and Junior Residents in the Hospital against which there were 103 Senior and Junior Residents, as of March 2016.

On being pointed out, the UT Government stated (November 2016) that sufficient faculty was available as per MCI norms. The reply was not acceptable, as the persons-in-position did not support the UT Government's contention.

2.1.8.2 Shortfall in nursing staff

As per the MCI norms, 372 nursing staff was required in a 750 bedded hospital in the nurse-patient ratio of 1:2. As of March 2016, there were 190 nursing staff members against the MCI norms of 372, leaving a shortfall of 49 *per cent*, which was as under in **Table 2.5**.

⁸ Anatomy, Physiology, Bio-chemistry, Pathology, Micro-biology, Pharmacology, Forensic Science, Community Medicine, General Medicine, TB and Respiratory Medicine, Venereology and Leprosy, Psychiatry, Paediatrics, General Surgery, Orthopaedics, ENT, Ophthalmology, Obstetrics and Gynaecology, Radio diagnosis, Anaesthesiology and Dentistry

Table 2.5 – Shortfall in nursing staff

Sl. No	Designation	MCI Norms	Persons-in-position	Shortfall of staff	Percentage of shortfall
1	Nursing Superintendent	5	0	5	100
2	Deputy Nursing Superintendent	1	2	Nil	Nil
3	Assistant Nursing Superintendent	12	1	11	92
4	Nursing Staff (Head Nurse / Staff Nurses / Nursing Sister / Auxiliary Nurse Midwives)	354	187	167	47
	Total	372	190	183	49

It was noticed that as of March 2016, there were 430 patients against which 190 nursing staff members were in position, which indicated that the nurse-patient ratio of 1:2 had not been maintained. The number of patients in the hospital is not a static figure and is subject to rise at any point of time. In such a situation, the shortfall in nursing staff would affect medical services to the patients.

While accepting audit observation, the UT Government stated (November 2016) that the staff nurses were being recruited on contract basis to meet the shortfall and nursing staff were also drafted from Mother Theresa Post Graduate Institute of Health Sciences on deputation basis. The reply was not acceptable, as only 28 nursing staff were employed on deputation and contract basis as compared with the shortfall of 167 nursing staff members.

2.1.8.3 Irregular engagement of Multipurpose Workers

The UT Government had issued instructions (September 2014) for grantee institutions to seek their approval for engaging persons on consolidated wages for carrying out various activities.

The Society had outsourced the services of Multi Purpose Workers (MPWs) in respect of housekeeping, security and canteen of the IGMRCI to a private firm in August 2011 on a monthly payment of ` 62.12 lakh. It was further observed that the Society had absorbed all the 778 MPWs deployed by the private firm, on consolidated wages, with effect from January 2016, on the grounds that they were not paid wages properly, by obtaining approval of Governing Body (February 2016). The MPWs were paid an amount of ` 1.28 crore during January-March 2016 as consolidated wages by the Society.

In this regard, we observed as under:

- The Society had failed to adhere to the UT Government's instructions issued (September 2014) for grantee institutions to seek their approval before engaging persons on consolidated wages.

- Against the provision of 399 MPWs posts, the Society had engaged (January 2016) 778 MPWs, without approval of UT Government.
- The qualification prescribed for MPWs was 10th standard, but the MPWs below the prescribed benchmark were also absorbed by the Society.
- As of March 2016, 771 MPWs had been deployed in administrative offices and various core areas such as clinical and non-clinical departments of the institute, wards, operation theatres, laboratories, etc., thereby posing high risk to the lives of the patients. The deployment of MPWs is detailed in **Table 2.6**.

Table 2.6 – Deployment of MPWs

Sl.No	Place of deployment	Number of MPWs deployed
1	Administration	40
2	Clinical and non-clinical departments and laboratories	202
3	Blood bank	2
4	Canteen, hostel and security	171
5	Library	14
6	Casualty and wards	118
7	Operation Theatres	24
8	Intensive Care Unit	10
9	Pharmacy and stores	11
10	Central Sterilisation and Supply Department	6
11	Others (Drivers, lift operators, maramath etc.)	173
Total		771

On being pointed out, the UT Government stated (October 2016) that the Society had full powers to create posts on its own. The reply was not acceptable, as UT Government had itself issued (September 2014) specific orders that grantee institutions should not engage persons on consolidated wages, without their approval. Thus, deployment of MPWs in such core areas like operation theatres, intensive care unit, casualty, laboratories was not in order and fraught with risk.

Thus, the action of the Society to absorb the MPWs was not only against the UT Governments' specific directives but the deployment of majority of them against technical / medical / administrative posts was also inappropriate as they were not qualified to handle the assigned jobs which entailed high risks for the lives of patients and such other mistakes. Besides, the Society had employed 372 MPWs over and above the sanctioned posts of 399, though all 771 had been employed unauthorisedly on consolidated wages. This calls for investigation and fixing of responsibility on those being responsible for this.

2.1.8.4 Violations in engagement of consultants

The UT Government had issued (September 2014) directions not to employ consultants who had crossed the age of 65. We, however, noticed that 25 out of 31 consultants employed by the Society, had crossed the age limit of 65 years. Out of these 25, two consultants were vested with bill passing powers.

On being pointed out, the UT Government stated (November 2016) that seven consultants were relieved of their duties and the cheque drawing powers would be restored to regular Government employees in due course by posting regular employees on deputation. The UT Government further stated that the consultants would be relieved as soon as vacancies were filled up.

The reply was not acceptable, as 18 consultants who were more than the age of 65 were still continuing in violation of UT Government's order. Thus, the engagement of consultants by the Society was clearly in violation of the UT Government orders, which calls for fixing of responsibility in the matter.

2.1.9 Non-monitoring of Hospital acquired infection rate

As a measure of controlling hospital acquired infection, the hospital manual stipulated constitution of Hospital Infection Control Committee (HICC) to formulate the policies for control of infection by Infection Control team, which consists of Infection Control Officer (ICO) and Infection Control Nurse (ICN). The ICN was responsible for analysis and dissemination of antibiotic resistance data, emerging pathogens and unusual laboratory findings. They were further responsible for surveillance, detection and investigation of outbreaks of infection and training and education of staff infection control procedures.

We observed that though HICC was formed in November 2010 and Infection control manual containing basic protocols for infection control was brought out in 2012, the ICO and ICN were not nominated. As such, the hospital acquired infection rate was never determined and consequently, it was not being monitored.

On being pointed out, the UT Government stated that (November 2016) determination of hospital infection rates necessitated data collection by respective Heads of Department and Clinical heads.

The reply was not acceptable as necessary steps should have been taken to monitor the infection rates by nominating a trained ICO and ICN, as lack of monitoring infection rates can endanger safety of patients.

2.1.10 Conclusion

Short release of funds by the UT Government had resulted in non-creation of envisaged infrastructure, as prescribed by MCI and works were delayed. Against 33 infrastructure works to be completed, 23 works were completed while remaining ten works were yet to be completed. Against the requirement of 750 teaching beds, 705 beds were only available. The bed occupancy rate ranged between 56 and 72 *per cent* against the envisaged norms of 80 *per cent*. In order to get annual renewal from MCI, the Society had made a resolution with concurrence of GH to make good the shortfall in respect of beds, and thus, by misrepresenting the actual facts to MCI, the IGMCRI continued to get its annual renewal. Against the prescribed number of 348 essential drugs for a tertiary care hospital, only 145 drugs were purchased, of which, on an average 100 drugs were found out of stock. Shortfall was noticed in nursing staff, thus impacting the quality of health care extended to patients. The society had engaged 778 unqualified MPWs, without required approval of UT Government, who were deployed in core areas of IGMCRI such as operation theatres, wards and laboratories, thereby posing high risk to the lives of the patients. The UT Government needs to examine these critical areas to achieve the intended objectives of creation of Medical Institute and Hospital.

2.1.11 Recommendations

In the light of our audit observations, we recommend the UT Government to take action as under:

- To ensure release of adequate funds for creation of necessary infrastructure for medical college and hospital to meet the MCI norms, within a definite time frame.
- To take necessary steps to increase the bed strength as envisaged in MCI norms, by making available necessary infrastructure and health care facilities.
- To ensure availability of basic medical equipment and essential drugs for taking care of treatment of patients.
- To engage teaching faculty, as per the norms, to ensure quality of the medical education imparted and nursing staff to ensure adequate care to the patients.
- To avoid engagement of persons etc. without proper approvals as prescribed under various orders and directives etc.

HOME DEPARTMENT

2.2 Follow-up Audit on Modernisation of Police Force

Executive Summary

Government of India introduced Modernisation of Police Force (MPF) in Union Territory of Puducherry during 2006-07, to improve the operational efficiency and infrastructural facilities of police force by providing funds under Housing, Communication, Equipment, Vehicles, Buildings, Forensic Laboratory and Weaponry. The scheme period of 2006-11 was later extended for two years, upto March 2013. A Performance Audit of the scheme was conducted in 2009 and the audit observations were included in the Comptroller and Auditor General of India's Report on the UT of Puducherry for the year ended 31 March 2009. The PAC had discussed the Report (July 2013) and made its recommendations. A Follow-up audit was conducted during March to July 2016 covering the implementation of MPF scheme during 2009-16, to assess whether the accepted audit recommendations were implemented and action was taken on PAC recommendations. The results of follow-up audit were as under:

All the four recommendations made in the earlier Audit Report were accepted by the Department and all the recommendations were partially implemented.

Though the scheme period was extended upto March 2013, beyond 2006-07 to 2010-11, the funds released were not utilised and hence, UT Government could not avail the entire allocation made by GOI. Thus, the recommendation was, therefore, partially implemented.

There was some progress, both under residential and non-residential buildings under construction works. However, some of the works were not taken up due to paucity of funds and non-availability of land. Thus, the recommendation was partially implemented.

Though the police personnel were given training in weapons, shortfall in annual training practice continued to persist. Thus, the recommendation was partially implemented.

Monitoring Committee did not meet regularly as envisaged and no meetings were conducted after December 2015. The recommendation was, therefore, partially implemented.

Live views were not available from all the 103 cameras installed and Vehicle Tracking System was not installed in 70 of the 85 vehicles, as envisaged, resulting in non-achievement of objective of monitoring sensitive areas and vehicle movement.

2.2.1 Introduction

Government of India had introduced a scheme of Modernisation of Police Force in UT of Puducherry during 2006-07, to improve the operational efficiency and infrastructural facilities of police force. Under the scheme, the Union Territory Government was to prepare an Annual Action Plan, which had to be approved by the Ministry of Home Affairs (MHA). After approval, UT Government was to take up the works of MPF. The scheme, initially sanctioned for a five year period 2006-11, was later extended upto March 2013.

2.2.2 Organisational Setup

The Police department functions under the Home Department of the UT of Puducherry, headed by Chief Secretary, who was responsible for implementation and monitoring of the scheme. At Department level, the Director General of Police (DGP) heads the police force. The DGP was assisted by Inspector General of Police and Senior Superintendents of Police (SSP). The UT was divided into two police districts, consisting of eight police regions, viz., Puducherry North, East, West, South, Mahe and Yanam in Puducherry police district and Karaikal North and South in Karaikal police district.

2.2.3 Audit Objectives

The implementation of scheme in UT was last reviewed during 2008-09 and audit observations were included in the Audit Report for the year ended 31 March 2009 along with four recommendations. The recommendations made in the Audit Report were discussed by the PAC, and made recommendations in July 2013. The Follow-up audit had been conducted with the objective of verifying the compliance by the Department to the recommendations made in Audit Report 2008-09. Action taken on the recommendations of the PAC was also examined and included suitably, wherever found necessary. New issues noticed during the course of follow-up audit have also been examined and incorporated in the Report.

2.2.4 Audit Criteria

Audit observations were benchmarked against the following criteria:

- Recommendations made in the Audit Report 2008-09 and replies furnished by the UT Government
- Recommendations made by the PAC in respect of the audit of the scheme included in the above Report
- Guidelines for the MPF scheme

- Central Public Works Department Manual
- Orders and instructions issued by GOI and UT Government.

2.2.5 Audit Scope and Methodology

The Follow-up Audit on the Performance Audit on Modernisation of Police Force was conducted from March 2016 to July 2016. The current audit covered the scheme for the period 2009-16 and records maintained in the Office of Superintendent of Police (Headquarters), SSP (Law and Order), SSP (Crime and Investigation), SSP (Headquarters and Traffic) and SSP (Karaikal) were test checked. An Entry conference was held on 18 March 2016 with the Secretary to UT Government and the audit objectives of Follow-up audit, scope of audit and methodology were discussed. An Exit conference was held with the Secretary to UT Government on 25 November 2016. The audit observations are discussed in the subsequent paragraphs.

2.2.6 Recommendations made in the previous Audit Report

The following recommendations were made in the Audit Report 2008-09 in the Performance Audit on Modernisation of Police Force.

- 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.

2.2.7 Results of Follow-up audit

2.2.7.1 Efficient utilisation of funds and utilisation certificates to be furnished for actual expenditure only – Recommendation 1

(a) Utilisation of scheme funds

It was commented in the Audit Report 2008-09 that the Department had not worked out the cost of construction while submitting proposals to MHA,

which had resulted in poor utilisation of funds allotted under construction activities. In the reply to PAC (July 2013), the Department had accepted that poor utilisation of fund was due to non-assessment of components of work and non-calculation of cost of construction at the time of submission of proposals to MHA. The Department had further stated that in order to ensure speedy completion, the works were entrusted to various agencies to execute them on priority basis and it would be ensured that works would be completed within the financial year 2013-14. Based on the reply of the Department, PAC had treated the audit observation as closed. We have, however, observed that the inefficient management of funds was still continuing which resulted in non-completion of works as discussed in paragraph 2.2.7.2.

(b) Non-utilisation of GOI grant in full

GOI had approved (April 2006) ₹ 66 crore for five years (2006-11) for various components⁹ under the scheme, with an annual allocation of ₹ 13.20 crore. The scheme period was later (April 2010) extended up to 2012-13, so that funds available under the scheme may not lapse. GOI had further instructed (April 2010) that any unutilised balance from the previous years should be utilised only on receipt of revalidation orders from MHA. During the scheme period (2006-13), against the allocation of ₹ 66 crore, GOI released ₹ 63.22 crore. Scrutiny of the records revealed the following.

- The Department had an unspent balance of ₹ 16.42 crore at the end of March 2013 out of ₹ 63.22 crore received despite directions from GOI to utilise the fund within scheme period (2006-13).
- Contrary to GOI's directions, the Department utilised ₹ 10.78 crore during 2013-16 beyond the scheme period without obtaining revalidation orders from GOI. On being pointed out, the Department (June 2016) replied that expenditure was incurred based on the approval of UT Government. The reply was not acceptable, as the requisite approval of GOI had not been obtained.
- GOI allocated ₹ 66 crore for MPF scheme, out of which ₹ 63.22 crore was released to the Department for implementation of the scheme. As of March 2016, the Department had an unspent balance of ₹ 5.64 crore, due to which, the balance allocation of ₹ 2.78 crore (₹ 66.00 crore - ₹ 63.22 crore) from GOI could not be availed by the Department.

On this being pointed out, the Department replied (May 2016) that the balance allocation of ₹ 2.78 crore could not be availed due to non-receipt of *proforma* invoice from MHA for purchase of

⁹ Housing, Communication, Equipment, Vehicles, Buildings, Forensic Laboratory and Weaponry

weapons. The reply was not acceptable as ₹ 1.42 crore for purchase of weapons had already been received from GOI, which was a part of ₹ 5.64 crore unspent balance available with the Department, and *proforma* invoice from GOI was awaited only for this amount (discussed in paragraph 2.2.8.1).

(c) Utilisation Certificates for actual expenditure

It was commented in the Audit Report 2008-09, that incorrect Utilisation Certificate (UC) was furnished by the Department, as the UC for the year 2008-09 included ₹ 7.89 crore (Puducherry Housing Board (PHB) - ₹ 1.11 crore and Puducherry Agro Service and Industries Corporation Limited (PASIC) - ₹ 6.78 crore), which was lying unutilised with the construction agencies. Based on the reply of the Department, that action would be taken to complete the work on priority basis within the financial year 2012-13, PAC had treated this item as closed.

During the Follow-up Audit, utilisation of ₹ 7.89 crore was examined and it was observed that while PHB had utilised the funds received, PASIC still had a balance of ₹ 2.54 crore (discussed in paragraph 2.2.7.2 (c)).

We observed that the Department did not efficiently utilise the funds within the scheme period as recommended due to slow progress of works, as discussed in succeeding paragraphs. Thus, the recommendation was partially implemented.

2.2.7.2 Timely achievement of various targets and scheme components – Recommendation 2

Housing and office buildings

(a) Housing satisfaction level not improved

It was commented in the Audit Report 2008-09, that against 96 Type II and Type III staff quarters and five quarters for officers planned for construction during 2006-09, construction of only nine Type II staff quarters was nearing completion and housing satisfaction level increased marginally from 33 to 35 *per cent*. The Department had replied (July 2013) to PAC that 67 Type-II quarters, eight Type-III quarters and five Officers quarters had been completed and construction of quarters¹⁰ for Coastal Police Station, Karaikal had commenced. PAC had desired to know the latest position, which was awaited from the Department.

As a result of follow up audit, we observed (July 2016) as under:

- Of the remaining 21¹¹ Type II and III quarters, construction of two

¹⁰ Three Type-III and 12 Type-II quarters

¹¹ Excluding 80 completed out of 101 planned

quarters¹² was not included in the revised Annual Action plan for the year 2008-09 proposed by UT Government and approved by GOI (November 2008).

- Construction of 19 quarters¹³ was not taken up, though land had been identified. The Department attributed (September 2016) non-construction of these quarters to paucity of funds. The reply was not acceptable, as the estimated cost approved for the work was ` 1.76 crore and the Department could have availed the balance unreleased GOI grant of ` 2.78 crore, had it utilised the entire grant of ` 63.22 crore released by GOI within the scheme period 2006-13, as commented in paragraph 2.2.7.1 (b).
- Out of total 857 staff quarters of various types constructed for the police personnel, only 558 quarters were occupied. Of the balance 299 quarters, 273 quarters (32 *per cent*) were found to be unfit for occupation due to damages and lack of facilities such as water and electricity. The quarters remained unoccupied for periods ranging from one to 13 years. Though the poor condition of the quarters had been brought to the notice of the Department by Sub-Inspectors (August 2014) and Public Works Department (PWD) was requested by Department (October 2014) to inspect the damaged houses, no further action was taken to repair the quarters.

On being pointed out, UT Government replied (November 2016) that immediate action could not be taken to repair the quarters due to non-availability of funds. Further, it was stated that several quarters were in dilapidated condition and hence, could not be repaired and had to be completely demolished and new quarters had to be constructed.

Thus, despite construction of 80 new quarters at a cost of ` 9.19 crore under the scheme, failure of the Department to take necessary follow-up action to repair the existing quarters resulted in many of the quarters remaining unoccupied due to their bad condition. The housing satisfaction level, which was expected to reach 49.37 *per cent* on completion of all the housing works proposed under the scheme, was only 36 *per cent* as of January 2016 as assessed by the Department.

(b) Construction of non-residential buildings

It was commented in the Audit Report 2008-09 that out of 24 Office, Police station and training school buildings proposed to be constructed under the scheme, only one work was completed (July 2008) and remaining 23 works were not taken up and the Department had to incur an avoidable expenditure of ` 15.02 lakh towards payment of rent during 2007-09 due to

¹² Two Type-II quarters, Palloor

¹³ 19 quarters at Sedarapet, Puducherry

lack of own accommodation. The Department had replied (July 2013) to the PAC that works were entrusted to PWD, PASIC and PHB for speedy completion and seven works were nearing completion. PAC had desired to know the reasons for the delay and the latest position, which was awaited from the department.

The Follow-up audit revealed as under:

- Out of 23 incomplete works, 12 works were completed (between July 2008 and March 2014), of which, there was time overrun ranging from nine to 27 months and cost overrun of ` 1.17 crore in respect of five works, for reasons such as delay in obtaining structural design and drawings, modification in floor plan and non-availability of construction material (**Appendix 2.2**).
- In respect of two works entrusted to PWD (office building and indoor physical training centre, Gorimedu, Puducherry), the office building was completed (August 2014) but provision of electrical and water connection was still pending (November 2016) for more than two years. In respect of indoor physical training centre, though the civil work was completed (June 2014), gym equipment were yet to be put in place (November 2016).
- Seven works were not taken up due to reasons such as, non-availability of land, encroachment, non-shifting of HT lines and paucity of funds (**Appendix 2.3**). We observed lack of follow-up action with PWD, Electricity Department and Revenue Department for last four–five years in three works. As a result, four offices and police stations¹⁴ continued to operate in rented buildings, incurring an additional avoidable expenditure of ` 44.52 lakh from 2009-16.
- In respect of two works entrusted to PASIC (Training Guest house, Gorimedu and Construction of Staff quarters for Coastal Police Station, Karaikal), the Training Guest house, Gorimedu remained incomplete after incurring ` 2.89 crore, while the work of construction of Staff quarters for Coastal Police Station was foreclosed after incurring an expenditure of ` 0.16 crore, as discussed in detail in succeeding paragraph.

Thus, due to non-availability of land, encroachments issues, lack of basic infrastructure works on completed civil works like electricity and water connection etc., the non-residential buildings could not be completed resulting in non-achievement of the stated objectives of the scheme.

¹⁴ (i) SSP office-cum-residence, Karaikal, (ii) Police Station at Reddiyarpalayam, (iii) Police station with Circle Inspector Office at Lawspet and (iv) Korkadu/ Karikalampakkam OP station and staff quarters

On being pointed out, UT Government accepted the audit observations and replied (November 2016) that action was being taken to complete the remaining works.

(c) *Poor execution by Puducherry Agro Service and Industries Corporation Limited resulting in buildings remaining incomplete*

It was commented in the Audit Report 2008-09 that ` 6.78 crore was lying unutilised with PASIC as of March 2009. In the Follow-up Audit, the utilisation of funds by PASIC for construction of buildings was examined. It was observed that, an amount of ` 0.31 crore was further released in February 2011 to PASIC, totalling an amount of ` 7.09 crore towards construction of Training Guest house, Gorimedu and construction of Coastal Police Station, Karaikal (CPS) and related staff quarters (March 2009).

PASIC, though, had completed (July 2013) the construction of Coastal Police Station (CPS) at a cost of ` 1.50 crore, could not complete the work of construction of Training guest house (to be completed in August 2010) and construction of staff quarters for CPS (to be completed in August 2011). It was noticed that PASIC had incurred ` 2.89 crore on construction of Training guest house and works of laying tiles and fixing handrails, panel boards, electrical fittings were yet to be completed. In respect of construction of staff quarters for CPS, the work was foreclosed (May 2013) by PASIC, after incurring an expenditure of ` 0.16 crore.

Due to prolonged delay in completion of Training guest house, the Department had requested (August 2014 and March 2016) UT Government to direct PASIC for refund of unspent amount of ` 2.54 crore. However, no further action was taken and in the absence of proper follow-up, the works remained incomplete for more than five years and expenditure of ` 3.05 crore incurred on the two works remained unfruitful. On being asked about the status of incomplete works (May 2016), PASIC replied (June 2016) that the work of construction of staff quarters for CPS was foreclosed due to administrative reasons and paucity of funds.

The reply was not acceptable, as PASIC still had a balance of ` 2.54 crore out of the scheme funds released to it by the Department. On being pointed out, the UT Government replied (November 2016) that inspite of several reminders, PASIC had neither completed the work nor refunded the amount and efforts were being made continuously to get back the funds from PASIC. However, the reply was silent about completing the works which were still pending. As such, the UT Government needs to institute an investigation as to why works were foreclosed by PASIC despite availability of funds and for furnishing wrong reply, being a Government body.

Thus, we observed that only 67 *per cent* of the proposed residential and non-residential works were completed (20 out of 30 works) at a slow pace indicating poor planning in execution of the scheme. As there was only a marginal increase in housing satisfaction level, the recommendation was also partially implemented.

2.2.7.3 *Shortfall in periodical training – Recommendation 3*

It was commented in the Audit Report 2008-09 that only 20 *per cent* of the police personnel were trained in modern weapons. The Department had replied (July 2013) to PAC that due to non-availability of firing range in Puducherry, training would be given to all the Police personnel in a phased manner and on a priority basis utilising the firing range in neighbouring State. PAC had further desired to know whether training was given in modern weapons.

We noticed during follow-up audit that a separate firing range in Puducherry was still not existing. Though the Department had incurred an amount of ` 3.16 crore for procurement of 9 mm Pistols, Self Loading Rifles (SLRs), Glock Pistols, AK series Rifles, MP 5 Series, etc., the Police personnel were being taken to neighbouring State of Tamil Nadu for practice, for handling 9 mm pistol, Revolver .380 and SLRs. We further observed that the Department had given reply only on the year-wise number of police personnel trained, which indicated shortfall in training, ranging between 35 and 85 *per cent* during the years 2009-16 (**Appendix 2.4**).

It was further observed that the Department had purchased a firing simulator for training the police personnel in SLRs at a cost of ` 14.65 lakh from Army Based Workshop, Bangalore (ABW) and the same was installed in Puducherry during October 2012. The simulator, however, malfunctioned twice (March 2013 and March 2015) during 2012-16. Though the simulator was repaired in February 2016, it was yet to be put to use as the Department was waiting for technical persons from ABW for reinstallation.

We further noticed that the warranty period of the simulator had expired in October 2013 and the Department was yet to sign an Annual Maintenance Contract with ABW to reinstall and operate the simulator. As such, the simulator was used sparingly during 2012-16 and out of the 2,763 police personnel in position (as of March 2016), only 600 were trained using simulator during the period.

On being pointed out, UT Government replied (November 2016) that audit observation had been noted for guidance and training to all upper and lower subordinates was being imparted from time to time. The reply on training to police personnel was not tenable, as there were shortfall in trainings, which ranged between 35 and 85 *per cent* during 2009-16.

In view of the persisting shortfall in training, we observed that the recommendation was partially implemented.

2.2.7.4 Monitoring and supervision – Recommendation-4

A Monitoring Committee was constituted (June 2008) to monitor the implementation of the scheme and as such, monthly meetings were to be held to review the progress in implementation of the scheme. It was commented in the Audit Report 2008-09 that against 10 monthly meetings, only three meetings were conducted. The Department had replied (July 2013) to PAC that regular meetings were being conducted within the Department and monitoring of the scheme was being done on fortnightly basis with PERT chart. Based on reply, the PAC treated the issue as closed.

In Follow-up audit, when the details of meetings conducted by Monitoring Committee during the audit period were called for, the Department replied (September 2016) that 23 meetings were held between July 2008 and December 2011. Thereafter, bi-monthly/quarterly meetings were held from January 2012 instead of every month and the last meeting was held only in December 2015 and no meeting was held since then. It was noticed that the Department had not prepared any minutes for the meetings held after December 2011 and in absence of minutes, we could not assess the impact of monitoring by the Committee. The Government accepted the audit observations and stated (November 2016) that further due action would be taken in the matter.

In view of shortfall in conduct of meetings and in absence of documentation of these meetings, we observed that the recommendation was only partially implemented.

2.2.8 Further audit observations

2.2.8.1 Delay in purchase of weapons

MHA had sanctioned ₹ 1.42 crore for purchase of additional weapons¹⁵. The weaponry could be procured only after receipt of *proforma* invoice from the MHA as instructed by GOI. It was, however, noticed that *proforma* invoice was yet to be received and weaponry items were not procured. On being pointed out, the Department replied (July 2016) that though several reminders (July 2013, December 2013 and December 2015) were sent to Home Department, UT of Puducherry, the required *proforma* invoice had not been obtained. When Audit called for reasons for the delay, the Home Department replied (July 2016) that proposal requesting for issue of *proforma* invoice was forwarded to MHA in July 2013 and thereafter, in July 2016 (after being pointed out by Audit). No follow-up action was taken by Home Department to obtain *proforma* invoice from MHA during 2013-16, resulting in delay of more than three years in

¹⁵ Sniper rifles (10), Glock pistol (50), AK-47 rifles (60) and 5.56 mm rifle (200)

procurement of weapons and thus, ₹ 1.42 crore remained unutilised. This being a serious issue, the UT Government needs to investigate the cause for the delay and to take necessary action.

2.2.8.2 Non-functioning of CCTVs installed at public places

During 2009-10, MHA had approved ₹ 1.21 crore towards modernisation of police control room, which included setting up a Central Control Room (CCR), installation of Closed Circuit Television (CCTV) in sensitive Government buildings and important junctions of Puducherry town and implementing Vehicle Tracking System (VTS). An agreement was entered into (November 2010) with the selected firm for implementing the project at a cost of ₹ 1.07 crore¹⁶.

As per the agreement, the firm had to install 103 cameras at 34 locations and to install GPS system in 85 police vehicles under VTS. The Department had to provide necessary infrastructure like space for setting up CCR, installation of poles at the selected locations for fixing cameras and extending power supply for operation of cameras. The work was proposed to be completed in six months time (May 2011) from the date of agreement (November 2010).

Scrutiny of the records revealed that the Department had entrusted the works of setting up of CCR, erection of poles and extension of power supply to PWD only in June 2012. There was delay in identifying the locations, erection of poles and extension of power supply and PWD completed these works only in December 2013. The firm completed installation of cameras in the selected locations during November 2010-March 2016.

Test check of the details for two months (April 2016 and May 2016) in the register maintained in the control room to monitor the functioning of cameras revealed that the camera view mode was available only in respect of 20 to 68 cameras as against the 103 cameras installed.

We further noticed that since the power issues had not been resolved in respect of 18 cameras installed at nine locations, the same were not functioning and in respect of all 103 cameras, the live view was interrupted due to local power disruptions.

In respect of VTS, it was noticed that as against the target of 85 vehicles, Global Positioning System (GPS) was provided only for 15 vehicles.

The UT Government accepted (November 2016) the audit observations on GPS which were fitted only in 15 vehicles. The reply was silent regarding reason for non-provision of GPS in balance 70 vehicles. Further, in respect of vehicles provided with GPS, we observed that five vehicles were off

¹⁶ Dial-100 for ₹ 0.06 crore, VTS for ₹ 0.01 crore and CCTV for ₹ one crore

road and VTS was working only in respect of 10 vehicles as of October 2016.

Thus, even after five years, the CCTVs and VTS were not yet fully functional as expected, defeating the objective of the project. UT Government agreed that (November 2016), due to power and other technical issues, only 50 to 60 cameras were operational out of 103 cameras installed.

The UT Government replied that the firm had been instructed to complete the project without further delay.

2.2.8.3 Failure to install Very High Frequency tower to improve wireless coverage

MHA accorded (March 2010) administrative approval for fabrication and erection of 80 meters self supporting tower in UT of Puducherry at a cost of ` 60 lakh. Though an amount of ` 60 lakh was sanctioned, estimate was not prepared and hence, the total cost of the work could not be ascertained. The tower was proposed to be erected at the police station site of Mangalam in order to improve the existing coverage area of Very High Frequency communication in Puducherry Police District¹⁷ and to facilitate future introduction of Digital Radio Trunking system for fixing of Ultra High Frequency antennas, microwave antenna, etc.

The Department obtained (June 2011) necessary permission from Ministry of Communication and Information Technology, Department of Telecommunications, Wireless Planning and Co-ordination Wing (Standing Advisory Committee on Radio Frequency Allocation (SACFA)) for installing the communication tower. The permit was valid for one year, which had expired in June 2012. Though the Department knew that the permit was valid only for a year, no action was taken to erect the tower, despite availability of ` 1.20 crore under communication component.

On this being pointed out, the Department replied (September 2016) that work could not be executed as available funds had to be utilised for settling the pending bills for installation of CCTV cameras. The reply was not acceptable, as ` 60 lakh had been specifically sanctioned for erection of tower. As such, the Department should have taken action to erect the tower within the validity period of the permit issued by SACFA, which had lapsed in June 2012. Thus, the objective of improving wireless coverage was not achieved, which calls for fixing of responsibility for failure to execute the work despite availability of funds.

¹⁷ South and Rural police regions of Puducherry Police District

2.2.8.4 Failure to purchase equipment due to administrative delay

UT Government had issued (September 2013) expenditure sanction for purchase of three explosive detectors at a cost of ` 39.16 lakh. The explosive detector was eligible for customs duty exemption, for which a certificate from MHA had to be obtained. It was noticed that the Department requested UT Government periodically¹⁸ to issue an addendum for drawal of ` 39.16 lakh to open a Letter of Credit (LoC) for applying for customs duty exemption certificate from MHA. However, the addendum was yet to be issued and amount was not drawn for opening LoC. On being pointed out, UT Government replied (November 2016) that the matter was being pursued regularly. The fact, however, remains that explosive detectors were not purchased even after three years due to administrative delay on the part of UT Government.

2.2.8.5 Non-utilisation of driving simulators

Three driving simulators were purchased (February 2013) at a cost of ` 33.73 lakh to train Police and Home Guard drivers to augment their driving ability. Though the simulators were ready for installation in September 2013 itself, they were installed only in March 2015 (Puducherry-two simulators) and in September 2015 (Karaikal-one simulator), after expiry of the warranty period. It was noticed that the Department addressed PWD only in October 2013 for locating a proper room for installation of driving simulators, which should have been identified before simulators were ready for installation. Further, no follow-up action was taken by the Department and after much delay, the simulators were installed (March 2015) in a damaged room. The repair works for the damaged room were carried out and completed in July 2015. However, even after completion of the civil works, the simulators were not put to use.

While accepting audit observation, the UT Government replied (November 2016) that the simulators would be inaugurated shortly. The reply was not acceptable as the simulators had been lying idle without their intended use for more than three years since their purchase, reflecting ill planning on the part of the Department.

2.2.9 Conclusion

All the four recommendations made in the earlier Audit Report were accepted by the Department and follow-up audit revealed that all the four recommendations were only partially implemented. Though the scheme period was extended upto March 2013, the funds released were not utilised and hence, UT Government could not avail the entire allocation made by

¹⁸ June 2014, October 2014, August 2015, September 2015, December 2015 and February 2016

GOI. In respect of the construction works not being taken up and completed within definite time-frames, progress had been noticed both under housing and non-residential buildings. However, since some of the works were not taken up due to paucity of funds and non-availability of land, this recommendation was also partially implemented.

Though the police personnel were given training in weapons, shortfall in annual training practice continued to persist, in view of which Audit is of the opinion that this recommendation was partially implemented. Though meetings of Monitoring Committee were held during the follow-up audit period, the Monitoring Committee did not meet regularly as envisaged and no meetings were conducted after December 2015. Thus, this recommendation was only partially implemented.

The camera view modes were not available from all the cameras installed and Vehicle Tracking System was not installed in 70 of the 85 vehicles, as envisaged, resulting in non-achievement of objective of monitoring sensitive areas and vehicle movement. The gaps in full implementation of Audit recommendations impacted the achievement of objective of the scheme to achieve operational efficiency and infrastructural facilities.

2.2.10 Recommendations

The Department needs to fully implement the four recommendations made in the earlier Audit Report. Additionally, the Department may consider,

- Making the CCTV system functional throughout the year without interruptions.
- Installing GPS in all vehicles to track their movement.

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 Overpayment

HEALTH AND FAMILY WELFARE SERVICES DEPARTMENT

3.1.1 Overpayment of service charges

Failure to verify the genuineness of the claims submitted by the firm for providing hospital management services, resulted in an overpayment of ` 1.14 crore.

Rule 74 of Contract Labour (Regulation and Abolition) Central Rules, 1971, requires that every principal employer should maintain a register of contractors which should contain names of the contractors, nature of work contract, period of contract and maximum number of workmen employed by the contractor.

The Health and Family Welfare Services Department (Department) had invited tenders for outsourcing hospital management services in Rajiv Gandhi Government Women and Children Hospital (Hospital) (July 2010). The firms participating in the tender were required to quote the number of persons to be deployed in each area of work in their respective bids, based on which their tenders would be technically evaluated, among other criteria.

Twenty one firms participated in the tender, out of which one firm, which had quoted lowest rate, was selected (January 2011). The firm was to deploy 267 persons to carry out all the eight hospital management services¹ for ` 26.62 lakh per month. The Director, Health and Family Welfare Services entered (February 2011) into a Memorandum of Understanding (MoU) with the firm for providing hospital management services.

¹ Electrical and plumbing maintenance (19), cleaning and sanitary (106), security (34), tailoring (1), maintenance of landscaping and interior garden (5), supply of diet (81), laundry services (10) and front desk management (11)

According to the MoU, the firm had to maintain panel of persons (267), as mentioned by it in the technical bid document. The agreement period was for two years, which could be extended for a further period of one year on mutually agreed terms.

On completion of the three year period in January 2014, the firm was allowed to continue its operation with the approval of the UT Government, up to November 2016. The firm raised monthly invoices for all the 267 persons along with supporting Muster Roll (MR) for respective months. As of June 2016, ₹ 17.77 crore was paid as service charges for the period January 2011-December 2015, on certification by the Resident Medical Officer that services provided by the firm were satisfactory and that firm had deployed 267 persons for carrying out the services.

Audit scrutiny of the MR and other records in the hospital during February 2016 revealed the following:

(i) As per the tender bid document, the firm had to engage 81 staff for diet service. Though the firm had engaged 81 staff as per the agreement, it was noticed that actually 38 staff were deployed for diet service and the remaining 43 had been diverted to cleaning and sanitary service from February 2012 to December 2015. However, the firm claimed service charges in respect of 43 diverted staff under diet service itself (₹ 10,761 per person)², which was higher than the service charges (₹ 7,970 per person)³ for staff who were actually engaged in cleaning and sanitary service. The hospital, without restricting the service charge to cleaning and sanitary service in respect of 43 staff diverted, continued to make payment as per the rate applicable for diet service. The excess amount, thus, paid in respect of the wrong claim worked out to ₹ 60.20 lakh⁴ for the period February 2012 to December 2015.

(ii) Scrutiny of MRs further revealed that during August 2013 to December 2015, twenty one persons were shown as deployed in more than one services⁵, leading to duplication of staff in MRs in respect of four services. The incorrect monthly claims raised and paid on account of the above duplication worked out to ₹ 45.39 lakh⁶.

(iii) Further, in respect of diet service, three names were repeated twice, which again indicated duplication of staff under the same service and

² Revised as ₹ 11,512 from 25 January 2013 and ₹ 12,375 from April 2015

³ Revised as ₹ 8,526 from 25 January 2013 and ₹ 9,166 from April 2015

⁴ Excess service charge for 43 staff for 47 months at an average of ₹ 2,979 per month

⁵ Twenty one staff shown in MR of cleaning and sanitary service were also shown in the MRs of diet service (16), landscaping and maintenance (4) and tailoring (1)

⁶ Service charge for 21 staff for 27 months (excluding January and November 2015, for which details were not available) at an average of ₹ 8,006 per month

incorrect monthly claims raised and paid in that regard worked out to ₹ 7.99 lakh⁷.

When attendance records were called for by us to verify the correctness of the number and names of the staff deployed, the Hospital authorities forwarded the reply of the firm, which stated (May 2016) that biometric attendance system maintained, was corrupted and hence, no data could be retrieved.

(iv) Though the firm had claimed in its monthly bills that 267 staff were deployed for various services in Hospital, cross verification of half yearly returns submitted (July 2014 and June 2015) by the firm under Rule 82 (1) of Contract Labour (Regulation and Abolition) Central Rules, 1971 to the Labour department revealed that the firm had engaged only 157 and 161 employees respectively during those years. Thus, without actually deploying all 267 persons as per the agreement, the firm continued to raise monthly claims for all 267 persons.

Thus, hospital authorities, without ensuring whether the persons were deployed as per conditions accepted by the firm, continued to make payments which resulted in an overpayment of ₹ 1.14 crore⁸ to the firm during February 2012 to December 2015, on account of diversion and duplication of persons as discussed above.

The UT Government replied (September 2016) that MoU did not indicate specific clause on the numerical data of manpower and that the outsourcing was a new concept due to which, they faced certain difficulties. The UT Government further stated that they had taken note of the audit observation and assured that the numerical data of manpower to be deployed would be included as a specific clause in MoUs to be executed in future.

The UT Government's reply was not acceptable, as it had been clearly mentioned in the MoU that the firm had to maintain panel of staff as indicated in the technical bid.

Thus, due to the failure of the hospital authorities to maintain a register as specified in Rule 74 of the Contract Labour (Regulation and Abolition) Central Rules, 1971 coupled with their failure to exercise necessary checks while passing firm's invoices for payments against the terms and conditions of the agreement resulted in an overpayment to the firm, for which UT Government may take appropriate action against the defaulting officials of the hospital as also against the firm for claiming overpayments and submitting fabricated data about deployment of persons not only to the hospital but also to the Labour Department in its returns for taking undue financial benefit.

⁷ Service charge for three staff for 27 months (excluding January and November 2015, for which details were not available) at an average of ₹ 9,867 per month

⁸ ₹ 60.20 lakh + ₹ 45.39 lakh + ₹ 7.99 lakh

3.2 Avoidable expenditure

ADI-DRAVIDAR WELFARE DEPARTMENT

3.2.1 Avoidable expenditure on payment of interest

Delay in depositing the enhanced compensation amount for land acquisition in the Court, resulted in an avoidable interest payment of ₹ 0.93 crore.

As per Section 34 of the Land Acquisition Act, 1894 (Act), if compensation or any part thereof is not paid or deposited within a period of one year from the date of possession of land, interest at the rate of 15 *per cent* per annum shall be payable from the date of expiry of one year on the amount of compensation or part thereof.

The UT Government had accorded (June 2008) administrative approval to Adi-Dravidar Welfare Department (Department) for acquisition of land to an extent of 02-08-00 hectares⁹ in Kirumampakkam village for allotment of free house sites to Scheduled Caste and Other Economically Backward Class people. Land acquisition proceedings were initiated as per provisions of the Act and the Land Acquisition Officer (LAO) had passed (January 2011) an award of ₹ 4.70 crore as compensation (at the rate of ₹ 150 per square feet) to land owners. The possession was taken on 26 May 2011, after making payment to the land owners (May 2011). Since the land owners were not satisfied with the amount of land compensation received, they had requested the LAO for enhancement in the amount of land compensation. The LAO referred the case to the District Court, as provided in Section 18 of the Act¹⁰. The Court revised the rate per square feet as ₹ 300 and awarded (August 2012) ₹ 4.70 crore as enhanced compensation along with interest (in addition to the award of ₹ 4.70 crore already passed by LAO), which had to be paid at the rate of 15 *per cent* with effect from 26 May 2012¹¹.

The audit scrutiny of the records revealed that the LAO had sought (October 2012) the opinion of Law department for preferring an appeal against the decision of the District Court. The Law department, however, had opined (November 2012) that the case was not fit for appeal. In the circumstances, the amount of the enhanced land compensation, as awarded by the Court, had to be paid to the landowners without any delay, to avoid

⁹ 2.24 lakh square feet

¹⁰ Any person interested who has not accepted the award may, by written application to the Collector, require that the matter be referred by the Collector for the determination of the Court, whether his objection be to the measurement of the land, the amount of the compensation, the person whom it is payable, or the apportionment of the compensation among the persons interested

¹¹ Reckoned from the date on which one year period was completed after taking possession of the land on 26 May 2011

additional burden on the Government exchequer by way of accrual of interest on the amount of compensation.

In this regard, we further observed that the LAO had requested (December 2012) the Department to deposit the enhanced compensation (including interest upto December 2012) in the Court. As the Department had not provided funds, the LAO issued (February 2013, September 2013 and February 2014) reminders to the Department for expediting release of funds, as the liability for the payment on account of the payment of interest on the amount of land compensation was accruing day by day and demanded an amount of ` 6.37 crore¹² including interest upto February 2014. After protracted correspondence by the LAO, the Department provided funds in March 2014 and the LAO deposited the same in the Court (April 2014), which was paid to the land owners in October 2014. It was further noticed that the Department had taken 16 months (January 2013 - April 2014) to provide funds for making payment of enhanced land compensation to the land owners concerned.

Thus, we observed that due to delay in making payment of the amount of enhanced land compensation, the UT Government had to pay an interest of ` 1.36 crore¹³ (**Appendix 3.1**) on the amount of enhanced compensation, which could have been limited to ` 0.43 crore, had the Department provided funds in December 2012 itself, when LAO had initially requested the Department to deposit the amount of enhanced compensation.

While accepting the audit observation, the UT Government stated (October 2016) that the delay in providing funds was due to mingling of original files in question with some other old files and hence, the compensation amount could not be settled in time. The UT Government further assured that such claims would be settled in time in future. Thus, delay in depositing enhanced compensation amount in the Court, resulted in an avoidable interest payment of ` 0.93 crore for which the UT Government needs to take appropriate action about streamlining procedure for ensuring release of funds in a timely manner to avoid reoccurrence of such happenings in future as also action against the persons for delay in release of funds causing loss to Government exchequer after investigation in the matter.

¹² ` 6.37 crore - ` 4.71 crore compensation and ` 1.66 crore interest

¹³ Includes ` 11.59 lakh pertaining to two months (March and April 2014), which is yet to be paid to the land owners

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

3.2.2 Avoidable expenditure on Customs Duty

Failure of the Project Implementation Agency to avail of the customs duty exemption resulted in avoidable expenditure of ` 56.16 lakh.

As per Notification Number 84/97-Customs dated 11 November 1997, the Central Government exempted all the goods imported into India for execution of projects financed by the United Nations or an International Organisation and approved by the GOI, from the payment of custom duty leviable thereon under First Schedule to the Customs Tariff Act, 1975 (51 of 1975), on production of a certificate from Project Implementation Authority that the goods were required for execution of the project. The GOI allocated (2014-15) to UT Government of Puducherry ` 188 crore under Coastal Disaster Risk Reduction Project (CDRRP), approved and financially assisted by World Bank, which was released to Project Implementation Agency (PIA) during September 2014 – March 2015 for undertaking various works under the CDRRP.

Under the Project, Fire Services Department proposed (June 2014) to purchase Aerial ladder platform and other fire safety equipment and PIA accorded (January 2015) administrative approval for an estimated cost of ` 11.17 crore. Though all these items were eligible for customs duty exemption, as they were being purchased and imported under CDRRP scheme financed by World Bank, PIA failed to take note of this and entered into an agreement with M/s Brijbasi Fire Safety System Private Limited, Mumbai (firm) for supply of these items, at a cost inclusive of customs duty. As a result, PIA had to make payment of ` 56.16 lakh towards Customs Duty on purchase (October and November 2015) of seven Smoke Exhausters, five Jumping Cushions, an Aerial Ladder Platform and five Thermal Imaging Cameras.

While accepting their lapse in making payment of the customs duty, which was not actually payable in terms of the above notification, the UT Government stated (November 2016) that suitable provisions were incorporated in the subsequent tender (August 2016) to avail the exemption.

Thus, the failure of PIA to ascertain and include appropriate clause in the agreement with the firm regarding exemption of customs duty, resulted in avoidable payment of ` 56.16 lakh.

3.3 Idle expenditure

TOWN AND COUNTRY PLANNING DEPARTMENT

3.3.1 Defective planning resulting in idle expenditure on construction of tenements

Sixty three tenements were constructed without proper planning and without identifying beneficiaries of the scheme. There were also delays in allotment of tenements to eligible beneficiaries despite spending ` 3.72 crore.

As a best practice, before embarking upon the construction of any housing project for allotment to the intended beneficiaries, it is imperative for the authorities concerned to identify the eligible beneficiaries. Thus, proper planning about the number of houses to be constructed for allotment to the beneficiaries should be in place before execution of housing projects as these entail huge capital investment apart from fulfillment of the Government's commitment towards welfare measures meant for the socially and economically disadvantaged groups especially in a scenario when financial resources are scarce. Further, it is incumbent on the Government to ensure that the rules governing the eligibility criteria for identification of the beneficiaries are in place before execution of any project meant for the beneficiaries so that the benefits of the Government schemes are derived in a timely manner.

The Puducherry Slum Clearance Board (PSCB) was entrusted (August 2008) with the work of "Construction of 432 tenements at Karaikovilpatthu, Karaikal" at an estimated cost of ` 17.03 crore¹⁴ under the Integrated Housing and Slum Development Programme of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) for accommodating roadside encroachers and platform and slum dwellers belonging to three constituencies¹⁵ of UT of Puducherry. The scheme guidelines stipulated a minimum of 12 *per cent* of the cost of the dwelling unit as beneficiary contribution. In the case of beneficiaries belonging to SC, ST, BC, OBC, PH and other weaker sections, the contribution was fixed at 10 *per cent*. The Town and Country Planning Department was the State Level Nodal Agency (SLNA) for administering the Project and selection of beneficiaries.

The PSCB commenced (September 2009) construction of 216 tenements¹⁶ at a tendered cost of ` 13.16 crore in a phased manner. As of May 2016, 72 tenements were completed (November 2013) in all respects and works relating to 144 tenements were under progress against an amount of ` 12.74 crore released to PSCB during March 2008-October 2014. Out of

¹⁴ Includes GOI share of ` 5.48 crore and UT Government share of ` 11.55 crore

¹⁵ Karaikal North (150), Karaikal South (160) and Kottucherry (122)

¹⁶ Construction of remaining 216 (432-216) tenements was not taken up

72 tenements completed at a cost of ₹ 4.25 crore, nine tenements had been allotted (November 2013) by PSCB to beneficiaries who were evicted from the site identified for construction of a bye-pass road. Out of 72 tenements, 63 tenements were yet to be allotted (May 2016), as the UT Government had not identified the beneficiaries.

We observed from the scrutiny of records (March 2016) that SLNA had not finalised the list of beneficiaries before commencing construction and PSCB had so far allotted tenements only on rental basis and did not have any specific rules for allotment of tenements on non-rental basis. Thus, when PSCB forwarded (March 2012) beneficiary applications to Revenue Department for screening, the Collector requested (October 2012) SLNA to frame specific guidelines for selection of beneficiaries. The SLNA in turn, directed (January 2013) PSCB to propose draft amendments to the existing 'Rules'¹⁷ for allotment of developed plots for slum dwellers and recovery of rent' and composition of the selection committee.

We further observed that the PSCB had already submitted a proposal to the UT Government during September 2012 itself, for forming an Advisory Committee¹⁸ headed by Chairman, PSCB to consider and finalise the allotment of tenements. Based on some economic and caste criteria, the Advisory Committee was to select the slum dwellers, who were not having their own houses, either in their own names or their spouses or in the names of any other persons dependent on them.

It was further noticed that the PSCB had also clarified (December 2012) to the UT Government that no specific rules were framed by it for identification of beneficiaries for allotment of tenements and that it was only following the rules framed by the Town and Country Planning Department for allotment of tenements on rental basis. The PSCB had further submitted a proposal for amendment in the existing rules for allotment of tenements on non-rental basis and had sought UT Government's approval to form an Advisory Committee (October 2013) to identify eligible beneficiaries. A notification was issued in October 2015, constituting the Advisory Committee¹⁹ with Secretary to Government (Housing) as Chairman, for selection of beneficiaries.

When we had called for (May 2016) the details of meetings convened by Advisory Committee for selection of eligible beneficiaries, the PSCB stated (May 2016) that meetings of Advisory Committee could not be conducted

¹⁷ Notified in August 1975

¹⁸ The District Collector, Karaikal, Secretary to Government (Housing), Town Planner, Town and Country Planning Department, Karaikal and one non-official member, Karaikal would be the members and the Chief Executive Officer, PSCB would act as the Member Secretary

¹⁹ The District Collector, Karaikal, Chief Engineer, PWD, Chief Town Planner, Town and Country Planning Department, Director, Social Welfare Department are members while the Chief Executive Officer, PSCB would act as the Member Secretary

due to enforcement of Model Code of Conduct on account of election for Legislative Assembly of Puducherry. We further observed that the Advisory Committee had not yet met for selection of eligible beneficiaries (July 2016).

The UT Government stated (September 2016) that the SLNA had put forth all the facts for favourable consideration by the UT Government for taking a decision in the matter and that the PSCB would be directed to allot the dwelling units without any further delay.

The reply was not acceptable, as SLNA should have finalised the beneficiaries before commencing the work and construction of tenements in absence of eligible beneficiaries indicated improper planning. Moreover, much time was lost in constituting the Advisory Committee and the amendments proposed for allotment of tenements on non-rental basis had not been approved by UT Government (July 2016).

Thus, the defective planning in commencing the construction of tenements without identifying the beneficiaries of the scheme in the absence of relevant rules for their identification coupled with delay in constituting Advisory Committee for making rules resulted in an idle expenditure of ₹ 3.72 crore²⁰ on construction of 63 tenements. Due to inaction and delays on the part of the UT Government in framing rules and identification of beneficiaries, the objective of the scheme to provide dwelling units to the slum dwellers could not be achieved even two years after the completion of the tenements.

ADI-DRAVIDAR WELFARE DEPARTMENT

3.4 Implementation of housing scheme for poor Scheduled Caste and Other Economically Backward Classes people in Union Territory of Puducherry

3.4.1 Introduction

The UT Government of Puducherry (UT Government) estimated a demand of 12,000 housing units for 1.58 lakh SC population, which constituted 16.19 *per cent* of the total UT population. The UT Government, planned to fill the gap in a phased manner over a period of five years and as a first step in that direction, approved (February 2009) the construction of 3,000 Economically Weaker Section (EWS) houses for poor Scheduled Caste and Other Economically Backward Classes people in Puducherry.

²⁰ ₹ 4.25 crore x 63/72 tenements

Out of 3,000 houses to be constructed at 34 locations, 1,660 were proposed to be constructed in urban areas (City Development Plan-CDP) at 17 locations under the Sub-Mission 'Basic Services for Urban Poor' (BSUP) of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) at a cost of ₹ 92 crore²¹, to be shared between GOI (₹ 50.89 crore) and UT Government (₹ 41.11 crore). The remaining 1,340 houses were to be constructed at 17 locations under rural (non-CDP) areas by availing loan of ₹ 88.46 crore from Housing and Urban Development Corporation (HUDCO). The HUDCO was appointed (February 2009) as consultant for preparation of Detailed Project Report (DPR) and Puducherry Adi-Dravidar Development Corporation (PADCO) was nominated (December 2009) as Project Executing Agency. The cost of each housing unit to be constructed was ₹ 3.70 lakh and the selected beneficiaries were to be allotted houses free of cost as per the policy decision of the UT Government.

The construction of houses was taken up (October 2010) in a phased manner at 19 locations (two urban and 17 rural) and completed in January 2013. Out of 3,000 envisaged houses to be constructed, 1,496 (262 urban and 1,234 rural) houses were constructed, of which 1,303 (262 urban and 1,041 rural) houses were allotted²² as of March 2016 (**Appendix 3.2**).

The audit of implementation of the Scheme was conducted during April-June 2016 with a view to assess whether:

- selection of beneficiaries was prudent and transparent,
- sufficient land was available for implementing the scheme and used for intended purpose and
- quality of the houses constructed under the scheme was satisfactory.

An Entry Conference with the Secretary to Government was held in May 2016 to discuss the audit objectives, criteria and scope of audit. Records were test-checked at Adi-Dravidar Welfare Department (ADWD), Town and Country Planning Department, Puducherry Adi-Dravidar Development Corporation Limited and Electricity Department. An Exit Conference was held with the Secretary to Government in November 2016, wherein the audit results were discussed.

²¹ ₹ 61.42 crore for 1,660 units at ₹ 3.70 lakh per unit and balance ₹ 30.58 crore for development works

²² At 18 locations (two urban and 16 rural)

Audit Findings

3.4.2 Planning

3.4.2.1 *Ill-planning in identification of beneficiaries*

Identification of beneficiaries before commencing the scheme was a pre-requisite condition for release of grant and loan by GOI and HUDCO respectively. The ADWD, while submitting (July 2009) DPR for construction of houses in urban areas to GOI, had certified that beneficiaries were identified properly. Further, ADWD had agreed (March 2010) to provide list of beneficiaries to HUDCO, before release of loan for construction of houses in rural areas. Scrutiny of records revealed the following:

- ADWD had included the list of beneficiaries in the DPR submitted to the GOI. In respect of two urban locations (Ariyur and Pitchaveeranpet), where 262 houses were constructed and allotted, we verified the beneficiaries' list submitted to GOI with the allotment list, to ensure the reliability of the beneficiaries' list submitted to GOI. It was noticed that allotment list was containing 169 new beneficiaries (65 *per cent* variation), who were not mentioned in the list submitted to GOI, indicating that the beneficiaries' list submitted to GOI was not accurate. We, however, could not verify the basis of selection of beneficiaries in DPR, as the same was not furnished to us by the department.
- In respect of rural areas, a comparative exercise could not be undertaken by us, as the list provided by ADWD to HUDCO, for obtaining loan for construction of houses, was not available with the Department.

The above details indicated that ADWD did not have proper plan in place to identify the beneficiaries before commencing the scheme, which was a pre-requisite. As a result, the beneficiaries who were to be identified before commencement of the scheme could only be finalised by the Selection Committee in December 2015, nearly three years after completion of construction of houses in January 2013.

On being pointed out, the UT Government did not give any reply about the reasons for delay in the selection of beneficiaries.

3.4.2.2 *Lapses in selection of beneficiaries*

Selection of beneficiaries was to be made as per Rule (3) of Pondicherry House sites / House Allotment Rules, 1981 (PHAR), which stipulated that applicant should be a citizen of India and native of Puducherry, belonging to Scheduled Caste, homeless person and none of the member of the

family²³ should own a house or house site and having an annual family income not exceeding ` two lakh.

As per PHAR, a village-wise register of applications for house and house sites was required to be maintained by ADWD, for monitoring details like receipt and forwarding the applications to the Revenue Department, caste, annual income, nativity, number of family members, date of placement before Selection Committee²⁴ and selection particulars, etc.

Rule (7) of PHAR further stipulated that the applications for allotment of houses should be placed before the Selection Committee, after conducting necessary enquiries by the Department. The Selection Committee after considering the applications and enquiry reports, should record its recommendation, which would be forwarded to the UT Government for approval. On approval, houses would be allotted to the beneficiaries.

On scrutiny of beneficiaries' selection process undertaken by ADWD for allotment of houses, we observed as under:

- UT Government's approval, as laid down in the Rules, was not obtained for the list of beneficiaries selected and ADWD had allotted houses based on the recommendations of the Selection Committee alone in all the cases.
- The village-wise register of applications for each location was not maintained by ADWD as laid down in the Rules and applications were diarised in Tapal (Dak) receipt register, in which, all official correspondences were recorded.
- The application for allotment of house was to be supported by a certificate from Deputy Tahsildar to the effect that the applicant did not own any house or house site. It was, however, noticed that in Puducherry region, Tahsildars had certified only about the nativity, caste and income of the applicants. The Welfare Inspectors of ADWD did not have access to revenue records and therefore, as such, they had certified house site or house ownership status of the applicant based on local enquiry.

While accepting the audit observations, the UT Government stated (October 2016) that these lapses would be avoided in future scrutiny of applications and UT Government's approval would be obtained in respect of the beneficiaries, as recommended by the Selection Committee. The reply confirmed the audit observations that deficiencies in procedure of

²³ Family in relation to a person means such person, if married, the wife or husband as the case may be and the dependent children and grandchildren of such person

²⁴ Consisting of Member of Legislative Assembly, Member of Parliament (Lok Sabha), Member of Parliament (Rajya Sabha), Director of Adi-Dravidar Welfare Department, Deputy Director, Tahsildar and Welfare Inspector

selection of beneficiaries had contributed to selection of ineligible beneficiaries, as discussed in the succeeding paragraphs.

3.4.2.3 *Allotment of houses to ineligible beneficiaries*

One of the criteria for beneficiary selection was that selected person should be homeless and no member of the family should own a house or house site. A test-check of 778 out of 1,303 applications revealed that the houses were allotted to ineligible beneficiaries as detailed in **Table 3.1** below, despite the fact that the Welfare Inspectors had reported that the applicants or family members already owned houses or availed subsidy.

Table 3.1 - Details of ineligible beneficiaries

Number of ineligible beneficiaries	Remarks
10	Applicants already owned houses.
26	Applicants already availed subsidy under other housing schemes to construct houses in their plots.
13	Family members owned houses.
08	Houses allotted to more than one member in the family.
57	

The above deficiencies, on being pointed out, the UT Government accepted (October 2016) the audit observation and stated that a review committee had been constituted under the Head of a Deputy Director for resolving these discrepancies. The UT Government's reply confirmed the need to take action against the persons responsible for selection of ineligible persons for allotment of houses by ignoring the reports submitted by the Welfare Inspectors.

3.4.2.4 *Starting housing scheme without ensuring availability of adequate land*

Ensuring availability of land was a pre-requisite for release of grant by GOI for construction of houses in urban areas and UT Government submitted a certificate (July 2009) that requisite land was available for taking up construction of 1,660 houses in urban areas. GOI approved (September 2009) the scheme at a cost of ₹ 92 crore, to be shared between GOI (₹ 50.89 crore) and UT Government (₹ 41.11 crore) and released ₹ 12.72 crore as first installment, while UT Government released ₹ 1.24 crore as its share.

It was, however, noticed that against 1,660 houses envisaged in urban areas, UT Government constructed only 262 houses at a cost of ₹ 13.95 crore (June 2011) in two urban locations (Ariyur and Pitchaveeranpet). In respect of balance 1,398 houses, the same were not constructed on account of non-availability of land and due to paucity of funds despite availability of land, as mentioned in the following **Table 3.2**.

Table 3.2 - Details of locations where houses were not constructed in urban areas

Sl. No.	Location	Houses not constructed
Locations where houses not constructed due to non-availability of land		
1	Thiruvalluvar Nagar	51
2	Rajiv Gandhi Nagar	217
3	Uppalam	31
4	Ambedkar Nagar	136
5	Thondamanathampet-I	103
6	Thondamanathampet-II	55
7	Valluvanpet	57
8	Pitchaveeranpet (encroachment)	7
	Total	657
Locations where houses not constructed due to paucity of funds despite land availability		
1	Reddiyarpalayam	80
2	Odiyampet	87
3	Abhishekapakkam	157
4	T.N.Palayam- I	124
5	T.N.Palayam – II	50
6	T.N.Palayam –III	75
7	T.N.Palayam-IV	68
8	Athuvoikalpet	100
	Total	741
	Grand total	1,398

The UT Government approached (June 2014) GOI to curtail the project due to paucity of land. GOI had accepted (July 2014) the proposal and the project was curtailed. We observed that the request for curtailment of the project after commencing the scheme, due to non-availability of land, indicated poor planning by ADWD in conceiving and executing the project.

Scrutiny of the records revealed that out of 1,398 houses curtailed, ADWD had acquired lands for construction of 741 houses to an extent of 07-36-95 ha at a cost of ` 30.83 crore. However, those lands were not utilised due to paucity of funds. It was later decided by the UT Government (January 2016) to allot those lands as free house sites to beneficiaries, though the scheme was only meant for allotment of constructed houses. However, neither any action was taken to allot these house sites nor construction of houses was made on that land which remained idle without any meaningful utilisation till date (November 2016) thereby defeating the purpose for which it was acquired.

On being pointed out, the UT Government stated (October 2016) that construction work was not taken up immediately due to paucity of funds. It was further stated that a proposal for construction of 5,000 EWS houses had been submitted to GOI and as soon as the proposal was cleared by GOI, construction at those locations would be commenced. The reply was not acceptable as UT Government had earlier cited paucity of land to GOI

as reason for curtailing the project. However, this was not the case for the 741 houses discussed above, where houses could have been constructed in available land by availing balance GOI grant of ` 38.17 crore²⁵ and the benefit of the scheme could have been extended to eligible houseless Scheduled Caste and Other Economically Backward Classes beneficiaries.

3.4.3 Diversion of scheme fund for disbursement of education loan

The loan agreement with HUDCO stipulated that the borrower should use the loan amount or any part thereof for implementation of the scheme alone. In the event of mis-utilisation, diversion, siphoning of loan amount by the borrower, HUDCO shall have the right to recall the entire loan amount together with interest, penal interest, cost and other charges.

Out of ` 86.05 crore released by HUDCO to PADCO towards construction of 1,340 houses in rural areas, ` 8.32 crore was sanctioned towards creation of infrastructure facilities like electricity, road and water supply.

Scrutiny of the records revealed that citing paucity of funds for disbursing education loan to SC students, PADCO diverted ` 2.68 crore (` 1.32 crore in 2013-14 and ` 1.36 crore in 2014-15) towards education loan out of ` 8.32 crore sanctioned for creation of infrastructure. While ` 1.13 crore was recouped (2015-16) by PADCO, ` 1.55 crore was yet to be recouped.

We further observed that the diversion of scheme funds for other purposes affected the execution of housing scheme adversely as necessary electrical infrastructure could not be created as the PADCO had failed to deposit ` 40 lakh to the Electricity Department, as discussed in detail in succeeding paragraph.

On being pointed out, the UT Government accepted (October 2016) and stated that PADCO had been directed to recoup the diverted fund and such lapses would be avoided in future. The reply was not acceptable, as on the one hand, UT Government cited paucity of funds for non-construction of houses and on the other, permitted diversion of funds for other schemes. There was, thus, a need to fix accountability for such a serious lapse.

3.4.4 Delay in provision of infrastructure facilities

An amount of ` 8.32 crore was sanctioned for creation of infrastructure facilities in respect of houses constructed in 17 rural locations. The works relating to internal roads and drainage were proposed to be executed by PADCO and the provision of electrical infrastructure facilities was to be made by the Electricity Department. It was, however noticed that though construction of houses was completed in January 2013, PADCO submitted

²⁵ ` 50.89 crore sanctioned by GOI *minus* ` 12.72 crore released as first installment by GOI

the estimate for providing infrastructure facilities only in November 2013 and UT Government released funds to provide infrastructure facilities in January 2014. This further delayed the allotment of constructed houses by more than two years, as discussed below:

- The work relating to provision of cement concrete pavement to the internal roads was taken up only in August 2014 and completed by June 2015, *i.e.*, more than two years after the completion of construction of houses.
- During a Joint field inspection by us along with departmental officials conducted in Manalipet (June 2016), it was noticed that transformers and LT and HT lines were yet to be installed (as shown in the pictures 1 and 2 given below), as the required amount of ` 40 lakh was not deposited with the Electricity Department by PADCO, due to diversion of fund towards disbursement of education loan as discussed in preceding paragraph. As a result, out of 35 houses allotted in Manalipet, 34 houses were not occupied by the beneficiaries for want of power connection due to non-installation of transformers and LT lines. Further, no street lights were provided in any of the 17 rural locations.



Pictures 1 and 2 - Transformers and street lines yet to be installed – Manalipet Village

Though internal wirings, switches and fuse board had been provided, the beneficiaries had not obtained power connections for their houses from Electricity Department except for three locations²⁶. During field inspection, we observed that 180 beneficiaries in two locations²⁷ were tapping electricity illegally from lamp post and LT lines as shown in the following pictures 3 and 4.

²⁶ Katterikuppam, Kudiyiruppupalayam and Pitchaveeranpet
²⁷ Karikalampakkam and Koonichempet



Pictures 3 and 4 - Power connection without meter box and illegal tapping of electricity from lamp post

On being pointed out, the UT Government accepted (October 2016) the delay in creation of basic infrastructure like electricity, water and road facilities and stated that necessary arrangements would be made for provision of infrastructure facilities. As regards illegal tapping of power, it was replied (September 2016) that illegal tapping had since been disconnected at one location. However, action was yet to be taken in respect of the other location, which indicated continuous tapping of electricity illegally. This indicated lack of co-ordination between line departments in synchronising the infrastructure works, to ensure that houses could have been allotted to the beneficiaries without delay, upon their construction.

3.4.5 Houses handed over in damaged condition

Due to the delay in identification of beneficiaries and completion of infrastructure works as above, houses were allotted after a delay of more than three years after their completion. All the houses constructed were provided with two fans, two tube lights and two CFL bulbs each and the houses were to be handed over on completion of electrical fittings works. PADCO addressed (April 2012) ADWD that inordinate delay in finalisation of beneficiaries had resulted in damage of dwelling units by anti-social elements and theft of internal fittings and requested to protect the premises by providing security. However, no security was provided and the houses were handed over, as such, in damaged condition to the beneficiaries as discussed below:

- In respect of 142 houses completed in Ariyur, all the above electrical fittings were stolen and the houses were handed over (February 2016) to the beneficiaries without electrical fittings as shown in picture 5.



Picture 5 - A house at Ariyur where door was damaged and fuse box, fans and internal wirings were stolen

- During Joint inspection conducted (June 2016) at six locations²⁸ comprising 490 houses, it was noticed that there were instances such as theft of meter board, internal wirings, water pipes and outlets. Further, window panes and doors were found to be in damaged condition. However, the houses were handed over to the beneficiaries in the same damaged condition as shown in the pictures 6, 7, 8 and 9 given below.



Picture 6 - House at Karayamputhur, where water line was stolen



Picture 7 - A house at Manalipet where door was damaged by miscreants



Picture 8 - Unallotted house at Rayanpalayam filled with debris and human waste



Picture 9 - House yet to be occupied in Kunichempet village

- It was noticed that 35 units were unauthorisedly occupied by miscreants since July 2014 and ADWD had not taken any action to get those houses vacated.

²⁸ Karayamputhur, Manalipet, Ariyur, Varichikudy (North), Varichikudy (South), and Koonichempet

On being pointed out, the Department stated (September 2016) that police complaints had been registered regarding stolen articles and coercive measures were being taken to evict the encroachers.

3.4.6 Conclusion

ADWD failed to finalise the beneficiaries' list in time and the selection of beneficiaries was not handled in a professional manner, leading to allotment of houses to ineligible beneficiaries. Failure to ensure availability of land and non-implementation of scheme in the identified sites in urban areas resulted in denial of benefits to deserving beneficiaries. Consequent to delay in identification of beneficiaries and provision in infrastructure facilities, the houses were handed over to the beneficiaries in damaged condition. Accountability was not fixed for the various lapses noted, which needs to be critically reviewed by the UT Government and the system of beneficiary selection, ensuring site availability, timely construction and handing over of houses streamlined, to achieve the objective of the scheme for welfare of the poor Scheduled Caste and Other Economically Backward Classes people.

DEPARTMENT OF DRUG CONTROL

3.5 Implementation of Drugs and Cosmetics Act, 1940 in Union Territory of Puducherry

3.5.1 Introduction

The GOI promulgated the Drugs and Cosmetics Act, 1940 (Act) and framed Drugs and Cosmetics Rules, 1945 (Rules) to regulate the import, manufacture, distribution and sale of drugs (including Indian Systems of Medicines²⁹ (ISM)) and Cosmetics. In UT, the Secretary to Government (Health) was the administrative head of the Department of Drugs Control (Department). The Department headed by the Drug Controller was responsible for issue and renewal of licences, monitoring, inspection and prosecution etc., in respect of the drug manufacturing and sale units situated in UT.

The audit of implementation of the Drugs and Cosmetics Act and Rules, was conducted from April 2016 to June 2016 to assess whether grant and renewal of licences, conduct of inspections, action initiated were in accordance with the provisions of the Act and Rules. An Entry Conference was held with the Secretary to Government in June 2016 to discuss the audit objectives, criteria and scope of audit. Records relating to the period

²⁹ Ayurvedic, Unani, Siddha and Homeopathy

2013-16 were test checked at Health Department, Department of Drugs Control, Department of Food and Drug Testing and Laboratory for Indian System of Medicine.

A Performance Audit of 'Implementation of Drugs and Cosmetics Act, 1940' had appeared in the Audit Report for the year 2002-03. Replies of the UT Government to the recommendations of PAC given in its meeting held on 17 February 2009 were also examined along with further action taken and have been included in this report suitably wherever found necessary. An Exit Conference was held with the Secretary to Government in October 2016, wherein the results of audit were discussed and replies given have been incorporated in the Report.

Audit Findings

3.5.2 Issue and renewal of Licences

According to Section 18(C) of the Act, no person shall manufacture, stock, distribute, exhibit, offer for sale any drug or cosmetic, except in accordance with the conditions of a licence issued for such purpose. The licence was valid for a period of five years from the date on which it was granted or renewed (Rule 63). During 2013-16, the Department had issued 34 new licences to manufacturers of drugs and 228 licences to wholesalers and retailers in UT.

3.5.2.1 *Delay in processing of applications for grant and renewal of licences*

The Drugs and Cosmetics Rules, 1945 Rules (Rules) did not specify any time limit for processing the application for grant and renewal of the licences, but specified that if the application for the renewal of a licence was submitted before its expiry or within six months of its expiry, after payment of the additional fees, the licence shall continue to be in force until orders were passed on the application.

The applications are received by the Licensing Authority (LA) in the Department of Drug Control (DDC), and after scrutiny of the documents submitted by the manufacturers, the applications are handed over to the Drug Inspector (DI) concerned for physical inspection of units. Based on DI's recommendations, the LA submits the application to the Secretary (Health) for approval and after receipt of the same, the LA issues the licence / grants renewal of licence.

A mention was made in paragraphs 3.1.18 and 3.1.19 of AR 2002-03 of C&AG of India regarding non-maintenance of basic records and failure to monitor the disposal of applications for renewal of licence and non-availability of pendency position at any point of time. The UT Government stated (December 2003) that the time schedule of 15 days was prescribed for renewal of licence. The Department stated in PAC meeting

that the system was fully computerised and the prescribed time schedule was strictly adhered to. Based on the reply, PAC had treated the issue as closed.

A test check of 27 applications³⁰ out of 104 applications received during 2013-16 for issue of new licences and renewal of licences revealed that though the applications for renewal were received within the validity period, the Department had taken time ranging from three months to more than a year for inspection, approval and issue of licences, as detailed in **Table 3.3.**

Table 3.3 - Stage-wise application pending position

Stage of applications	Within 15 days	Upto three months	More than three months upto one year	More than a year	Total
For inspection	--	3	15	9	27
For approval (on completion of inspection)	14	6	4	3	27
For issue (after approval)	12	6	6	3	27

Though the Department had committed in PAC meeting to complete the entire process in 15 days, but it had not even conducted inspection for any of the applications submitted within 15 days as evident from above details. Further, in one case, there was an inordinate delay of 68 months to issue licence and in respect of nine applications, the LA had taken more than three months' time even to issue licence after approval, indicating the failure of the Department to follow its own statement made in PAC meeting.

Thus, the prescribed time schedule of 15 days was not being followed by the department for issue / renewal of licences.

On being pointed out, the UT Government accepted (November 2016) audit observation and stated that Department was clearing the backlog and once the software was developed and additional posts created and filled up, the applications would be processed in time without delay.

3.5.2.2 Absence of database for renewal of licences

The Department had stated in the PAC meeting that database was fully computerised, but we noticed that this database was not available for drug manufacturing firms and the Department continued to maintain only a manual register for issue / renewal of licences.

³⁰ Five new applications and 22 applications for renewal of licences

A check of all the 49 licences issued to manufacturing firms during the years 2009 (20) and 2010 (29), which had become due for renewal during 2014-16 on completion of the statutory period of five years, revealed that only eight firms had renewed their licences, while two firms had surrendered their licences and six firms had submitted applications for renewal of licences, which were under process.

We could not ascertain whether the remaining 33 firms were operational or not, as the Department stated (July 2016) that the files relating to those firms were not traceable. We further noticed that in absence of database, the DIs were conducting inspections only at the time of issue of new licences and renewal of licences and had not conducted inspection at least once in a year, as provided in Rule 52 (5) of the Drugs and Cosmetics Rules, 1945.

On being pointed out, the UT Government accepted (November 2016) audit observations and stated that suitable software was being developed for updating the data of manufacturing units. As such, the Department was neither aware of the fact that which firms were operating without valid licences nor it had invoked the penal provisions as per section 27 (b) (ii), which provided that the firms manufacturing drugs without a valid licence, were punishable with imprisonment and fine.

3.5.2.3 *Operation of Blood banks without valid licence*

Blood is treated as a drug. As per Rule 122 F of Drugs and Cosmetics Rules, 1945, application for grant / renewal of licence for the operation of a Blood bank / processing of human blood for components / manufacture of blood products shall be submitted before the LA appointed. The validity of licence for the operation of Blood bank and attached Blood storage unit³¹ was five years and two years respectively from the date on which licence was granted / renewed. The LA would forward the application to Central Licence Approving Authority (CLAA) functioning under Central Drugs Standard Control Organisation (CDSCO) for arranging Joint inspection of the unit. If CDSCO was satisfied that conditions laid out in the Rules were fulfilled, it could grant / renew the licence of the unit.

The operation of Blood banks without valid licence was punishable with imprisonment and fine under Section 27 (b) (ii) and it should be the duty of the DI to inspect the Blood banks not less than once a year to satisfy that the conditions of licence were being observed (Rule 52).

A mention was made in paragraph 3.1.22 of Audit Report 2002-03 of C&AG of India about functioning of Blood banks after the expiry of their

³¹ Grant or renewal of licence of the Blood Storage Unit *i.e.*, Rajiv Gandhi Government Women and Children Hospital depends on the validity of licence of the mother Blood bank *i.e.*, Indira Gandhi Government General Hospital, Puducherry

respective licences. In the PAC meeting (February 2009), the Department had stated that the Blood banks, being Government Institutions, took time for making necessary alteration, which resulted in backlog and the Department was waiting for Joint inspection. The PAC had desired to know the latest position regarding renewal of licences to the Blood banks.

As of March 2016, 17 Blood banks and three Blood storage units were functioning in Puducherry. A review of licences issued and Joint inspection reports of CDSCO and DDC of Blood bank and Blood storage units revealed the following:

- Licences of three Blood banks³² had expired during December 2000, December 2007 and March 2008, and they had applied for renewal of licences during December 2011, December 2012 and March 2013 respectively. Their applications for renewal had been kept pending by the LA for rectification of deficiencies noticed during joint inspection conducted³³ during 2012-13 and 2014-15 such as, absence of quality control test for kits and reagents, malfunctioning deep freezer, placing of screened and unscreened blood bags in same refrigerator, non-submission of compliance report, non-completion of Joint inspection for verification of compliance, etc.
- In respect of two Blood banks³⁴, CDSCO after inspection had instructed (October 2014 and June 2015 respectively) to cancel their licences in the absence of tests for sterility of human blood and irregular antibodies, refrigerator for untested blood, emergency equipment like oxygen cylinder, etc. Instead of cancelling their licence, the Department, however, had issued (December 2014 and January 2016) only memorandums calling for compliance report after rectifying the defects noticed during Joint inspection.
- The Blood storage unit at Rajiv Gandhi Government Women and Children Hospital attached to Indira Gandhi Government General Hospital (mother Blood bank) had applied for licence in June 2011. However, after conducting inspection during July 2011, the Department had called for details such as list of equipment, technical staff, agreement with mother Blood bank, etc., only during December 2015, which was indicative of the fact that the Blood Storage Unit was functioning for four years without licence.

As such, all the above six Blood banks and storage units continued their operation without valid licences but the Department had not taken any effective follow-up action to ensure compliance or to cancel their licences.

³² GH (Karaikal), JIPMER and Indira Gandhi Government General Hospital (IGGGH)

³³ Conducted by CDSCO and DDC

³⁴ GH, Mahe and M/s Puducherry Private Hospitals Association

Thus, the above Blood banks had been functioning for more than eight years without valid licences which indicated that the quality of blood being distributed by these Blood banks could not be ensured thereby putting the lives of users of such blood at risk.

While accepting audit observation, the UT Government stated (November 2016) that Blood banks being Government institutions, the matter was pending for want of rectification and compliance report and assured that the deficiencies would be rectified before issue of licences to Blood banks.

3.5.3 Human resource issues

3.5.3.1 *Appointment of Licensing Authority without prescribed qualification*

Rule 162-A prescribes the qualifications for State Drug Licensing Authority for licensing Indian System of Medicine (ISM) drugs (*i.e.*) Ayurveda, Siddha and Unani drugs as B.Pharma (Ayurveda) of a recognised University and atleast five years experience in the manufacturing / testing of Ayurveda, Siddha and Unani drugs or teaching / research on clinical practice of Ayurveda, Siddha and Unani System. However, the UT Government had appointed (August 2013) LA, who did not possess the prescribed qualifications, for issue of licences to ISM drugs. It was noticed that during 2013-16, the LA had issued licences to five ISM manufacturing firms.

On being pointed out, the UT Government stated (November 2016) that the LA was officiating as a stop gap arrangement and licences for ISM units were issued after considering the recommendations of the Expert Committee formed for this purpose. The reply was not acceptable, as the LA continued to discharge the duties for more than three years without prescribed qualification, as specified in the Rule.

3.5.3.2 *Vacancy in the post of Drug Inspectors*

As per Rule 51 and 52, DI is required to inspect not less than once a year all the establishments and premises licenced for sale / manufacture of drugs, to satisfy himself that the conditions of the licences are being observed, to take samples of the drugs manufactured on the premises and send them for test or analysis, to investigate any complaints and to institute prosecution in respect of breaches of the Act or Rules.

We observed that against the sanctioned strength of four posts in DDC, three DIs³⁵ were in position (June 2016). A mention was made in Audit Report 2002-03³⁶ of C&AG of India, that as per the recommendations of the Task Force (1982), there should be one DI for every 25 manufacturing

³⁵ One post was vacant for more than five years

³⁶ Paragraph 3.1.5

premises or 100 sale units in order to have an effective control over manufacture and sale of drugs. The Department had informed PAC regarding manpower shortage and the PAC had directed the department to send a proposal to GOI for creation of eight more posts of DIs.

As the department had not maintained a database about the total number of firms operating in UT, we could not arrive at the actual number of DIs required as per the Task Force Committee recommendations. It was noticed that after the Department of Drugs Control was bifurcated (February 2011) from the Directorate of Family Welfare Services, Puducherry, a proposal for creation of 27 posts (including one Controller of drugs, four Assistant Controller of Drugs and four DIs) in various cadres was forwarded (March 2012) to GOI. The proposal was returned (April 2012) by GOI, with the instructions to examine the pay structure of the statutory posts of the DI and Assistant Drug Controller with other States and UT. The UT Government had sent (December 2012) a revised proposal, after considering the pay structure of the above posts. The GOI called for (October 2013) the number of sanctioned posts before bifurcation. The UT Government furnished (January 2014) the same to GOI but the approval of GOI was still awaited (October 2016).

On being pointed out, the UT Government stated (November 2016) that a reminder had been issued (October 2016) to GOI for early approval of the proposal.

As such, three DIs were available and Department had sent proposal to GOI for additional four posts, which was also pending. This impacted the implementation of Act and Rules in UT and led to shortcomings in discharging the duties of DIs, as discussed in the succeeding paragraph:

3.5.4 Inspections by Drug Inspectors

Scrutiny of the records relating to inspection activities of DIs in relation to the functions of DI as per Rules 51 and 52, revealed the following discrepancies:

- DIs inspected only those units which had applied for grant or renewal of licence and did not conduct periodical inspection of all units not less than once in a year as required in Rules 51 and 52. On being pointed out, the Department stated that no specific target was fixed for DIs and units were inspected only at the time of issue of new licences and renewal of licences. We observed that the reply of the Department was not correct as regular inspections were required as per rules, in the absence of which, the Department could not ensure whether the units were functioning with valid licence and conditions of licence were properly adhered to by the units.

- Though Sections 22 and 23 of the Act provide for drawing samples for test and analysis, Audit observed that no samples were drawn for testing in respect of ISM drugs.

Thus, in the absence of requisite inspection by DIs, the drug units were functioning without valid licences entailing risks of using untested drugs.

While accepting audit observations, the UT Government replied (November 2016) that after creation of additional DI posts, zone-wise jurisdiction would be assigned to them for conducting regular inspection and statutory functions of the Department would be implemented.

3.5.5 Drug testing laboratories

3.5.5.1 *Operation of Government Laboratory without sufficient staff*

The erstwhile Public Health laboratory functioning under the Directorate of Health and Family Welfare Services was converted (February 2011) into an independent Department of Food and Drug Testing (DFDT), with a view to set up a full-fledged and combined Food and Drug Laboratory for food and drug analysis. The DFDT was headed by Senior Public Analyst for Food and Government Analyst for Drug. The Government Analyst was responsible for testing samples of drugs and cosmetics sent to him by DIs or other persons under the provisions of Act and to furnish reports of the results of test.

For effective functioning, the laboratory was sanctioned (February 2011) with 39 technical and 13 non-technical posts. We observed that while all the non-technical posts were filled up, 22 out of the 39 technical posts were vacant. It was further noticed that against the sanctioned strength of five analysts, there was only one Analyst to conduct the tests. Though no time limit was prescribed for finalising the test reports, it was noticed that the laboratory had taken two to eight months' time to issue the test reports after receipt of samples, indicating poor performance of the laboratory.

On being pointed out, the UT Government accepted audit observation and stated (November 2016) that once the additional posts were created and filled up, the laboratory would be put into effective operation.

3.5.5.2 *Non-establishment of Drug testing laboratory for ISM*

For strengthening of State Enforcement Mechanism under the Centrally Sponsored Scheme (CSS) of Quality Control of Ayurvedic, Siddha, Unani and Homeopathy Drugs, the Department of Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy (AYUSH), Ministry of Health and Family Welfare had released ` 31 lakh³⁷ during the year

³⁷ ` 17 lakh (February 2008), ` 14 lakh (March 2009)

2007-09 to State Health Mission, UT of Puducherry. The UT Government had accorded approval (February 2014) to establish the Drug Testing Laboratory (laboratory) for AYUSH by Mother Theresa Post Graduate and Research Institute after a lapse of five years. The amount was utilised for purchase of equipment and furniture (June 2014). Subsequently, the Department had estimated an amount of ` 1.65 crore and sought ` 1.34 crore³⁸ (November 2014) from GOI for establishment of a full-fledged laboratory. No follow-up action was taken by the Department.

The GOI had, however, instructed (November 2014) the States to submit State Annual Action Plan (SAAP) for Grant-in-aid under another CSS for National AYUSH Mission. In the SAAP for the year 2015-16, the Department had sought (August 2015) ` 20 lakh under the component Quality Control of AYUSH drugs for purchasing equipment for laboratory. The GOI released ` 12.53 lakh (March 2016), which remained unutilised as of September 2016. As such, the laboratory was not established (September 2016) by UT despite receipt of ` 43.53 lakh from GOI.

Thus, we observed that the drug testing laboratory for ISM had not been established due to which the department was handicapped in ensuring quality of drugs and food.

On being pointed out, the UT Government stated (November 2016) that they had forwarded a proposal to GOI for additional funds for establishment of laboratory for ISM drugs.

3.5.6 Manufacturing of drugs without approval

As per Rule 122 E, drugs falling under the category of a Fixed Dose Combination (FDC)³⁹ of two or more drugs, individually approved earlier for certain claims, which are now proposed to be combined for the first time in a fixed ratio or if the ratio for ingredients in an already marketed combination is proposed to be changed, with certain claims should be treated as New Drugs.

Any such FDCs falling under 'New Drug' had to be approved by Drugs Controller General of India (DCG (I)). In January 2013, DCG (I) instructed that in respect of FDCs, for which licences were issued before October 2012 without approval of DCG (I), the firms had to prove the safety and efficacy of the FDCs before DCG (I) within a period of 18 months, failing which such FDCs would be considered as prohibited for manufacture and marketing in the country.

We observed that 29 manufacturers had been issued licences for manufacturing FDC drugs in UT, prior to October 2012. But, out of 29 manufacturers, only 10 manufacturers had, submitted their applications to

³⁸ ` 1.65 crore - ` 0.31crore (already received)

³⁹ FDC refers to drugs containing one or more active ingredients

the DCG (I), for getting approval for the manufacture and marketing FDC drugs.

On being asked, the department was silent about the status of the applications of remaining 19 manufacturers. In the absence of any reply in this regard, we could not ascertain whether these 19 manufacturers had submitted their applications to the DCG (I) for continued manufacturing of FDC drugs. Thus, the department failed to reply as to whether these 19 firms had ensured safety and efficacy of the FDCs before DCG (I).

We further noticed that four out of the 19 manufacturers continued manufacturing of the drugs and they were reported (January and September 2015) as non-standard quality drugs from other States as discussed in the succeeding paragraph, indicating lack of follow-up action by the Department.

On being pointed out, the UT Government also did not give any specific reply about the status of applications of 19 manufacturers submitted to DCG (I).

Thus, the manufacturers were manufacturing FDC drugs without any approval from the competent authority.

3.5.7 Failure to initiate action against Non-Standard Quality Drugs

As per Section 27 (a) of the Act, whoever manufactures for sale or for distribution any drug deemed to be adulterated under Section 17-A or spurious under Section 17 B, when used by any person is likely to cause harm shall be punishable with imprisonment and fine. It was the duty of the DIs to investigate any complaint made and to institute prosecution in respect of breaches of the Act and Rules thereunder, as per Rules 51 and 52.

The Drug manufacturing firms located in UT, sold their drugs through various sale units outside UT. Instances of Non-Standard Quality (NSQ) Drugs manufactured in UT were identified based on the tests conducted in the drug testing laboratories situated in other States⁴⁰. A total of 182 cases of NSQ drugs were reported to the Department for initiating necessary action, during the audit period.

A test check of 60 NSQ cases reported during 2013-16 revealed that the Department had taken action only in respect of 33 cases by suspending the licence for a specified period of one month to one year with a warning. However, in respect of the remaining 27 cases, only memorandums were issued to stop production and calling for explanation for violation of rules and no penal action was initiated.

⁴⁰ Karnataka, Kerala, Chandigarh, Maharashtra and Tamil Nadu

Thus, the Department had not only failed to ensure the stoppage of manufacturing of NSQ drugs but also had failed to enforce penal action against the manufacturers for breach of Section 27 (a) of the Drugs and Cosmetics Act. The adulteration of drugs, being a serious offence, calls for taking immediate action after conducting necessary investigation in the matter.

While agreeing with audit observation, the UT Government stated (November 2016) that adequate strength of DIs was needed for enforcement of the provisions of the Act and Rules.

3.5.8 Failure to enforce provisions of Drugs (Price Control) Order, 1995

As per Para 3 of Drugs (Price Control) Order, 1995 (DPCO), the Government may, with a view to regulate the equitable distribution of bulk drugs and making the same available at a fair price, fix a maximum sale price at which a drug shall be sold. In case of manufacturers charging higher price than fixed by Government, those manufacturers, importers or distributors were required to deposit the amount accrued due to charging of prices higher than those fixed, into the Drugs Prices Equalisation Account as provided in paragraph 13 of the DPCO. Any contravention of the provision of the DPCO, 1995 was punishable⁴¹ in accordance with the provisions of the Essential Commodities Act, 1955.

We observed that the National Pharmaceutical Pricing Authority (NPPA) was entrusted with the task of fixation / revision of prices of pharmaceutical products (bulk drugs and formulations), enforcement of provisions of the DPCO and monitoring of the prices of controlled and decontrolled drugs in the country. The NPPA had issued (2013-15) Show Cause Notices to seven manufacturers, importers / distributors of drugs situated in UT to deposit ` 51.37 crore pertaining to the period 2008-15, as drugs were sold at higher prices than fixed. The Show Cause Notices were endorsed to the Department to take up the matter with the firms concerned for deposit of overcharged amount within the prescribed time limit.

We observed that despite specific direction by NPPA, the Department had not taken any action to recover the amount overcharged by the manufacturers, which resulted in non-remittance of ` 51.37 crore by the firms.

On being pointed out, the UT Government stated (November 2016) that due to acute shortage of DIs, they were not notified under DPCO to enforce the provisions of the Act and hence, could not take follow up action with the firms concerned for remittance of amount as communicated by NPPA. It was further stated that Department would be instructed to send a proposal

⁴¹ Section 7 of Essential Commodities Act, 1955

for notification of an existing DI under DPCO. The reply was not acceptable, as the shortage of DIs cannot be cited as a reason for not taking action against the defaulting manufacturers resulting in public being subjected to higher drug prices.

3.5.9 Conclusion

The Department had not maintained any database for renewal of licences and was not aware of number of units existing at any given point of time. There were delays in issue of new licences and renewal of licences, despite the Department's commitment to PAC in February 2009 that the system was fully computerised and the prescribed time schedule was strictly adhered. Blood banks were allowed to function without valid licences for more than eight years. Periodical inspection of manufacturing and sale units was not conducted, as stipulated. Inspection was conducted only at the time of issue and renewal of licences. Samples were also not drawn from Indian System of Medicine manufacturing firms for testing. Strict action was not taken against firms charging higher prices for violation of Act, manufacturing drugs without approval and non-standard quality drugs, which might endanger the safety of the drug users. Thus, there was a critical need for UT Government to review and streamline these issues and ensure strict compliance to the provisions of Drugs and Cosmetics Act, 1940.

CHAPTER IV

REVENUE RECEIPTS

CHAPTER IV

REVENUE RECEIPTS

4.1 Trend of Revenue Receipts

4.1.1 The tax and non-tax revenue raised by the Union Territory Government of Puducherry and the grants-in-aid received from the GOI during the year 2015-16 and the corresponding figures for the preceding four years are mentioned in **Table 4.1**.

Table 4.1 - Trend of revenue receipts

(` in crore)

Sl. No.	Category	2011-12	2012-13	2013-14	2014-15	2015-16
I	Revenue raised by the Government					
	(a) Tax revenue	1,329.43	1,917.22	1,904.51	1,992.74	2,260.34
	(b) Non-tax revenue	153.31	118.15	1,192.59	1,300.36	1,137.75
	Total (I)	1,482.74	2,035.37	3,097.10	3,293.10	3,398.09
II	Receipts from the GOI – Grants-in-aid	1,288.68	1,110.77	1,210.51	1,464.80	1,689.86
III	Total receipts of the Government (I + II)	2,771.42	3,146.14	4,307.61	4,757.90	5,087.95
IV	Percentage of I to III	54	65	72	69	67

(Source: Finance Accounts of the respective years)

During the year 2015-16, the revenue raised (` 3,398.09 crore) by the UT Government was 67 *per cent* of the total revenue receipts (` 5,087.95 crore), as against 69 *per cent* in the preceding year. The balance (` 1,689.86 crore) 33 *per cent* of the receipts during 2015-16 were obtained from the GOI as grants-in-aid and contributions.

4.1.2 The details of tax revenue raised during the period from 2011-12 to 2015-16 are given in the following **Table 4.2**.

Table 4.2 - Details of Tax Revenue raised

(` in crore)

Sl. No.	Heads of revenue	2011-12		2012-13		2013-14		2014-15		2015-16		Percentage of increase (+)/ decrease (-) in 2015-16 over 2014-15
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Taxes on Sales, Trade, etc.	1,481.83	750.15	1,395.61	1,287.10	1,505.00	1,256.71	1,380.00	1,313.13	1,510.00	1,438.89	(+) 9.58
2	State Excise	778.00	447.27	688.49	503.98	620.00	511.72	560.00	544.67	630.00	673.75	(+) 23.70
3	Stamps and Registration Fees	113.96	77.43	121.29	72.67	98.00	82.79	96.00	74.96	115.00	76.37	(+) 1.88
4	Taxes on Vehicles	89.86	53.55	87.66	52.64	66.00	51.95	63.00	58.46	83.00	69.34	(+) 18.61
5	Land Revenue	1.42	0.80	1.35	0.55	0.80	1.14	0.80	1.30	1.75	1.93	(+) 48.46
6	Others	0.93	0.23	0.29	0.28	0.20	0.20	0.20	0.22	0.25	0.06	(-) 72.73
Total		2,466.00	1,329.43	2,294.69	1,917.22	2,290.00	1,904.51	2,100.00	1,992.74	2,340.00	2,260.34	

(Source : Finance Accounts of the respective years)

4.1.3 The details of non-tax revenue, raised during the period from 2011-12 to 2015-16 are given in the following **Table 4.3**.

Table 4.3 - Details of Non-tax revenue raised

(` in crore)

Sl. No.	Heads of revenue	2011-12		2012-13		2013-14		2014-15		2015-16		Percentage of increase (+) / decrease (-) in 2015-16 over 2014-15
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	Nil	58.73	Nil	29.58	1,200.00	1,055.15	1,220.00	1,159.92	1,300.00	990.60	(-) 14.60
2	Interest Receipts, Dividends and Profits	71.91	38.72	39.87	35.64	36.29	68.44	81.62	93.28	93.28	91.88	(-) 1.50
3	Medical and Public Health	10.04	8.46	16.43	13.94	14.50	9.46	10.97	9.15	12.54	16.58	(+) 81.20
4	Education, Sports, Art and Culture	1.19	0.84	0.30	0.73	0.26	0.91	1.00	0.99	1.14	2.22	(+) 124.24
5	Crop Husbandry	0.48	0.48	0.52	0.51	0.46	0.38	0.41	0.43	0.47	0.66	(+) 53.49
6	Other receipts	46.38	46.08	63.88	37.75	58.49	58.25	46.00	36.59	52.57	35.81	(-) 2.13
Total		130.00	153.31	121.00	118.15	1,310.00	1,192.59	1,360.00	1,300.36	1,460.00	1,137.75	

(Source : Finance Accounts of the respective years)

4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2016 under the principal heads of revenue amounted to ` 599.09 crore, of which ` 229.73 crore were outstanding for more than five years, as detailed in **Table 4.4**.

Table 4.4 - Arrears of revenue

(` in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
(1)	(2)	(3)	(4)	(5)
1	Accounts and Treasuries	0.51	0.29	Arrears were due to non-remittance of audit fee by religious institutions
2	Agriculture	0.32	0.25	Arrears due from PASIC and local bodies towards rent, cost of seeds and other services
3	Commercial Taxes	268.81	146.73	Arrears related to collection of tax under PGST/CST and VAT Acts and major portion were covered under court cases
4	Co-operative	0.07	Nil	Arrears related to societies which were dormant/under liquidation
5	Electricity	258.67	63.88	Arrears were due to non-payment of electricity charges
6	Excise	49.84	10.02	Arrears were mainly due to non-payment of <i>kist</i> by the lessees of <i>arrack</i> and <i>toddy</i> shops
7	Fisheries and Fishermen Welfare	0.02	0.02	Arrears of lease amount on fish farm at Coringa river, Yanam
8	Government Automobile Workshop	1.18	0.36	Arrears were due from Government departments towards sale of petrol, oil and lubricants and work bills
9	Hindu Religious Institutions and Wakf Board	0.53	0.22	Arrears were due to shortfall in collection of dues from temples
10	Industries and Commerce	0.11	0.10	Arrears related to rent and loan due from defunct industrial units
11	Information and Publicity	0.13	0.13	Arrears of rent to be collected mainly from PRTC
12	Judicial	0.07	0.03	Arrears were due to accused undergoing imprisonment in some cases and pendency of appeals in courts

(1)	(2)	(3)	(4)	(5)
13	Public Works	17.54	7.15	Arrears related to non-collection of licence fee, annual track rent and water charges due from consumers
14	Stationery and Printing	0.56	0.07	Arrears related to non-recovery of dues from Government departments
15	Tourism	0.11	0.04	Arrears were mainly due from Guests and Government officials towards room rent
16	Town and Country Planning	0.01	0.01	Arrears related to final cost of plots due from the allottees of various housing schemes
17	Transport	0.61	0.43	Arrears were due to non-recovery of motor vehicles tax
	Total	599.09	229.73	

Other Departments did not furnish (November 2016) the details of arrears of revenue, if any.

4.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the Commercial Taxes Department (CTD), in respect of Value Added Tax, are shown below in **Table 4.5**.

Table 4.5 - Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2015-16	Total assessments due	Cases disposed of during 2015-16	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
VAT Scrutiny Assessment	18,543	Nil	18,543	2,511	16,032	13.54

As the percentage of disposal is very low, the Department may take adequate steps for speedy finalisation of cases which were selected for detailed scrutiny.

4.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the CTD, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 4.6**.

Table 4.6 - Evasion of Tax

(` in lakh)

Head of revenue	Cases pending as on 31 March 2015	Cases detected during 2015-16	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc., raised		Number of cases pending for finalisation on 31 March 2016
				Number of cases	Amount of demand	
Sales Tax/VAT	313	58	371	4	2.82	367

It would be seen from the above table that the number of cases pending at the end of the year had increased compared to the number of cases pending at the beginning of the year. The Department may institute appropriate measures for finalisation of pending cases, so as to ensure early realisation of revenue.

4.5 Pendency of refund cases

The number of refund cases pending at the beginning of the year 2015-16, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2015-16, as reported by CTD, is given in **Table 4.7**.

Table 4.7 - Details of pendency of refund cases

Sl. No.	Particulars	Number of cases	Amount
1.	Claims outstanding at the beginning of the year	Nil	Nil
2.	Claims received during the year	1	10,000
3.	Refunds made during the year	1	10,000
4.	Balance outstanding at the end of the year	Nil	Nil

4.6 Response of the Departments / Government towards audit

On behalf of the C&AG of India, the Accountant General (Economic and Revenue Sector Audit), Tamil Nadu conducts periodical audit 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 audit inspections are followed up with Inspection Reports (IRs). Important irregularities are included in the IRs, issued to the Heads of offices inspected with copies to the next higher authorities, for taking corrective action. The Heads of offices/departments 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 one month from the dates of issue of the IRs. Serious irregularities are also brought to the notice of the Heads of Departments by the office of the Accountant General.

Inspection Reports issued upto 31 December 2015 disclosed that 785 paragraphs involving revenue impact of ₹ 270.46 crore relating to 209 IRs remained outstanding at the end of June 2016, along with the corresponding figures for the preceding two years, as mentioned below in **Table 4.8**.

Table 4.8 - Details of pending IRs

Inspection reports	June 2014	June 2015	June 2016
Number of outstanding IRs	180	192	209
Number of outstanding audit observations	678	696	785
Amount involved (in crore)	290.26	245.36	270.46

(Source: As per data maintained in the Office of the AG (E&RSA), Tamil Nadu)

4.6.1 Department-wise details of the IRs and audit observations outstanding as on 30 June 2016 and the amounts involved are mentioned in **Table 4.9**.

Table 4.9 - Department-wise details of IRs

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	59	328	124.20
2	Stamp Duty and Registration Fee	71	196	4.37
3	Taxes on Vehicles	44	182	4.95
4	State Excise	35	79	136.94
	Total	209	785	270.46

(Source: As per data maintained in the Office of the AG (E&RSA), Tamil Nadu)

4.6.2 Non-production of records to audit for scrutiny

The programme of local audit of commercial tax offices is prepared sufficiently in advance and intimated to the Department one month before the commencement of local audit to enable them to keep relevant records ready for audit scrutiny.

During 2015-16, 138 sales tax assessment records relating to three offices were not made available for audit.

The delay in production of records for audit would render audit scrutiny ineffective, as rectification of under-assessments, if any, might become time barred by the time these records are produced for audit.

The matter regarding non-production of records in each office and arrears in assessment is brought to the notice of the Department through the IRs of the respective offices.

4.6.3 Response of the Departments to draft Audit Paragraphs

One Performance Audit and one paragraph proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2016 were forwarded to the Secretaries of the respective Departments during September 2016 through demi-official letters. The Secretary of the Department of Revenue and Disaster Management did not send reply to the paragraph (November 2016). This paragraph has been included in the Report without the response of the Secretary of the Department.

4.6.4 Follow-up on Audit Reports

The internal working system of the PAC, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Fifteen paragraphs included in the Revenue Chapter of the Reports of the Comptroller and Auditor General of India relating to the UT Government of Puducherry for the years ended 31 March 2010, 2011, 2012, 2013 and 2014 were placed before the Legislative Assembly of UT between April 2010 and May 2015. The action taken explanatory notes from the concerned Departments in respect of 10 paragraphs were received late with average delay of more than 10 months, while in respect of five paragraphs included in the Audit Reports for the year ended 31 March 2013 and 31 March 2014, explanatory notes were yet to be received (November 2016).

Fourteen paragraphs included in the Audit Reports of the Comptroller and Auditor General of India for the years 2009-10 to 2013-14 are yet to be discussed by PAC, while action taken notes in respect of 50 recommendations pertaining to paras discussed by PAC were awaited from the Departments concerned.

4.7 Analysis of the mechanism for dealing with the issues raised by the C&AG of India

To analyse the system of addressing the issues highlighted in the IRs and Audit Reports by the Departments and Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 4.7.1 to 4.7.3 discuss the performance of the Excise Department under revenue head '0039' and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2005-06 to 2014-15.

4.7.1 Position of Inspection Reports

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2016 are tabulated in **Table 4.10**.

Table 4.10 - Position of Inspection Reports

(in crore)

Year	Opening balance			Additions during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2006-07	25	54	6.04	2	3	0.03	2	5	Nil	25	52	6.07
2007-08	25	52	6.07	5	10	Nil	3	4	Nil	27	58	6.07
2008-09	27	58	6.07	5	6	0.21	4	7	0.25	28	57	6.03
2009-10	28	57	6.03	2	3	0.16	6	8	0.21	24	52	5.98
2010-11	24	52	5.98	1	2	0.09	1	8	Nil	24	46	6.07
2011-12	24	46	6.07	7	21	132.78	10	20	3.27	21	47	135.58
2012-13	21	47	135.58	6	11	0.41	1	4	0.56	26	54	135.43
2013-14	26	54	135.43	8	23	0.72	Nil	3	0.02	34	74	136.13
2014-15	34	74	136.13	Nil	Nil	Nil	1	3	0.02	33	71	136.11
2015-16	33	71	136.11	3	10	0.82	Nil	Nil	Nil	36	81	136.93

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

As against 25 IRs involving 54 paragraphs which were pending at the beginning of 2006-07, the number at the end of 2015-16 had increased to 36 IRs involving 81 paragraphs. This indicates that response to the local audit reports was poor and adequate steps need to be taken by the department to clear the outstanding IRs and paragraphs.

4.7.2 Recovery in respect of accepted cases

During the last 10 years, five draft paragraphs, including two Performance Audits involving ₹ 106.30 crore were included in the Revenue Receipts Chapter of the Report of the Comptroller and Auditor General of India, UT

Government. The Department accepted audit observations involving ₹ 5.09 crore and recovered ₹ 1.92 crore.

4.7.3 Action taken on the recommendations accepted by the Department/Government

The draft Performance Audits (PAs) are forwarded to the concerned Department / Government for their information with a request to furnish their replies. These PAs reviews are also discussed in exit conference. The views of the Departments / Government are considered while finalising PAs for inclusion in the Audit Reports.

Two Performance Audits, viz., “Receipts from state excise” and “Functioning of State Excise Department of the UT of Puducherry” were included in the Reports of the Comptroller and Auditor General of India for the year ended 31 March 2009 and 31 March 2015 respectively. The following recommendations were accepted by the Government relating to:

- incorporating provisions in the Act for levy of penalty for non-lifting of minimum guaranteed quantity of arrack;
- collection of security deposit equal to 12 months’ *kist*¹;
- framing a suitable provision in the Act for levy of interest on belated payment of dues of excise duty; and
- fixing a time limit for periodical revision of licence fee in the Act.

We, however, observed that necessary amendments to the Pondicherry Excise Act and Rules were awaited.

4.8 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations, nature/volume of transactions, etc. The annual audit plan is prepared on the basis of risk analysis which, *inter-alia*, includes statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years, etc.

¹ *Kist* is an instalment

During the year 2015-16, the audit universe comprised 33 auditable units. Fourteen units were planned and audited during the year 2015-16, *i.e.*, 42.42 *per cent* of the total auditable units.

4.9 Results of audit

Test check of the records of sales tax/value added tax, state excise, stamp duty and registration fees and taxes on vehicles conducted during the year 2015-16 revealed under-assessment/short levy / loss of revenue amounting to ` 50.08 crore in 100 cases. During the course of the year, the Department accepted and recovered under-assessments and other deficiencies in 13 cases involving ` 92.79 lakh. Out of this, four cases involving ` 17.08 lakh were pointed out in 2015-16 and the rest in earlier years.

4.10 Coverage of this Chapter

This Chapter contains a Performance Audit relating to “System of assessment under Value Added Tax in the Union Territory of Puducherry” and one paragraph on Stamp Duty and Registration Fee involving money value of ` 47.33 crore. The Department / Government accepted audit observations, involving ` 4.47 crore, of which, ` 1.26 crore had been recovered by the Department.

COMMERCIAL TAXES DEPARTMENT

4.11 Performance Audit on System of Assessment under Value Added Tax in the Union Territory of Puducherry

Highlights

Non-adherence to the instructions regarding random scrutiny of tax returns and utilisation of details contained in MIS reports resulted in non-levy of purchase tax of ` 1.34 crore and irregularities in claim of input tax credit of ` 1.52 crore.

(Paragraphs 4.11.9.1 to 4.11.9.3)

System of assessment requires strengthening as large number of cases selected for detailed assessment was pending finalisation.

(Paragraph 4.11.10)

Failure of the assessing authorities to apply correct rate of tax and effect reversal of input tax credit, while finalising the detailed assessments resulted in under-assessment of tax of ` 1.65 crore.

(Paragraphs 4.11.10.1 and 4.11.10.2)

Lack of coordination with other Departments to gather information and use of same in assessment process hampered the revenue augmentation measures of the Commercial Taxes Department.

(Paragraphs 4.11.12.1 and 4.11.12.2)

Huge pendency in finalisation of detailed assessment, absence of VAT manual and non-conduct of internal audit was indicative of weak internal control and monitoring system.

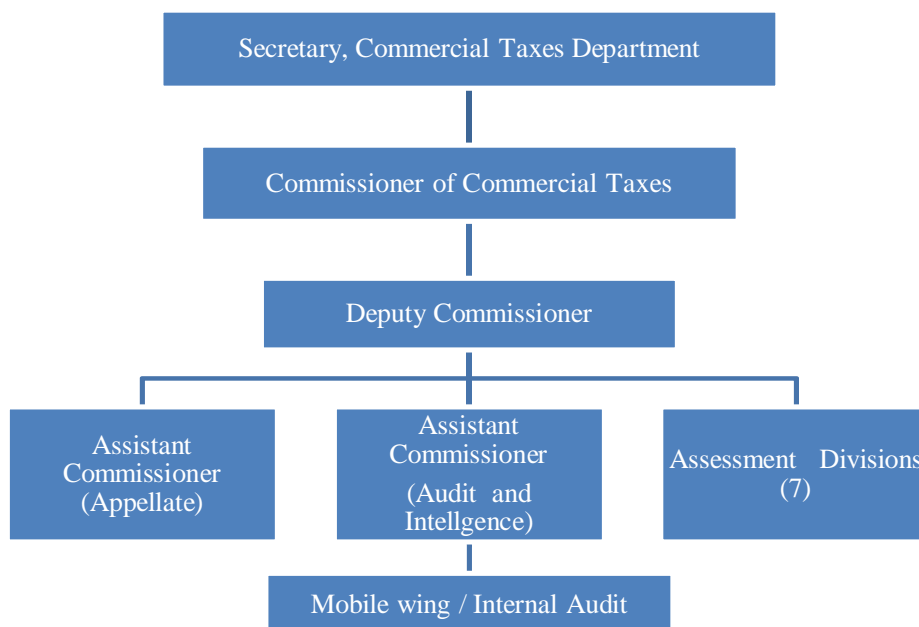
(Paragraph 4.11.14)

4.11.1 Introduction

The Union Territory Government of Puducherry had introduced Value Added Tax (VAT) with effect from 1 July 2007. The Puducherry Value Added Tax Act, 2007 (PVAT Act) and the Puducherry Value Added Tax Rules, 2007 (PVAT Rules) framed thereunder govern the assessment and collection of VAT in the UT. VAT is a multi-stage tax levied at each stage of value addition with provision to allow credit for tax paid on earlier purchases. VAT is administered in Puducherry by the Commercial Taxes Department (CTD) and it contributes almost two-thirds of the own tax revenue of the Puducherry Government.

4.11.2 Organisational setup

The Commissioner of Commercial Taxes (CCT) is the Head of CTD and is assisted by a Deputy Commissioner and two Assistant Commissioners. There are seven assessment divisions in CTD, viz., four assessment divisions in Puducherry region and one each in the outlying regions of Karaikal, Mahe and Yanam. The Commercial Tax Officers (CTOs), Deputy Commercial Tax Officers (DCTOs) and Assistant Commercial Tax Officers (ACTOs) are the Assessing Authorities (AA) responsible for the levy and collection of tax and arrears thereof in the respective assessment divisions. Besides, there is a 'Mobile Wing' formed for the purpose of conducting surprise inspections and unearthing sales suppression and evasion of taxes. The monitoring and control at the Government level is exercised by the Secretary, Commercial Taxes Department. The organisational set up of the department is shown as under:



4.11.3 System of Assessment

The word “assessment” in the context of indirect or direct tax enactments means quantification of tax liability. The word “assessment” also includes the whole procedure laid down for imposing the liability on taxpayers. Hence, assessment comprises of the provisions relating to the subject matter of taxation, rate of tax, basis of quantum of tax, the exemptions to be given and the authorities for enforcing tax liability.

4.11.4 Audit objectives

The Performance Audit (PA) was conducted with a view to ascertain whether-

- the statutory provisions regarding system of assessment were complied with and the extent of their compliance;
- effective coordination existed between assessment divisions and other wings of the Department, including use of the reports/information for assessment;
- information technology was effectively used in system of assessment to plug leakage and augment revenue; and;
- sound internal control mechanism existed to monitor assessment activities.

4.11.5 Audit criteria

The audit criteria were derived from the following.

- Puducherry Value Added Tax Act, 2007 (PVAT Act).
- Puducherry Value Added Tax Rules, 2007 (PVAT Rules).
- Orders and Notifications issued by the Government.

4.11.6 Scope and methodology

The Performance Audit was conducted from March to August 2016, covering the transactions pertaining to the period from 2010-11 to 2014-15. The assessment activity carried out by the Department upto March 2016 was also taken up for audit, irrespective of the assessment year. The PA was conducted in all the seven² assessment divisions of the CTD. The audit observations relating to earlier periods, wherever considered necessary, have also been included in the report.

An entry conference was held in March 2016 during which the Department was apprised of the objectives, scope and methodology of audit. The draft Performance Audit report was forwarded to the Government in August 2016 and was discussed in the Exit conference held in November 2016. The views expressed by the Government and the Department during the Exit Conference and replies furnished by the Department have been taken into account and incorporated in the relevant paragraphs of the report.

² Puducherry I, II, Industrial Assessment Circle (IAC), Intelligence Wing (IW), Karaikal, Mahe and Yanam

4.11.7 Acknowledgment

The Indian Audit and Accounts Department acknowledges the co-operation of the Commercial Taxes Department in providing the necessary information and records to us.

4.11.8 Trend of Revenue

The details of revenue collected by CTD during the years 2010-11 to 2014-15 along with the total tax receipts of the UT are given in the following **Table 4.11**.

Table 4.11- Trend of revenue

(` in crore)

Year	Budget estimates	Actual receipts	Variation Shortfall (-)	Percentage of variation (Col.4 to 2)	Total tax receipts of the UT	Percentage of actual receipts vis-à-vis total tax receipts (Col.3 to 6)
1	2	3	4	5	6	7
2010-11	*680.78	*595.00	(-) 85.78	(-) 12.60	1,074.47	55.38
2011-12	1,481.83	1,008.28	(-) 473.55	(-) 31.96	1,329.43	75.84
2012-13	1,395.61	1,287.10	(-) 108.51	(-) 7.78	1,917.22	67.13
2013-14	1,505.00	1,256.72	(-) 248.28	(-) 16.50	1,904.51	65.99
2014-15	1,380.00	1,313.13	(-) 66.87	(-) 4.85	1,992.74	65.90

*Does not include central sales tax

The above table indicates that though the tax receipts of CTD had registered an increasing trend over the five year period except for a shortfall in 2013-14, the share of the same vis-à-vis the total tax receipts of the UT, which was as high as 76 per cent during 2011-12 had come down to 66 per cent during 2014-15. There was shortfall in collection during the years 2010-11 to 2014-15, when compared to budget estimates of the respective years.

Audit Findings

4.11.9 Scrutiny of returns

The white paper on State level VAT by the Empowered Committee of State Finance Ministers envisaged cent *per cent* scrutiny of returns to detect mistakes and recover short payment of taxes, if any, from the dealers. The PVAT Act, however, does not prescribe the procedure, extent and time limit for completion of scrutiny of returns. Moreover, the Department had also not framed its Manual prescribing the procedures to be followed by the AAs on receipt of monthly returns filed by the dealers. Besides, the CCT also had not issued any instructions regarding the quantum of scrutiny of returns to be undertaken by the AAs.

On being asked by us, the Department stated that introduction of online filing of returns had obviated the need for filing of physical copy of the return and the correctness of tax payable, amount of carry forward of Input Tax Credit (ITC) and provision for automatic levy of compounding fee and penalty for belated filing of return was being ensured through the computer system. The Department further stated that instructions were issued to the AAs in May 2015 to make use of the ITC Module/MIS provided in PVAT software to cross verify the ITC claims of dealers.

We, however, had observed that the software application was merely ensuring the arithmetical accuracy based on the details available in the tax returns. However, adherence to the provisions of the Act/Rules regarding claims/availing of ITC cannot be automatically ensured by the computer system as the same has to be ascertained on the basis of an analysis of the details mentioned in the Annexure to the tax returns by way of proper scrutiny by the departmental authorities.

As a result of audit analysis of the details furnished in the returns submitted by the dealers, we noticed various instances of ITC claims filed after the expiry of the prescribed time period, claim of ITC in respect of purchases effected from dealers whose registration certificates (RCs) were cancelled and non-levy of purchase tax. These lapses have been discussed in the following paragraphs.

4.11.9.1 Honouring ITC claims after expiry of stipulated time period

As per Rule 17 (12) of PVAT Rules, if a registered dealer fails to claim ITC in respect of any transaction of taxable purchase in any month, he shall make the claim before the end of the financial year or before ninety days from the date of purchase, whichever is later.

Audit analysis of the CTD database provided by National Informatics Centre (NIC), Puducherry revealed that 216 dealers of five³ assessment divisions had claimed ITC after the stipulated time period in respect of purchases made from registered dealers, during the years 2013-14 and 2014-15. The period of delay ranged between five months and 38 months. Such incorrect claim of ITC amounted to ` 60.27 lakh.

After we pointed this out in June 2016, the Department recovered ` 2.93 lakh in 42 cases. The Department replied (November 2016) that in respect of 90 dealers, verification of invoices had revealed that the claim of ` 10.42 lakh was made within the stipulated time period and the discrepancy was due to error in entering invoice dates. Reply in respect of the remaining cases was awaited (November 2016).

³ Puducherry I, II, Industrial Assessment Circle, Intelligence Wing and Karaikal

4.11.9.2 Availing of ITC in respect of purchases effected from dealers whose Registration Certificates (RC) were cancelled

As per Rule 17 (18) of PVAT Rules, where a registered dealer has purchased any taxable goods from another dealer and has availed ITC in respect of the said goods and if the RC of the selling dealer is cancelled by an appropriate registering authority, such registered dealer, who has availed ITC, shall pay the amount availed as ITC to Government with effect from the date from which the order of cancellation of RC takes effect.

We examined the database of CTD provided by NIC, Puducherry and observed that 328 dealers of five⁴ assessment divisions had availed ITC in respect of purchase of goods made from dealers whose RCs were cancelled during the years 2013-14 and 2014-15. The ITC of ` 1.49 crore availed by the dealers was, however, not paid by them. We observed that though the relevant information regarding cancellation of RCs of the dealers was available in the database of CTD, but the scrutiny of returns filed by the dealers were not made by the AAs, due to which, the claim of ITC in respect of purchase of goods made from RC cancelled dealers could not be identified by the Department and thus, the same was not demanded by the AAs.

Thus, we noticed that there were system deficiencies due to which the AAs could not check the cancellation of RCs of the dealers from whom the purchases had been made. Such system lapses indicated availment of ITC which was not due to the claimants, which had taken place due to not linking the data available in the data base of the CTD.

After we pointed this out in May 2016, the Department stated (November 2016) that out of ` 1.02 crore which was actually recoverable from 263 dealers, ` 4.48 lakh had been recovered. The Department stated that claim of ` 47.08 lakh was in order as the purchasing dealers had erroneously mentioned the old Taxpayers Identification Number (TIN) pertaining to cancelled RC of the selling dealers, though new TIN had been obtained by the selling dealers due to reasons of change in status of business, style of business, etc. Reply of the Department regarding recovery of remaining amount was awaited (November 2016).

4.11.9.3 Non levy of Purchase Tax

As per entry 1 of Part B of Second Schedule to the PVAT Act, old and beaten gold or silver jewellery are taxable at the rate of one *per cent* at the point of last purchase.

⁴ Puducherry I, II, Industrial Assessment Circle, Intelligence Wing and Karaikal

During test check of records in three⁵ divisions, we noticed that four assesses had purchased old gold and silver from the customers for ` 134.25 crore during the years 2009-10 to 2014-15. The dealers reported this turnover in their tax returns but had not paid tax on purchase value even though they were liable to pay tax at last purchase point amounting to ` 1.34 crore.

After we pointed this out (between February 2014 and May 2016), the AA, Karaikal division recovered purchase tax of ` 0.20 lakh in one case. The AAs of Intelligence Wing and Mahe divisions stated that as the assessee had not availed ITC on purchase of old gold, the concept of purchase tax was not applicable.

The reply of the AAs was not tenable as levy of tax at the point of last purchase of old gold and silver is mandatory under the provisions of the PVAT Act and the subsequent non-availing of ITC by the assessee cannot be cited as a reason for the earlier omission on the part of the AAs to levy tax at the point of last purchase of old gold and silver. During Exit Conference, the Additional Secretary to Government stated that AAs were instructed to check randomly the returns submitted by the dealers so that every dealer is covered annually. He further stated (November 2016) that MIS reports covering all categories of discrepancies in the returns are generated on quarterly basis and these are forwarded to the AAs for further verification. Thus, this process ensures the purpose of scrutiny of returns in a systematic and comprehensive manner.

The reply was not acceptable as AAs had not adhered to the instructions regarding random scrutiny of returns and use of ITC module/MIS reports. Thus, there were cases of incorrect claim of ITC and claim of ITC in respect of purchases made from dealers, whose RCs were cancelled. The audit observations also indicate that MIS reports stated to be generated by use of IT were not effectively used by the AAs, thereby resulting in failure to unearth leakage of revenue.

We, therefore, recommend that the monitoring system should be strengthened to ensure effective utilisation of the details contained in the ITC module/MIS reports so as to prevent leakage and thereby augment revenue.

4.11.10 Detailed assessment under PVAT Act

As per Section 24(2) of the PVAT Act, the returns submitted by the dealer along with tax due thereon shall be accepted as self-assessed and the AA may select, either at his discretion or as directed by the Commissioner, any dealer for detailed assessment by scrutiny of accounts.

⁵ Intelligence Wing, Karaikal and Mahe

In terms of Section 24(5) of the PVAT Act, no assessment shall be made after a period of three years from the end of the year to which return relates. Delay in selection of cases for scrutiny/completion of assessment would result in cases becoming time barred and the cases escaping scrutiny. The CCT had adopted “Business Intelligent Software” for selection of cases for detailed assessment on the basis of quantum of tax paid and ITC availed.

Information regarding cases selected for detailed scrutiny by the Commissioner, number of cases in respect of which assessments were made and the number of assessments which were pending finalisation as of 31 March 2016 are given in the following **Table 4.12**.

Table 4.12 – Scrutiny of assessments

Stage of selection of scrutiny by CCT	Assessment year	Number of registered dealers	Date of selection	Number of cases selected for scrutiny	Number of cases in respect of which assessments were made	Pending finalisation as on 31 March 2016	Percentage of completion
Stage I	2008-09	9,511	28.10.2009	4,663	1,608	3,055	34.48
Stage II	2011-12	10,436	03.07.2013	4,525	1,534	2,991	33.90
Stage III	2012-13	11,329	2013-14	5,933	1,074	4,859	18.10
Stage IV	2013-14	12,176	2014-15	6,082	955	5,127	15.70
Total				21,203	5,171	16,032	24.39

(Source: Details furnished by the Department)

We observed as under:

- Cases relating to assessment years 2009-10 and 2010-11 had not been selected for detailed assessment by the CCT.
- Out of 21,203 cases selected for detailed assessment, scrutiny was completed only in respect of 5,171 cases as of 31 March 2016 (24.39 *per cent*). Though only one post of CTO was vacant in Karaikal during the period from March 2011 to October 2014, there was huge pendency in assessment of cases.

After we pointed this out, the CCT stated (October 2016) that 4,506 dealers (out of 12,475 dealers) were selected for the year 2014-15 for detailed scrutiny during May 2016 and the AAs were instructed to take into account the details of previous years also for scrutiny, wherever there was implication for additional revenue and this takes care of the assessments

pertaining to the years 2009-10 and 2010-11. The Department stated that notices calling for production of accounts have been issued in all cases and thus, these cases were not time barred. However, reasons for not having finalised the cases after issue of notices were awaited.

Thus, the collection of taxes was adversely hampered by the delay in finalisation of assessments by the AAs. The department, however, had not devised any action plan for fixation of targets in terms of number of cases for each AA and time period within which pending cases should be disposed.

We recommend that the Government may strengthen the system of detailed assessments by fixing a prescribed time period for finalisation of assessments and ensuring adherence to the same by the AAs by putting in place a proper monitoring system.

Deficiencies noticed in detailed assessment cases

4.11.10.1 Application of incorrect rate of tax

As per Section 14(1) of the PVAT Act, a registered dealer whose total turnover for a year exceeds ` five lakh, shall pay tax on the taxable turnover in each tax period at the rate and at the point as specified in the Schedules.

Electrical and electronic home appliances were taxable at the rate of eight *per cent* with effect from 27 February 2009. The rate was increased to 10 *per cent* with effect from 1 January 2012. Hardware items were taxable at 10 *per cent* with effect from 1 January 2012 and at eight *per cent* with effect from 1 August 2013. The goods not specified elsewhere in any of the Schedules were taxable under Part A of the Fourth Schedule, the rate of tax being 12.5 *per cent* upto 31 December 2011 and 14.5 *per cent* thereafter.

During test check of records in three⁶ divisions, we noticed that while finalising the assessment of six dealers relating to the assessment years 2009-10 to 2013-14, the AAs had levied tax at incorrect rates on sale of electrical home appliances, gas, old machinery and hardware items. This had resulted in short levy of tax of ` 9.65 lakh as mentioned in the following **Table 4.13**.

⁶ Puducherry I, Industrial Assessment Circle and Mahe

Table 4.13 – Application of incorrect rate of tax

(` in lakh)

Name of the assessment circle	Assessment year	Commodity	Turn-over	Rate of tax		Short levy of tax
				Applicable	Applied	
				(in per cent)		
Puducherry I	2009-10	Electrical home appliances	24.14	8	4	0.97
Puducherry I	2012-13 2013-14	Hardware	28.68	10 8	5	1.27
IAC Puducherry	2013-14	Old machinery	60.16	5	2	1.20
Mahe	2011-12 2013-14	Home appliances & Electrical appliances	13.62	8 10	4 6 5	0.41
Mahe	2009-10 2010-11 2011-12	Electrical and Electronic Home appliances	35.15	8	6	0.70
Puducherry I	2011-12 2012-13	Chlorofluoro-carbon gas (CFC)	20.98 34.87	12.5 14.5	4 5	5.10

After we pointed this out, the AAs revised the assessments in five cases and collected ` 4.19 lakh. The appeal filed by a dealer before the appellate authority was stated to be pending. The AA, Puducherry-I Assessment Circle stated that CFC falls under serial 35 of the Appendix relating to industrial inputs and therefore correctly assessed to tax.

The reply was not tenable as the said entry at serial 35 relates to Carbon only (carbon blacks and other forms of carbon not elsewhere specified or included). The CFC is an organic compound that contains carbon, chlorine and fluorine and produced as a volatile derivative of methane, ethane and propane. The CFC is used as refrigerant gas in air conditioning units, freezers etc. Hence, applying tax at the rate of five *per cent* for whole CFC compound was not justified for the reason that only the element carbon alone falls under industrial inputs.

4.11.10.2 Non-reversal of ITC

As per Proviso (ii) to Section 16 (1) of PVAT Act and Rule 17 (5) of PVAT Rules, ITC shall be allowed on tax paid or payable in the UT on purchase of goods, in excess of the rate prevailing under the Central Sales Tax Act, 1956 (CST Act) to such purchases for transfer to a place outside the UT otherwise than by way of sale or for use in manufacture of other goods and transfer to a place outside the UT otherwise than by way of sale. If a dealer has already availed ITC, there shall be a reversal of credit against such transfer. As per Rule 17 (14), no ITC shall be claimed or be allowed to a registered dealer on the tax paid on purchase of goods sold in interstate trade and commerce falling under sub-section (2) of Section 8 of CST Act.

During scrutiny of records in three⁷ divisions, we noticed that the assessments of 19 dealers (in respect of 6,650 cases examined during audit) finalised under the CST Act between April 2013 and January 2016 involved levy of tax in respect of interstate sale of goods without declarations in Form-C and allowance of exemption in respect of stock transfer of goods to other States. As ITC is not eligible for interstate sale of goods not covered by declarations in Form-C and ITC in excess of the rate prevailing under the CST Act is allowable for stock transfer of goods, reversal of ITC already availed by the dealers was required to be made. The AAs, while finalising between April 2013 and January 2016, the assessments of dealers relating to the years 2007-08 to 2013-14 under the PVAT Act, however, had failed to consider CST assessment of the dealers finalized by them and consequently failed to effect reversal of ITC of ` 1.77 crore in respect of interstate sales not covered by declaration forms and stock transfer of goods to other States.

After we pointed this out between March 2015 and July 2016, the Department replied (November 2016) that actual amount reversible was ` 1.56 crore, of which ` 1.51 crore was raised by revision of assessment. The Department had recovered ` 63.78 lakh as of November 2016. In respect of three cases involving ` 4.62 lakh, notices had been issued. Further report about recovery of balance amount and revision of assessment in the remaining cases was awaited (November 2016).

4.11.11 Coordination between various wings of the department and utilisation of reports in assessment

4.11.11.1 Delay in implementation of Shop Inspection proposals

As per Section 55 (2) of the PVAT Act, all accounts, registers, records and other documents maintained by a dealer in the course of his business, the goods in his possession and his offices, shops, godowns, vessels or vehicles shall be open to inspection at all reasonable times by any officer empowered by the Commissioner in this behalf.

The shop inspection is conducted as per Section 55 (1) of the PVAT Act by an officer not below the rank of ACTO, who is empowered to inspect at all reasonable time the accounts, registers, record and other documents maintained by the dealer in the course of his business, the goods in his possession and his offices, shops, godowns, vessels.

The details furnished to Audit indicated that in seven divisions during 2010-11 to 2014-15, shop inspection was conducted in respect of 290 dealers, involving tax and penalty of ` 20.22 crore. An amount of ` 4.32 crore was recovered as a result of reassessment from 258 dealers and the balance amount of ` 15.90 crore was yet to be recovered from 32 dealers as indicated in the following **Table 4.14**.

⁷ Puducherry I, Industrial Assessment Circle and Karaikal

Table 4.14 – Details of shop inspection

(` in lakh)

Year	Total Number of dealers	Shop inspections conducted		Cases finalised		Pending cases	
		Number	Amount	Number	Amount recovered	Number	Amount involved
2010-11	10,434	16	16.84	16	16.84	Nil	Nil
2011-12	10,436	26	48.97	25	48.97	1	*
2012-13	11,329	74	77.04	72	63.02	2	14.02
2013-14	12,176	72	1,594.57	55	162.52	17	1,432.05
2014-15	12,475	102	284.09	90	140.23	12	143.86
Total		290	2,021.51	258	431.58	32	1,589.93

* Amount not finalised by IW Division.

(Source: Details furnished by the Department)

Audit scrutiny of 32 shop inspection files revealed the following:

- Seven shop inspection files pertaining to IW division in which the amount of tax was not quantified were not produced for audit. After we pointed this out, the Department stated (November 2016) that the files had since been traced out and scrutiny of records in three cases did not reveal evasion of tax. The Department further stated that while ` 0.61 lakh was collected in two cases, notices involving reversal of ITC and levy of tax and penalty of ` 10.83 lakh were issued by the AAs in two cases. Further report was awaited (November 2016).
- Shop inspection of a dealer in timber pertaining to Karaikal division was conducted by Intelligence Wing division during January 2014. However, the report of such inspection was not issued to Karaikal division. Therefore, even after a lapse of more than two years since inspection, no action was taken in Karaikal division to recover the amount of tax and penalty of ` 26.16 lakh involved therein. After we pointed out this, the Department stated (November 2016) that the report was issued to Karaikal division in October 2016. Further report regarding recovery was awaited (November 2016).
- Eleven cases were covered by appeals filed by the dealers before the Appellate Assistant Commissioner (CT)/ Sales Tax Appellate Tribunal, while one dealer had filed a writ petition in the High Court of Madras.
- Shop inspection of a dealer pertaining to IAC division was conducted by the inspection party of Division II, Puducherry in February 2013. Though the inspection was carried out in February 2013, the file was transmitted to the Deputy Commissioner (CT) for

onward transmission to AA of IAC division only on the last day of December 2015. The amount involved therein, therefore, remained uncollected.

- Shop inspection of a dealer was conducted by officials attached to Division II, Puducherry during August 2014 and a notice involving tax and penalty of ` 28.27 lakh was issued to the dealer on 21 November 2014. The file was, however, transmitted to AA of IAC division only in September 2015. Though the case was finalised in October 2016, the demand was pending for recovery even after a lapse of more than two years since the conduct of inspection.
- We noticed in one case that though the notice was issued to the dealer in August 2013, action had not been initiated under the RR Act for recovery of unpaid penalty amount of ` 2.43 lakh. After we pointed this out, the Department stated (November 2016) that considering the poor health condition of the dealer, coercive action under RR Act had not been initiated and the amount was being recovered in instalments from the heir of the dealer, the first instalment of ` 40,000 having been realised in September 2016.

Thus, the delay in finalisation of shop inspection cases adversely hampered the realisation of revenue as recovery of the additional demand becomes a remote possibility with the passage of time.

As such, we recommend the department to issue instructions prescribing specific time period for finalisation of shop inspection cases and ensure adherence to such time period, so as to ensure early realisation of revenue.

4.11.11.2 *Audit report in Form CC*

As per Section 54 of the PVAT Act and Rule 52 of PVAT Rules, every registered dealer whose total turnover in a year exceeds ` 50 lakh, shall get his accounts audited by Chartered Accountants or Cost Accountants and shall submit a copy of the audited statement of accounts and certificate in Form CC to the AA on or before 30th September of the year succeeding to which it relates. The dealers are required to furnish the details of local purchases in Annexure I of the Certificate. The receipt of Form CC along with Annexure-I would enable the department to ensure correctness of ITC claimed by the dealer.

While drawing attention of the Department to the increase in percentage of non-filers of Form CC, a mention was made in Para 4.9.6.4 of the Performance Audit on “Implementation of Value Added Tax in Union Territory of Puducherry” included in the Report of the Comptroller and Auditor General of India for the year ended March 2013, about the failure of the department to invoke penal provisions of the Act/Rules against the

dealers, who had failed to file the certificates to act as effective deterrent against such non-filing of certificates.

The details of non-filers of Form CC during the years 2010-11 to 2014-15 are given in the following **Table 4.15**.

Table 4.15 – Filing of Form CC

Year	Eligible dealers required to file Form CC	Dealers who have filed Form CC	Dealers who have not filed Form CC	Percentage of non-filers
2010-11	3,288	1,650	1,638	49.81
2011-12	3,718	1,852	1,866	50.19
2012-13	3,860	1,780	2,080	53.88
2013-14	4,038	1,704	2,334	57.80
2014-15	3,200	917	2,283	71.34

The above table indicates that the position regarding filing of audit certificate in Form CC had not improved and 71 *per cent* of the dealers had not filed the certificate relating to the year 2014-15. We observed that the department had levied a meagre amount ranging from ` 50 to ` 1,000 as penalty for failure of dealers to file Form CC within the prescribed time period though Section 62 of the PVAT Act provides for levy of penalty of maximum amount of ` 5,000 for offences committed under the Act. The action to levy penalty for belated submission did not take into account the period of delay and the turnover of the dealer.

The assessment of tax under VAT system being based on self assessed returns filed by the dealers, the requirement for filing of Form CC by dealers whose turnover in a year is in excess of ` 50 lakh is a means of ensuring the correctness of the turnover declared by the dealers as the certificate in Form-CC is based on the audited accounts of the dealer. The failure of the dealers to comply with the statutory provisions of filing of Form CC, therefore, deprives the Department of a means of ensuring the correctness of turnover of the dealer, unless the assessment of the dealer is selected for detailed check of accounts.

Thus, in the absence of a specific provision in the PVAT Act or Rules for levy of fixed amount of penalty in respect of non-filing of Form CC, varying amounts levied by the AAs at their discretion has not acted as an effective deterrent against non-adherence by the dealers in this regard.

We recommend that the quantum of penalty should be fixed taking into account the period of delay in submission of Form CC and also the turnover of the dealer, in order to act as an effective deterrent to erring dealers.

During Exit Conference, the Additional Secretary to Government stated that instructions had since been issued at our instance prescribing the

compounding fees to be collected by the AAs for delay in filing of Form CC by the dealers, the amount ranging from ₹ 1,000 to a maximum of ₹ 5,000 in cases of delay of more than one year in filing of Form CC. The CCT further stated that modifications were made (26 September 2016) in the PVAT software to eliminate any discretion and to ensure collection of stipulated compounded fee for delayed filing of Form CC.

Non-utilisation of information contained in Form CC

We examined 657 Form CCs and found that the AAs of Puducherry I division and IAC division had failed to utilise the information available in the audit certificate in Form CC to initiate action for reversal of ITC of ₹ 42.79 lakh in eight cases.

After we pointed this out (between March 2015 and May 2016), the AAs recovered ₹ 37.18 lakh from the dealers and in one case, the short reversal of ₹ 5.51 lakh was rectified while passing assessment order.

Thus, the failure of AAs to make use of the information regarding details of purchases/sales and claim of ITC contained in the audit certificate in Form CC defeated the very purpose for which it was intended to be filed by the dealers.

As such, the Government may take remedial measures for ensuring utilisation by the AAs of the information contained in the audit certificate in Form CC.

4.11.12 Coordination with other Departments

Database analysis helps in identifying areas of evasion of tax. Third party data verification helps in arresting leakage of revenue. One such information is the data which can be collected from the Customs department to ensure proper accounting of imports by the dealers and thereby guard against leakage of revenue. As separate check posts have not been set up in the UT, access to check post records of adjoining State would facilitate the monitoring of movement of goods into and from the UT. Cross verification with the database of CTD of other States would also help in arresting loss of revenue to the UT.

4.11.12.1 Data relating to import of goods from Customs department

We observed that the CTD of Puducherry did not follow the practice of obtaining data from Customs Department to ascertain the details of imports made by the dealers situated in the UT and compare the same with the amount of imports declared by the dealers in the monthly returns and in the audit certificate in Form CC.

The Department replied that details of imports made by dealers of IAC division during the financial years 2013-14 to 2015-16 were obtained from

the customs authorities at Chennai and Tuticorin Port for the purpose of cross verification. The Department further stated that in respect of other divisions, the customs authorities have been requested in this regard and their reply was awaited (November 2016).

Non/short reporting of imports by dealers

We cross verified the details of imports made by the dealers of Puducherry during the year 2013-14 with the CTD database by NIC, Puducherry. Such cross verification of records revealed the following:

- Twenty seven dealers of four⁸ assessment divisions, who had imported goods valued at ` 71.88 crore had not reported the same in their monthly returns filed by them with CTD. This included import of goods valued at ` 8.43 crore by two dealers of Karaikal division, whose RCs were cancelled.

After we pointed this out, the Department stated (November 2016) that scrutiny of records produced by five dealers subsequent to issue of notice revealed that there was no suppression of import purchases. Reply of the Department in respect of the remaining cases was awaited (November 2016).

- Twenty seven dealers of five⁹ assessment divisions had imported goods valued at ` 1,007.45 crore during 2013-14. The value of imports declared by the dealers in the monthly returns filed by them with CTD was, however, ` 666.31 crore. Thus, there was short reporting of imports of ` 341.14 crore by the dealers. This included the short reporting of import of ` 86.07 crore by two deregistered dealers.

After we pointed this out, the Department stated (November 2016) that scrutiny of records produced by 15 dealers subsequent to issue of notice revealed that there was no suppression of import purchases. The Department revised the assessment in two cases (November 2016) and raised additional demand of tax of ` 16.20 lakh; the collection particulars of which was awaited (November 2016). Reply of the Department in respect of the remaining cases was awaited (November 2016).

Thus, the failure to obtain customs data deprived the Department from undertaking cross verification of imports with reference to the purchases reported by the dealers in the returns filed by them with CTD.

We recommend the Department to obtain the details of imports from the Customs department and cross verify the same with the monthly returns

⁸ Puducherry I, II, Industrial Assessment Circle and Karaikal

⁹ Puducherry I, II, Industrial Assessment Circle, Karaikal and Mahe

filed by the dealers with CTD to ensure the correctness of reporting of import purchases by the dealers.

During Exit Conference, the Additional Secretary to Government stated that Memorandum of Understanding was being signed between CTD and Central Board of Excise and Customs, Ministry of Finance, GOI for mutual sharing of data and if the system of sharing of data was put in place, the process of cross verification of import purchases with reference to the purchase reported by the dealer would be carried out in a regular manner.

4.11.12.2 *Incorrect availing of concessional rate of tax by compounding dealers*

As per Section 19(1) of PVAT Act, any dealer who effects second and subsequent sales of goods purchased within the UT and whose total turnover under this Act and under the CST Act does not exceed ` 50 lakh in a year, may at his option, pay by way of composition, tax at the rate of 0.5 *per cent* of his taxable turnover.

We cross-verified the data base of CTD, Puducherry with the CTD database of Tamil Nadu and observed that 105 dealers, who were paying tax under compounding rate as per Section 19(1) of PVAT Act, were found to have made interstate purchases from dealers in Tamil Nadu during the year 2014-15. The dealers, who had made interstate purchases, were not eligible for payment of tax at compounded rate. The Department, however, did not devise a mechanism to ensure due adherence to the provisions of the Act by the dealers who had opted to pay tax at compounded rate. Thus, dealers who made interstate purchases also were allowed to pay tax at the compounded rate of 0.5 *per cent* on their taxable turnover, instead of tax being collected at the schedule rates applicable to the commodities dealt with by them. This resulted in short payment of tax of ` 80.38 lakh.

After we pointed this out to the Department in July 2016, the CCT stated (November 2016) that all the 105 dealers were taken away from the composition scheme and ` 8.07 lakh was recovered from 14 dealers. Recovery of the balance amount in the remaining cases was awaited (November 2016).

Thus, the failure of the Department to obtain data from other Departments/agencies and to undertake cross verification of the same with the details furnished by the dealers in the monthly returns resulted in their failure to identify cases of misuse of the provisions of payment of tax at concessional rate by ineligible dealers.

We recommend that the data may be obtained from other Departments/agencies and the details contained therein may be cross verified with the returns filed by the dealers with CTD to optimise the collection of revenue.

4.11.13 Other points of interest

Application of reduced rate of tax to industrial inputs

Section 75 of the PVAT Act empowers the Government to alter, add or cancel any of the schedules by issue of notification. A bill to give effect to the notification shall be placed on behalf of the Government during the next session of the Legislative Assembly following the date of issue of notification, to seek the approval of the Assembly to the proposed amendment.

Section 31 of the PVAT Act, however, empowers the Government to notify reduction of tax in respect of any goods. Such delegated powers shall not be used where a notification seeks to amend the Schedules of the Act.

The Act passed by the Legislature specifically classified 166 items as industrial inputs and packing materials, which were taxable at the rate of four *per cent* upto 31 December 2011 and five *per cent* thereafter. By issue of Notification (July 2007), the rate of tax on sale of industrial inputs and packing material was reduced from four *per cent* to one *per cent*.

Government subsequently issued a Notification (September 2007) under Section 31 of the Act to the effect that all industrial inputs were taxable at one *per cent*. The rate was increased to three *per cent* with effect from 1 January 2012 by issue of another Notification in December 2011.

A mention was made in Paragraph 4.9.6.8 of the Performance Audit on “Implementation of Value Added Tax in Union Territory of Puducherry” included in the Report of the Comptroller and Auditor General of India for the year ended March 2013 regarding improper action of the Government to include items which did not find a place in the Appendix as industrial inputs by issue of Notification under the delegated powers of Section 31 of the PVAT Act.

The Department had stated during exit conference (August 2013) that since the intention of Government was to allow reduced rate of tax in respect of all industrial inputs, amendment to entry 68 would be made under Section 75 of the PVAT Act. However, necessary amendment to entry 68 was not made and goods which were not mentioned in the Appendix were continued to be treated as industrial inputs.

During scrutiny of records, we noticed that the reduced rate of tax was continued to be allowed on sale of commodities¹⁰ other than the 166 items

¹⁰ Aluminium wire rods, compact disks, plastic granules, soap stone powder, master batches, linear alkyl benzene, tower parts, electrical goods, computer monitor, electronic components, skimmed milk powder, IT products, acid slurry, washing machine and its parts, ACSR conductors, injected moulded plastic components, waste paper, mosquito coil, metal sheets, ferrous and non-ferrous industrial articles

on the basis of these Notifications issued by the Government. We noticed in four¹¹ divisions that the AAs, while finalising assessment between 2013-14 and 2015-16 relating to 33 dealers for the years 2007-08 to 2013-14, had levied tax at reduced rates of tax on the sale of goods valued at ` 1,520.54 crore. Thus, inaction on the part of the Government to carry out amendment to entry 68 resulted in short realisation of tax of ` 41.32 crore in the cases test checked by us. As such, the state wide implication of this lapse would be much higher, which is detrimental to the revenue of the Government. Thus, this calls for immediate action to carry out amendment in the Act without any delays.

During Exit Conference held in November 2016, the Department assured that amendment to the PVAT Act would be made. Further report regarding amendment was awaited (November 2016).

4.11.14 Internal control and monitoring system

Internal controls are intended to provide reasonable assurance of proper enforcement of laws, rules and departmental instructions. Monitoring is a key component of internal control system. The existence of continuous and effective monitoring system is essential to secure the success of the internal control system.

The huge pendency in finalisation of assessments selected by Commissioner for detailed scrutiny is indicative of ineffective monitoring of the activity relating to finalisation of assessments by AAs. Though internal audit was required to be conducted on an annual basis, we noticed that due to vacancy in the post of AC (A&I), DCTO and ACTO, internal audit was not conducted in any of the Divisions from 2010-11 to 2012-13. In 2013-14, the internal audit of Mahe Division alone was conducted by a special team while, in 2014-15, internal audit of only two Divisions were conducted. We, further, noticed that the Department did not have any Manual prescribing the procedures to be followed in respect of various activities encompassing registration, return scrutiny, assessment, internal audit, shop inspection, etc.

Thus, due to the absence of manual, scrutiny of returns filed by the dealers was not being undertaken due to which the AAs were remaining unaware of cases of incorrect claim of ITC, non-payment of purchase tax and payment of tax at incorrect rates. These also remained unnoticed as annual internal audit of the offices was also not undertaken.

During Exit Conference, the Additional Secretary to Government stated that the procedures and methods to be adopted are self contained in the PVAT Act and Rules and also instructions were given to the AAs from time to time.

¹¹ Puducherry I, II, Industrial Assessment Circle and Intelligence Wing

Though the procedures and methods are self contained in the PVAT Act, we recommend that the Government may prescribe a Manual describing the nature of duties and responsibilities of the AAs and the procedures to be followed by them to effectively administer the system of VAT in Puducherry.

4.11.15 Audit observations against the audit objectives

The audit observations of this Performance Audit as against the audit objectives are mentioned briefly as under:

(i) Compliance to statutory provisions regarding system of assessment

During Performance Audit, we noticed the following non-compliance to the provisions of the PVAT Act:

- There were irregularities in ITC claims;
- There were cases of non-levy of purchase tax;
- The ITC claims were not reversed in respect of interstate sale without declaration forms and stock transfer of goods to other states and
- We found cases where incorrect rate of tax was being applied leading to loss of revenue.

(ii) Use of reports/information for assessment and existence of coordination between the assessment divisions and other wings of the Department

- There were delays in implementation of shop inspection proposals
- The information contained in Form CC was not utilised for increase in revenue defeating the very purpose of getting the same.

(iii) Use of Information Technology in system of assessment to plug leakage and augment revenue

We noticed that the failure of AAs to use information technology in assessment process resulted in:

- Claim of ITC in respect of purchases effected from dealers whose RCs were cancelled and
- Incorrect availing of concessional rate of tax by compounding dealers who had made interstate purchases.

(iv) Existence of sound internal control mechanism to monitor assessment activities

The weaknesses in the existing system of internal controls and monitoring were evidenced from the following observations:

- There was huge pendency in finalisation of detailed assessment;
- There was no VAT manual in place to guide the assessing authorities for management and assessment of revenue matters; and
- The internal audit was not conducted which can help the management for course correction.

The above audit observations have been explained in detail at various paragraphs of the performance audit report.

4.11.16 Conclusion

We noticed that the instructions regarding random scrutiny of returns and utilisation of details contained in ITC module/MIS reports were not effectively used by the AAs in the system of assessment. Though online filing of monthly returns was made mandatory, IT system was not effectively utilised to prevent leakage of revenue. The revenue augmentation measures suffered due to non-collection of data from other departments and analysis of the same with the database of the CTD and the failure to utilise the information contained in the audit certificate in Form CC. The huge pendency in finalisation of cases selected for detailed assessment by the CCT, absence of VAT manual and non-conduct of internal audit indicated weak internal control and monitoring system.

4.11.17 Recommendations

We recommend the Government to;

- Strengthen the system of detailed assessments by fixing a prescribed time period for finalisation of assessments and ensuring adherence to the same by the AAs by a proper monitoring system;
- Ensure utilisation of the information contained in the audit certificate in Form CC by the AAs;
- Ensure coordination with other Departments for collection of data and utilisation of the same in revenue augmentation; and
- Ensure effective utilisation of IT in plugging leakage and generating additional revenue.

REVENUE AND DISASTER MANAGEMENT DEPARTMENT

4.12 Short collection of stamp duty and registration fee

As per Article 23 of Schedule 1 to the Indian Stamp Act, 1899 in the case of conveyance of immovable property, stamp duty shall be charged at the rate of 10 per cent including surcharge on the market value of the property conveyed. As per Table of Fees prepared under Section 78 of the Registration Act, 1908 the registration fees is leviable at the rate of ` 145 for first ` 10,000 and ` 5 for each ` 1,000.

During test check (October 2015) of records in Sub-Registry, Thirukkanur, we noticed that an extent of 104 ares¹² or 1,11,904 square feet (sqft) of land situated in Vadanur village was sold through two sale deeds executed in March 2013 and registered in April 2013. The consideration set forth in the instruments was ` 10.97 lakh. Stamp duty of ` 1.10 lakh and registration fee of ` 5,000 was collected.

We, however, observed that the guideline value, which was indicative of the market value of the property conveyed was ` 1.12 crore at the rate of ` 100 per sqft applicable for the year 2013-14. Therefore, the stamp duty and registration fee of ` 11.75 lakh was required to be collected as against ` 1.15 lakh collected by the department. Thus, the omission on the part of the Registering Officer to adopt the guideline value applicable on the date of presentation of the above sale deeds for registration, for the purpose of levy of stamp duty and registration fee, resulted in short collection of stamp duty and registration fee of ` 10.60 lakh.

After we pointed this out (October 2015), the Registering Officer replied (December 2015) that agricultural land was conveyed through the sale deed presented for registration on 18 April 2013. As such, it was valued at ` 10,400 per are. The guideline rate per sqft was applicable with effect from the date of conversion of use of the land as house site (29 April 2013).

The reply was not tenable because as per the guideline register, the value applicable from 1 April 2013 was ` 100 per sqft. This value had to be adopted for determination of value of the land conveyed and registered on 18 April 2013 and the Registering Officer, cannot, *suo motu* adopt a different value for the land conveyed.

Thus, the failure of the Registering Officer to adopt the correct guideline for determination of market value of property for the purpose of levy of stamp duty and registration resulted in short levy of stamp duty and registration fee of ` 10.60 lakh. Moreover, the plea of the Registering Officer that agricultural land was conveyed was also not tenable as the

¹² 1 Are = 1,076 sqft

guideline rate for the survey number in which the property was situated indicated the same to be house site.

The matter was referred to the Government in March 2016. Reply was awaited (November 2016).

CHAPTER V

GOVERNMENT COMMERCIAL

AND

TRADING ACTIVITIES

CHAPTER V

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of Union Territory of Puducherry Public Sector Undertakings

Introduction

5.1.1 The Public Sector Undertakings (PSUs) of Union Territory of Puducherry consist of only Government companies. The PSUs have been established to carry out activities of commercial nature while keeping in view the welfare of people and also occupy an important place in the State economy. As of 31 March 2016, in UT of Puducherry, there were 12 working Government companies and one non-working Government Company. None of the working Government companies were listed on the stock exchange. The details of the PSUs in UT of Puducherry as of 31 March 2016 are given in **Table 5.1** below:

Table 5.1 - Total number of PSUs as on 31 March 2016

Type of PSUs	Working PSUs	Non-working PSUs ¹	Total
Government Companies ²	12	1	13
Total	12	1	13

(Source: Details collected from the Government)

The working PSUs registered a turnover of ` 362.61 crore, as *per* their latest finalised accounts as of September 2016. This turnover was equal to 1.37 *per cent* of State Gross Domestic Product (GSDP) for 2015-16. The working PSUs incurred loss of ` 70.62 crore, as *per* their latest finalised accounts, as of September 2016. They had employed 4,899 employees as at the end of March 2016.

Since 2011-12, Pondicherry Electronics Limited is the only non-working PSU in UT of Puducherry. The assets and liabilities of this PSU were taken over by its holding Company (Pondicherry Industrial Promotion Development and Investment Corporation Limited) and the PSU was in the process of getting its name struck off from the Register of Companies.

¹ Non-working PSUs are those which have ceased to carry on their operations

² Government PSUs include companies referred to in Section 139 (5) and 139 (7) of the Companies Act, 2013

Accountability framework

5.1.2 The audit of Government companies is governed by respective provisions of Section 139 and 143 of the Companies Act, 2013 (Act). According to Section 2(45) of the Act, “Government Company” means any Company in which not less than 51 *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a Company, which is a subsidiary Company of such a Government Company. Further, as per sub-Section 7 of Section 143 of the Act, the Comptroller and Auditor General of India (C&AG) may, in case of any Company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted of the accounts of such Company and the provisions of Section 19 A of the C&AG’s (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit. Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the C&AG.

Role of Government and Legislature

5.1.3 The UT Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the UT Government.

The Legislature of Puducherry also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors’ Reports and comments of the C&AG, in respect of Government companies are to be placed before the Legislature as per Section 394 of the Act or as stipulated in the respective Acts. The Audit Reports of C&AG are submitted to the Government as per Section 19 A of the C&AG’s (Duties, Powers and Conditions of Service) Act, 1971.

Stake of UT Government

5.1.4 The UT Government’s stake in PSUs is mainly of three types:

- **Share Capital and Loans:** In addition to the share capital contribution, UT Government also provides financial assistance by way of loans to the PSUs from time to time.
- **Special Financial Support:** UT Government provides budgetary support by way of grants and subsidies to the PSUs, as and when required.

- **Guarantees:** UT Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

5.1.5 As of 31 March 2016, the investment (capital and long-term loans) in 12 PSUs was ` 734.52 crore, with the capital ` 722.66 crore and ` 11.86 crore of long term loans. As of 31 March 2016, the total investment in working PSUs consisted of 98.39 *per cent* towards capital and 1.61 *per cent* in long-term loans. The investment has grown by 1.14 *per cent* from ` 726.25 crore in 2011-12 to ` 734.52 crore in 2015-16.

5.1.6 The sector-wise summary of investments in the UT PSUs as on 31 March 2016 is given in **Table 5.2** below:

Table 5.2 - Sector-wise investment in PSUs

(` in crore)		
Name of the Sector	Working PSUs	Investment (in <i>per cent</i>)
Manufacturing	409.51	55.75
Finance	147.93	20.14
Power	99.78	13.58
Service	52.37	7.13
Agriculture and allied	24.93	3.40
Total	734.52	100.00

Special support and returns during the year

5.1.7 The UT Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants / subsidies, loans written off and interest waived in respect of UT PSUs for three years ended 2015-16 are given in **Table 5.3** below:

Table 5.3 - Details of budgetary support to PSUs

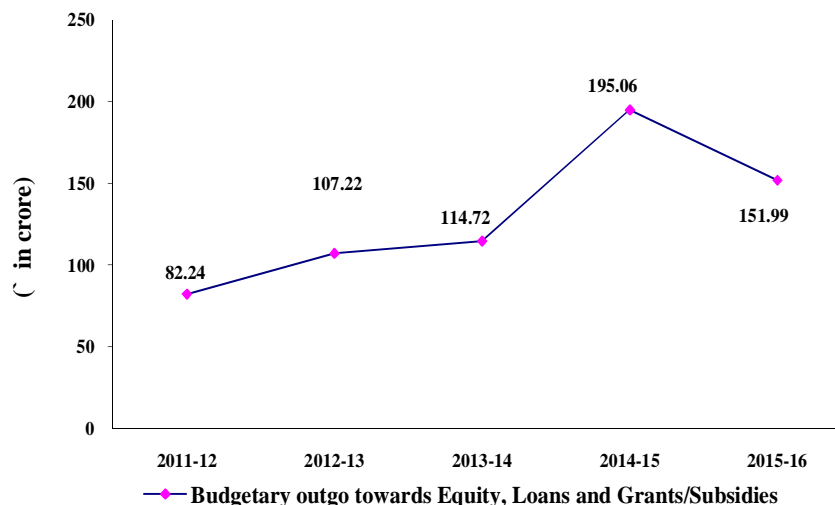
(` in crore)							
Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	3	3.83	3	7.96	1	0.31
2	Loans given from budget	Nil	Nil	Nil	Nil	Nil	Nil
3	Grants/subsidy from budget	7	110.89	9	187.10	7	151.68
4	Total outgo (1+2+3)	8³	114.72	9³	195.06	7³	151.99
5	Loans converted into equity	Nil	Nil	Nil	Nil	Nil	Nil
6	Loans written off	Nil	Nil	Nil	Nil	1	5.27
7	Interest/penal interest written off	Nil	Nil	Nil	Nil	1	7.71
8	Total waiver (6+7)	Nil	Nil	Nil	Nil	1	12.98
9	Guarantees issued	Nil	Nil	Nil	Nil	Nil	Nil
10	Guarantee commitment	1	3.30	1	3.15	1	3.15

(Source: Details furnished by the companies)

³ These are the actual number of companies, which have received budgetary support in the form of equity, loans and grants/subsidies from the UT Government during the respective years

The details regarding budgetary outgo towards equity, loans and grants / subsidies for past five years are given in the **Chart 5.1** below:

Chart 5.1 - Budgetary support to PSUs



5.1.8 As regards guarantee commitment, only Puducherry Adi-Dravidar Development Corporation Limited availed the guarantee from the UT Government against which ` 3.15 crore was outstanding as on 31 March 2016.

Reconciliation with Finance Accounts

5.1.9 The figures in respect of equity, loans and guarantees, outstanding as per records of UT PSUs, should agree with that of the figures appearing in the Finance Accounts 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 of 31 March 2016 is stated in **Table 5.4** below:

Table 5.4 – Equity, loans, guarantees outstanding as per Finance Accounts vis-a-vis records of PSUs

(in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	710.92	712.39	1.47
Loans	0.94	Nil	0.94
Guarantee	18.15	3.15	15.00

(Source: Finance Accounts and details furnished by the companies)

We observed that the difference occurred in respect of equity and loans in one PSU⁴, and guarantee in one PSU⁵. Reconciliation of difference was

⁴ Puducherry Agro Products, Food and Civil Supplies Corporation Limited

⁵ Puducherry Backward Classes and Minorities Development Corporation Limited

pending since March 2007 in case of one PSU⁶. The Secretary to UT Government, Finance Department was requested (June/August 2016) for reconciliation of figures in Finance Accounts and as furnished by the companies in their respective accounts. The UT Government and PSUs need to take concrete steps to reconcile the differences in a time bound manner.

Arrears in finalisation of accounts

5.1.10 The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year, *i.e.*, by September end, in accordance with the provisions of Section 96 (1) of the Act. Failure to do so may attract penal provisions under Section 99 of the Act.

The **Table 5.5** below provides the details of progress made by working PSUs in finalisation of accounts as of 30 September 2016.

Table 5.5 - Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Number of working PSUs	13	13	13	12 ⁷	12 ⁷
2	Number of accounts finalised during the year	17	10	3	14	7
3	Number of accounts in arrears	21	24	34	29	34
4	Number of working PSUs with arrears in accounts	12	12	13	12	12
5	Extent of arrears (years)	1 to 3	1 to 4	1 to 5	1 to 5	1 to 6

(Source: Details compiled by audit based on certified accounts of companies)

It can be observed that the number of accounts in arrears had increased from 29 in 2014-15 to 34 in 2015-16.

The administrative departments have the responsibility to oversee the activities of these Companies and ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The Accountant General (AG), Economic & Revenue Sector Audit, Tamil Nadu has brought out the position of the arrears of accounts to the notice of the Secretary, Finance Department every quarter. As there were arrears in accounts in all the 12 working PSUs upto 2015-16, their net worth could not be assessed in Audit.

5.1.11 The UT Government had invested ` 194.39 crore in nine PSUs (equity: ` 13.28 crore (four PSUs) and grants: ` 181.11 crore (nine PSUs)),

⁶ Puducherry Agro Products, Food and Civil Supplies Corporation Limited

⁷ One PSU, *viz.*, Pondicherry Electronics Limited had become a non-working Company and is under the process of winding up

during the years for which accounts had not been finalised, as detailed in **Appendix 5.1**. Due to non-finalisation of accounts and their subsequent audit, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved or not and thus UT Government's investment in such PSUs remained outside the control of Legislature.

Impact of non-finalisation of accounts

5.1.12 As pointed out above (Para 5.1.9 to 5.1.11), the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of the above state of arrears of accounts, the actual contribution of PSUs to the Puducherry's GDP for the year 2015-16 could not be ascertained and their contribution to State exchequer was also not reported to the Legislature. It is, therefore, recommended that:

- The UT Government may set up a Special Cell to oversee the clearance of arrears and fix the targets for this purpose for individual companies, which would be monitored by the cell.
- The UT Government may consider outsourcing the work relating to preparation of accounts, wherever the staff is inadequate or lacks expertise.

Performance of PSUs as per their latest finalised accounts

5.1.13 The financial position and working results of working Government companies are detailed in **Appendix 5.2**. A ratio of PSU turnover to UT GDP shows the extent of PSU activities in the UT economy. **Table 5.6** below provides the details of working PSUs turnover and UT GDP for a period of five years ending 2015-16.

Table 5.6 - Details of working PSUs turnover vis-a-vis GSDP

(in crore)					
Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover ⁸	336.68	373.92	378.86	401.26	362.61
GSDP	14,661	16,768	21,061	25,819	26,533
Percentage of turnover to GSDP	2.30	2.23	1.80	1.55	1.37

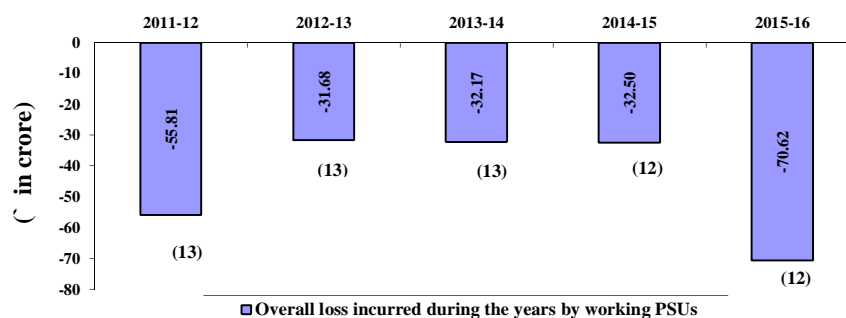
(Source: Details furnished by the companies)

Turnover of PSUs has increased continuously from 2011-12 to 2014-15 but decreased in 2015-16 by 9.63 *per cent* as compared to 2014-15. Percentage of turnover of PSUs to UT's GDP decreased from 2.30 to 1.37.

⁸ Turnover as per the latest finalised accounts as of 30 September 2016

5.1.14 Overall losses incurred by working PSUs of UT of Puducherry, during 2011-12 to 2015-16, as per the latest finalised accounts are given below in **Chart 5.2**.

Chart 5.2 – Profit / Loss of working PSUs



(Figures in brackets show the number of working PSUs in respective years)

Working PSUs of the UT Government collectively incurred continuous losses in all the five years ending 2015-16. As per the latest finalised accounts, out of 12 working PSUs, two PSUs had earned a profit of ₹ 6.21 crore and nine PSUs incurred a loss of ₹ 76.83 crore, leading to overall loss. One⁹ Company neither earned profit nor incurred any loss.

5.1.15 Some other key parameters of PSUs are given **Table 5.7** below:

Table 5.7 - Key parameters of State PSUs

Particulars	(' in crore)				
	2011-12	2012-13	2013-14	2014-15	2015-16
Return on Capital employed (<i>per cent</i>)	Nil ¹⁰	Nil	Nil	Nil	Nil
Debt	15.35	Nil	Nil	12.83	11.86
Turnover ¹¹	336.68	373.92	378.86	401.26	362.61
Debt / turnover ratio	0.05:1	Nil	Nil	0.03:1	0.03:1
Interest payments	15.15	12.88	12.98	17.12	17.02
Accumulated losses	449.45	496.38	490.12	520.39	550.01

(Source: Details furnished by the Companies and latest finalised accounts of companies)

5.1.16 The UT Government had not formulated any policy for payment of minimum dividend on the share capital contributed by it. None of seven companies, which had finalised their accounts during the year declared dividend.

⁹ Puducherry Corporation for Development of Women and Differently Abled Persons Limited

¹⁰ Nil indicates that Return on Capital Employed was negative during those years

¹¹ Turnover of working PSUs, as per the latest finalised accounts, as on 30 September 2016

Winding up of non-working PSUs

5.1.17 There was one non-working PSU as on 31 March 2016, which was in the process of getting its name struck off from the Register of Companies.

Accounts Comments

5.1.18 Seven working companies had forwarded seven audited accounts to the C&AG during the year 2015-16. Of these, accounts of five companies were selected for supplementary audit. The audit reports of Statutory Auditors appointed by C&AG and the supplementary audit of C&AG indicated that the quality of maintenance of accounts was required to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and C&AG are given in **Table 5.8** below:

Table 5.8 - Impact of audit comments on working companies
(in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Increase in loss	Nil	Nil	2	8.58	2	1.51
2	Decrease in loss	Nil	Nil	1	0.15	1	0.27
3	Increase in profit	Nil	Nil	1	0.42	Nil	Nil
4	Errors of classification	Nil	Nil	1	2.06	Nil	Nil
	Total	Nil	Nil	5	11.21	3	1.78

(Source: Latest finalised annual accounts of companies)

During the year, the Statutory Auditors had given unqualified certificates for five accounts and qualified certificates for two accounts. The compliance of companies with the Accounting Standards remained poor, as there were six instances of non-compliance in four accounts during the year.

Coverage of this Chapter

5.1.19 This Chapter contains an audit para on Financial assistance and recovery by Pondicherry Industrial Promotion Development and Investment Corporation Limited involving financial effect of ` 7.75 crore.

**PONDICHERRY INDUSTRIAL PROMOTION DEVELOPMENT
AND INVESTMENT CORPORATION LIMITED**

**5.2 Audit of Financial assistance and Recovery by Pondicherry
Industrial Promotion Development and Investment
Corporation Limited**

Introduction

Pondicherry Industrial Promotion Development and Investment Corporation Limited (Company) incorporated in April 1974 is engaged in industrial development of the Union Territory of Puducherry. The development activity includes developing industrial estates for allotment to entrepreneurs and extension of short term, medium term and working capital loans to industries falling within the jurisdiction of the UT of Puducherry. The extension of financial assistance was mainly concentrated in the sectors of Cottage Industries, Small / Medium and Large Scale Industries, Transport and Hotel.

5.2.1 The management of the Company is vested with a Board of Directors consisting of seven Directors including a Managing Director (MD), who is incharge of its day to day activities. The MD is assisted by General Manager (Administration), General Manager (Technical) and Executive Engineer.

5.2.2 The performance of the Company was last reviewed by us and included in the Report of the Comptroller and Auditor General of India – Government of Union Territory of Pondicherry for the year ended 2006-07. The Public Accounts Committee discussed (April 2015) the audit observations contained in the performance audit and called for the latest report from the Company, which was yet (November 2016) to be furnished by it. During this audit, we observed that defective pre-sanction appraisals of the projects and ineffective follow-up of the assisted units by the Company resulting in non-recovery and increased Non-Performing Assets (NPAs). With a view to assess the efforts made by the company to overcome the deficiencies pointed out in the earlier review, a fresh audit was taken up between April and August 2016 covering the period from 2011-12 to 2015-16.

The criteria for this audit was (i) targets fixed by the Company for sanction and recovery of loan, (ii) guidelines of Reserve Bank of India (RBI) for NPAs and (iii) provisions of State Financial Corporation (SFC) Act, 1951, and State Revenue Recovery Act, 1970 for recovery of overdues. The draft audit findings were forwarded to the Company/Government in October 2016. An Exit Conference with the Secretary, Industries Department, UT Government was held on 20 October 2016. During the Exit Conference, the Secretary assured that the audit findings would be discussed in the ensuing Board Meeting to take appropriate remedial actions. The reply received

from the Company in November 2016 and the views expressed by the Secretary in the Exit Conference were considered and incorporated wherever found appropriate. The audit observations are given below:

Sanction of loans

5.2.3 The Company provides term loan assistance for setting up of new industrial units, including expansion, modernisation and diversification of the existing units. On receipt of application from the entrepreneurs seeking financial assistance along with detailed project reports, the Company conducts technical and financial appraisals to assess the economic viability of the project and sanction loans. After verifying the genuineness and adequacy of securities provided by the borrowers, the loan amount is disbursed. The term loans are repayable, along with interest at 13 to 15 *per cent per annum*, in quarterly installments within a maximum period of six to 10 years with moratorium upto two years. During the period from 2011-12 to 2015-16, the Company had sanctioned ` 33.27 crore to 91 units as detailed in **Table 5.9** below:

Table 5.9 - Sanction of loans

Year	2011-12	2012-13	2013-14	2014-15	2015-16	Total
Targets for sanction (` in crore)	20	20	15	15	@	70@
No. of applications received (` in crore)	39 (19.01)	29 (11.96)	25 (12.67)	11 (2.59)	10 (6.62)	114 (52.85)
No. of applications sanctioned (` in crore)	24 (9.98)	29 (9.53)	14 (3.36)	15* (4.99)	9 (5.41)	91 (33.27)

(Source: Data provided by the company)

@ Does not include target for the year 2015-16, since no target was fixed

* This includes four applications pending from the previous year

- The company was established to foster industrial development of the UT and to attract investment in Industries. The Company, however, did not have any plan to focus on the growth of its business for loan assistance. In the absence of any plan, the company's lending activity started shrinking from ` 9.98 crore in 2011-12 to ` 5.41 crore in 2015-16. This was despite the fact that the amount parked by the Company in short-term deposit had increased from ` 16.15 crore in March 2013 to ` 28.03 crore in March 2016. This indicated reduction in term loan was not due to shortage of funds, but due to lack of seriousness on the part of the Company in conducting its main business of financial assistance. Thus, the Company could not play a pro-active role in fostering industrial development and was able to process only loan applications as and when these were received from the applicants.

Improper project appraisals

5.2.4 For scrutinising the loan applications, the Company had formed an Appraisal Committee consisting of officials from Finance and Technical wing of the Company. The Committee submitted its findings to the Board, based on which the loans were approved by the Board. We noticed that the Company had not prescribed any criteria for processing the appraisals, but the same was done on case to case basis. During the previous audit, we had pointed out pre-sanction defects such as not properly scrutinising the projects to ensure their feasibility, sanction of loan, when the units were incurring heavy losses and failure to ensure adequacy of working capital by the units.

During the present audit, a total of 48 out of 91 cases of loans sanctioned to Small Scale Industries (SSI), Hotel and other sectors during 2011-16, were examined. The audit examination revealed deficiencies such as acceptance of inflated turnover, inadequate arrangement for raw materials and working capital by the loanees as detailed in the following **Table 5.10**.

Table 5.10 – Statement showing defects in sanction

(` in lakh)

Sl. No.	Name of the loanees	Amount sanctioned	Date of sanction	Amount due as on 31.3.2016	Nature of defect in sanction
1	M/s. Nest	125.00	13.02.13	61.05	Consideration of Higher occupancy rate and cash flows.
2	Sri Vijayavarthini Mahal	100.00	19.12.11	57.00	Consideration of Higher bookings.
3	M/s. Pondicherry Co-operative Sugar Mills Limited	500.00	24.02.11	536.00	Sanction of second loan to already loss making Mill.
4	KNS Enterprises Packaging Unit	55.00	19.12.11	32.32	Not ensuring availability of raw material and performance of the machinery.
5	Sri Lakshmi Plastics	19.00	24.10.11	7.38	Not ensuring working capital before sanction of loan
6	M/s Shree E-Serve	72.00	17.04.12	48.15	Not ensuring working capital before sanction of loan
7	M/s Susila Coir Industries	10.00	18.04.12	7.52	Not ensuring working capital before sanction of loan
8	M/s Morigot Food Industries	25.00	05.02.14	4.25	Not ensuring working capital before sanction of loan.
9	M/s G.G. Packaging	25.00	30.04.12	11.26	Not ensuring working capital before sanction of loan
10	M/s. Ganapathy Semiya Unit II	12.00	25.05.12	2.00	Not ensuring working capital before sanction of loan
11	M/s. Thanigai Fasteners	12.00	05.04.12	8.16	Project not implemented
			Total	775.09	

The deficiencies mentioned in the table led to sanction of loan to ineligible units resulting in NPA of ` 6.50 crore and interest overdue of ` 1.25 crore in respect of these projects. We observed that the deficiencies which were pointed out during previous audit continued during the current audit period, which was indicative of the fact that the Company had not streamlined its pre-sanction procedures. Two illustrative cases of defective appraisals are detailed below:

- (i) M/s Shri Vijayavarthini Mahal, a Marriage Hall was a proprietary firm promoted by a local entrepreneur. The loanee had applied (March 2011) for a term loan of ` 100 lakh and was sanctioned (December 2011) ` 100 lakh considering 230 bookings *per annum*. The loan was disbursed in six installments starting from September 2012 and marriage hall commenced business in April 2013. The loan amount along with interest was repayable in eight years upto December 2021 after allowing a moratorium of 15 months (September 2012). The first installment of loan of ` 0.80 lakh was due in December 2013. However, the loanee failed to pay principal from the beginning and paid interest upto June 2016. A scrutiny of inspection notes of the Company revealed that the non-payment of principal was due to lack of adequate booking of the Marriage Hall. In the meantime, principal and interest overdue amounted to ` 24 lakh and ` 33 lakh respectively as on March 2016. Thus, improper appraisal led to non-recovery of dues of ` 57 lakh.
- (ii) The Company sanctioned (December 2009) and disbursed a short term loan of ` 10 crore to the M/s Pondicherry Co-operative Sugar Mills Limited (PCSM) to meet the working capital requirements. While a major portion of the loan already sanctioned was in arrears (Principal - ` 7.50 crore), the Mill again requested for sanction of an additional short term loan (Loan II) of ` five crore. The second loan was sanctioned (February 2011) by adjusting ` 2.50 crore for dues of the first loan and the balance amount of ` 2.50 crore was released in March 2011. Though the second loan was repayable from July 2011 onwards on quarterly basis, the sugar mill did not repay both the loans during 2011-16 and the overdue of these loans accumulated to ` 9.57 crore as on March 2016 (Principal - ` 6.25 crore and interest - ` 3.32 crore).

In this connection, we observed that:

- When the Company sanctioned second term loan, the sugar mill had a negative networth of ` 93.83 crore.
- The UT Government approved the availing of the short term loan in October 2010 with a condition that repayment of the principal with interest would be out of mill's own resources, without seeking grant or assistance from the Government. It means that the UT

Government had not stood guarantee for loan to the sugar mill, indicating that the Company was not directed by UT Government to extend loan to the sugar mill.

Thus, the sanction of second loan was *ab-initio* irregular considering the financial position of the sugar mill, which resulted in non-recovery of ₹ 9.57 crore. The Company replied (November 2016), that the loss making sugar mill, being a Government Undertaking was sanctioned loan based on the directions of the UT Government. However, a review of the memorandum of the Appraisal Committee done by us revealed that UT Government had only permitted the sugar mill to avail loan and there was no direction to the Company to sanction loan. Moreover, the co-operative sugar mill is not a Government Company.

Recovery Performance

Non-Performing Assets

5.2.5 According to RBI guidelines, loan assets would be treated as NPAs, if interest and/or instalment of principal remained unpaid for more than 180 days. The details of NPAs for the four years ending 2014-15¹² are given in **Table 5.11**.

Table 5.11 - Non-performing assets

(in crore)

Type of assets	2011-12	2012-13	2013-14	2014-15
Total assets/ loan balance (A)	83.37	88.33	85.70	82.10
Less: Standard Assets (B)	19.07	23.27	14.67	12.95
Non-Performing Assets (C=A-B)	64.30	65.06	71.03	69.15
Percentage of NPA to total assets (C/A x 100)	77.00	73.64	82.87	84.22

(Source: Annual Accounts and data provided by the Company)

It may be seen that the NPAs, which were at 77 *per cent* in 2011-12 had further increased to 84 *per cent* in March 2015. This was far in excess of the NPA of the banking industry, which was only ranging from 4.40 to 8.12 *per cent*. Our audit analysis of reasons for high levels of NPAs indicated as under:

- The Company had failed to effectively recover the current as well as the overdues by effective follow up and by imposing deterrent in the form of references under the State Finance Corporation (SFC) Act and the Revenue Recovery (RR) Act.

¹² Annual Accounts finalised upto 2014-15

- The Company had neither prepared a MIS depicting the details of categories of assets like standard, sub-standard and loss assets nor reported the position of outstanding to its Board of Directors during the entire period of 2011-15.
- The Board of Directors also did not demand for the placement of the status report.
- The Company also did not verify the status of the defaulting units, which availed financial assistance from it. These failures led to large scale NPAs of ` 69.15 crore.
- One of the recommendations of the previous audit was to reduce NPAs. But we observed that the proportion of NPAs to the total assets increased from 61 *per cent* in 2006-07 to 84.22 *per cent* in 2014-15 due to poor follow-up of recovery indicating dismal performance of the Company.
- In order to reduce the NPAs, the Company had introduced (December 2013) a One Time Settlement (OTS) scheme for the NPAs as on 31 March 2014, wherein loanees, who were sanctioned loans upto ` 20 lakh would be covered. We noticed that as against 323 cases identified by the Company as eligible for OTS, only 31 cases were settled under the scheme realising ` 3.48 crore towards principal against the total NPA of ` 69.13 crore. Thus, the introduction of OTS had created only a little impact on the position of NPAs of the Company.

Lack of seriousness in fixation of 100 *per cent* target for recovery

5.2.6 All recoverable amounts due in a year from the loanees should be the target fixed for recovery. While accepting this fact, the management had assured (September 2007) in a reply to our previous audit report (paragraph No. 7.12.21) that it would improve the recovery and fix higher targets. However, during the present audit, it was observed that the targets were reduced from about 25 *per cent* (2006-07) to 17 *per cent* in 2011-12 and further to 9 *per cent* in 2014-15. The targets fixed for recovery and the actual recovery there-against during the period 2011-12 to 2014-15 have been given in the following **Table 5.12**.

Table 5.12 – Targets and recovery of dues

(` in crore)

As on 31st March	Dues (including Over dues)			Target (principal and interest)	Target as a percentage of dues (5/4X100)	Collection		
	Principal	Interest	Total			Actual	Percentage to target (7/5 x 100)	Percentage to total dues (7/4)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2012	51.36	75.96	127.32	22	17	13.29	60	10
2013	55.65	87.25	142.90	22	15	15.46	70	11
2014	58.49	97.75	156.24	15.9	10	12.43	78	8
2015	60.32	113.91	174.23	15.9	9	10.49	66	6

From the above, it may be seen that targets were not achieved in any of the years and the actual recovery was meagre which ranged between 11 and 6 *per cent* of the total dues. This was contrary to the management's assurance given during the previous audit to fix higher recovery targets. This indicated lack of seriousness on the part of the Company in realising the outstanding dues. Such poor recovery assumes significance, since there was no fresh infusion of capital by the Government or any finance from the Development Banks during the audit period. These lapses led to increase in Loss Assets¹³ from ` 11.78 crore in 2011-12 to ` 46.78 crore in 2014-15, which forced the Company to make a provision of ` 33.04 crore towards bad and doubtful debts during the above period.

Thus, due to lack of seriousness in fixing 100 *per cent* target for recovery and owing to lack of special drive on the part of management, the recovery performance was very poor. During the Exit Conference, the Secretary, Industries Department stated that he would draw the attention of the Board for fixing the target at 100 *per cent*.

Recovery as per State Financial Corporation (SFC) Act, 1951

5.2.7 Section 29 of the SFC Act empowers the Company to take over and dispose of the assets of the defaulting company for realisation of overdues. During the audit period, the company initiated action under this provision in 14 cases involving overdues of ` 614.16 lakh (principal ` 365.56 lakh and Interest ` 248.60 lakh). However, the action of taking over of assets was completed in three cases and subsequently the dues were settled. In respect of two other cases, the Company could not proceed due to interim stay order granted by High Court. In respect of balance nine cases, the action of taking over of assets was dropped by collecting a meagre amount of ` 17.32 lakh (six *per cent*) against the overdue amount of ` 2.96 crore.

5.2.8 Section 32 G of the Act empowers the company to recover the balance outstanding dues, through the District Collector concerned, as

¹³ As per RBI's Master Circular on Prudential Norms on Income Recognition, Asset Classification and Provisions pertaining to Advances, Loss Assets is one where loss has been identified by the bank or internal or external auditors or the RBI inspection but the amount has not been written off wholly

arrears of land revenue under the State RR Act, 1970. We noticed that upto the year 2003, the Company had referred as much as 100 cases under SFC Act involving an amount of ` 20.28 crore (principal: ` 2.69 crore and interest: ` 17.59 crore), but did not refer any of the defaulting cases thereafter till date (October 2016) under SFC Act. According to the Company, there were 86 cases pending with the UT Government, as on 31 March 2016, whereas as per the records of the UT Government, there were only 69 cases, resulting in non-monitoring of 17 cases involving ` 2.62 crore. Out of these 69 cases, five cases were closed by the UT Government, as on March 2016. In respect of the balance 64 cases, the Company was not aware of the present status of recovery and the post of the revenue official was lying vacant since May 2013.

Thus, the availability of recourse for recovery of outstanding dues under the SFC Act and RR Act was not effectively pursued due to lack of seriousness on the part of the company resulting in recovery of a very small amount.

Dormant/Struck off Companies

5.2.9 The Registrar of Companies (RoC) classified the Companies registered with it into various categories like active, dormant and struck-off *etc.* We noticed that the loanee Companies to which loans had been granted had neither repaid loan/interest nor had filed the periodical returns to the Company as per the terms of the agreement. Moreover, the Company had not taken steps to ascertain the status of the loanee Companies.

We independently verified the status of 71 units registered with RoC, which had availed loan from the Company and which had become NPAs. The results of audit verification are indicated in the following **Table 5.13**.

Table 5.13 – Results of verification

Sl. No.	Status of the assisted/loanee Companies	Number of companies
1	Companies classified as dormant ¹⁴ by RoC	21
2	Companies struck off from the records of the Registrar of Companies	26
3	Company which had been dissolved	01
4	Companies which had not filed their annual returns with RoC	19
5	Companies which had filed their annual returns with RoC	04
	Total	71

¹⁴ Companies having no business operation

Thus, the Company had granted loans to the loanee units without ensuring the fact that these loanees had not complied with the statutory requirement under the Companies Act, and hence, the realisation of dues recoverable from 67 units (Total 71 – 4 companies who filed returns) amounting to ₹ 10.77 crore appears remote.

Monitoring

Absence of Follow-up mechanism to effect recovery

5.2.10 A mention was made in the previous audit that the Company did not have a codified procedure for monitoring and follow-up of recovery from the assisted units. Though the Company claimed (October 2016) that it had conducted inspection of the assisted units on quarterly basis, we found that the Company had failed to carry out periodical inspection of all 48 assisted units test-checked. We further noticed that there was no system for obtaining regular feedback about the financial health of the assisted units and there was no system in vogue for creation of the MIS about the value of collateral security obtained, list of guarantors together with the details of their property and dates of recall notices issued to the defaulted units, *etc.* Thus, the Company failed to monitor the assisted units, which resulted in lack of control over the assisted units.

Non-renewal of insurance policy by the loanees

5.2.11 One of the conditions for sanction of term loans stipulated that the loanee had to furnish Insurance policy covering the machinery and other assets mortgaged with the Company against the risk of fire, flood and extraneous perils, *etc.*

However, test check of 27 cases (hotels, SSI units and composite and merit loans) revealed that:

- Initially, all the 27 loanees had submitted insurance policy for their assets. However, the loanees failed to submit the renewed insurance policies to the Company from the subsequent year onwards.
- The Company also had not insisted upon the loanees to submit the renewed insurance policy to cover the risks. This led to exposure of the assets to the natural perils, which was evident from the fact that a loanee *viz.*, Happy Green Hotel, which represented (February 2012) that due to occurrence of Thane cyclone in December 2011, the hypothecated assets of the hotel were affected and they could not lodge any claim since the insurance policy was not renewed after 31 March 2011. Consequently, due to failure of the Company to ensure periodical renewal of the insurance policy, it could not recover ₹ 3.58 crore from this loanee, since March 2011.

Non-ensuring of submission of periodical returns

5.2.12 As per Clause VIII of the sanction order issued to loanees, the loanees are required to submit the following periodical returns on commencement of production.

(a)	Annual	Audited Balance sheet and Profit and Loss Account
(b)	Half yearly	Profit and Loss Account and cash flow statements for the half years.
(c)	Monthly	Income and expenditure statements and production, sales & stock statement shall be submitted every month.

Further, it is also stated that the periodical returns should be submitted within expiry of one month of the relevant periods. Failure to comply with the above provision would also result in levy of penalty at one *per cent per annum* of the sanctioned amount of loan by the Company.

In respect of 48 cases test-checked by us, it was noticed that the loanees had not submitted these monthly/half yearly/annual returns during their repayment period and the Company also did not levy the penal interest as stipulated. Thus, non-ensuring of submission of periodical returns had led to non-monitoring of financial position resulting in poor recovery of dues and higher NPA.

Absence of MIS

5.2.13 Management Information system (MIS) report depicting the performance of the Company covering sanction, disbursement and recovery of loans needs to be prepared periodically and placed before the Board. A review of agenda and minutes of the meetings of the Board and other records of the Company revealed that no such periodical reports were prepared for placement before the Board for scrutiny and remedial measures.

Conclusion

The Company had been mandated to provide financial assistance to foster industrial development in the UT of Puducherry. However, the Company did not effectively pursue its mandate as it had failed to fix the achievable targets for sanction of loan. As a result of deficiencies in the appraisal of loan applications, sanction of loans was not based on merits of the loanees, which ultimately affected the recovery of the loans and interest thereon. The Company did not effectively enforce recovery by fixing adequate targets but fixed the recovery targets at a meagre nine *per cent* of its dues and it also failed to utilise the recovery mechanism available under the SFC Act and RR Act. The Company also failed to monitor the units by periodical

visits and by obtaining the MIS prescribed for monitoring the performance of the assisted units. Though the irregularities in sanction and recovery performance were pointed out during previous audit, persistence of these irregularities revealed that the Company had not streamlined its procedures till date. Consequently, the NPAs had mounted to 84 *per cent*, threatening the very existence of the Company. Thus, there is an urgent requirement for the Company to take remedial steps for its survival.

The matter was referred to the UT Government in September 2016. Reply of the Government was awaited (November 2016).



(ALKA REHANI BHARDWAJ)
Accountant General
(General and Social Sector Audit)
Tamil Nadu and Puducherry

Chennai
The 27 February 2017

Countersigned



(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

New Delhi
The 01 March 2017

Appendices

Appendix 1.1
(Reference: Paragraph 1.6; Page 10)

Details of IRs issued upto March 2016 and paragraphs pending as on September 2016

Sl.No	Name of the Department/ Directorate/Societies	Inspection Reports	Paragraphs
(1)	(2)	(3)	(4)
1	Accounts and Treasuries	20	55
2	Adi-Dravidar Welfare	12	73
3	Agriculture	50	238
4	Animal Husbandry and Animal Welfare	10	71
5	Art and Culture	9	48
6	Civil Supplies and Consumer Affairs	14	54
7	Collegiate and Technical Education	77	353
8	Commercial Taxes	63	353
9	Co-operation	16	70
10	Economics and Statistics	3	5
11	Election	3	13
12	Electricity	32	144
13	Fire Service	2	12
14	Fisheries and Fishermen Welfare	34	151
15	Forest and Wild Life	4	13
16	Heads of State	13	46
17	Health and Family Welfare	73	286
18	Hindu Religious Institutions	4	27
19	Industries and Commerce	36	143
20	Information and Publicity	5	19
21	Information Technology	6	22
22	Jails	7	30
23	Labour and Employment	21	98
24	Law/Judicial	11	43
25	Local Administration	85	468
26	Planning and Research	3	8
27	Police	11	64

(1)	(2)	(3)	(4)
28	Port	11	50
29	Public Works	82	409
30	Revenue and Disaster Management	145	458
31	Rural Development	26	117
32	Sainik Welfare	3	7
33	School Education	80	292
34	Science, Technology and Environment	6	21
35	Social Welfare	25	83
36	Stationery and Printing	2	10
37	Tourism	16	73
38	Town and Country Planning	24	129
39	Transport	55	222
40	Women and Child Development	19	87
	Total	1,118	4,865

Appendix 2.1
(Reference: Paragraph 2.1.7.1; Page 19)

Details regarding infrastructure facilities at IGMCRI as against MCI norms

Facilities required to be available as per MCI norms	Requirement in numbers	Available as on 31.03.2016	Not available as on 31.03.2016
Auditorium	1	Nil	1
Lecture theatres in college	5	5	Nil
Lecture theatre in hospital	1	Nil	1
Central Library	1	1	Nil
Central Photography section	1	Nil	1
Animal house	1	1	Nil
Central workshop	1	Nil	1
Laboratories	16	14	2
Central Research Lab	1	1	Nil
Hostel for Boys and Girls	1	1	Nil
Interns Hostel	1	Nil	1
Nurses Hostel	1	Nil	1
Residents quarters	1	Nil	1
Staff quarters	1	Nil	1
Total	33	23	10

Appendix 2.2
(Reference: Paragraph 2.2.7.2 (b) ; Page 34)

Details of cost and time overrun in respect of completed building works

(in lakh)

Sl.No.	Name of the work	Tender Amount	Date of commencement	Scheduled date of completion	Actual date of completion	Expenditure	Excess expenditure over tendered amount	Period of delay (in months)
1	Construction of compound wall around PAP campus, Puducherry	61.16	21-05-2009	29-09-2009	31-12-2011	65.53	4.37	27
2	Levelling of ground & providing additional facilities, Police Training College, Gorimedu, Puducherry	161.44	27-05-2010	23-9-2010	05-07-2011	184.91	23.47	9
3	Construction of SP(Rural) office at Ariyankuppam	103.74	31-12-2010	15-01-2012	30-04-2013	143.90	40.16	15
4	Construction of barracks, parade/play ground and quarters for SP and vehicle garage, dog kennel at Oduthurai, Karaikal	415.22*	09-02-2010	02/2011	05-03-2012	446.38	31.16	12
5	Restoration of old barracks and compound wall at Police Headquarters, Puducherry	37.51	01-11-2010	04-02-2011	10-04-2012	55.23	17.72	14
	Total						116.88	

* Expenditure Sanction

Appendix 2.3
(Reference: Paragraph 2.2.7.2 (b); Page 34)

Details of building works not taken up

Sl.No.	Name of the work	Remarks
1	SSP office-cum residence, Karaikal	Minimum land requirement certificate was due from PWD from June 2012. The Department addressed PWD only in June 2016 after a lapse of four years.
2	Police Station with Circle Inspector Office, Lawspet	Land was found to be under encroachment since April 2012. No follow-up action was taken by the Department and a letter was written only in November 2015.
3	Construction of Korkadu and Karikalampakkam out post and staff quarters	Due to non-shifting of existing HT line since November 2011. No follow-up action was taken by the Department since then, apart from a letter in July 2016.
4	Construction of Reddiyarpalayam Police station, Puducherry	Work not taken up due to paucity of funds.
5	Building for Armoury unit in PAP complex, Gorimedu	All three police stations and offices were functioning in own building and hence, the works had been dropped and not taken up due to paucity of funds giving priority to other works.
6	Construction of new building for Ariyankuppam Circle Inspector Office	
7	Construction of new building for Bahour Circle Inspector Office	

Appendix 2.4
(Reference: Paragraph 2.2.7.3; Page 36)

Details of training given to police personnel

Year	Number of police personnel	Lower Subordinates* trained	Upper Subordinates** trained	Total	Percentage of shortfall
2009-10	2,039	699	136	835	59
2010-11	2,622	1,005	294	1,299	50
2011-12	2,437	349	10	359	85
2012-13	2,440	1,365	222	1,587	35
2013-14	2,875	168	294	462	84
2014-15	2,763	1,139	338	1,477	47
2015-16	2,763	1,224	509	1,733	37

*Lower subordinates – Constables and Head constables

**Upper subordinates – Assistant Sub-Inspector to Superintendent of Police

Appendix 3.1
(Reference: Paragraph 3.2.1; Page 47)

Avoidable interest payment on enhanced component

Compensation awarded by LAO on 31 January 2011 - ` 4.70 crore

Enhanced compensation awarded (14 August 2012) by the Court in addition to compensation already awarded by LAO - ` 4.70 crore

Avoidable interest paid on the enhanced compensation

Details	Interest component if paid in December 2012	Interest component deposited in court	Remarks
Enhanced compensation amount awarded by Court	` 4,69,94,569		Award as passed by Court during August 2012
Number of days for which higher interest at 15 per cent was to be paid after one year from the date of possession of land to the date of deposit in court	26.05.2012 to 31.12.2012 220 days	26.05.2012 to 28.02.2014 644 days	Additional interest has to be paid for 424 days
Interest amount on enhanced compensation	` 42,48,824	` 1,35,96,237	` 1.24 crore deposited in Court and paid to land owners in October 2014 and ` 0.12 crore deposited in Court in December 2015, which remained unpaid to the land owners
Excess interest paid	` 93,47,413		

Appendix 3.2
(Reference: Paragraph 3.4.1; Page 52)

Details of houses constructed and allotted in urban and rural areas

Sl. No.	Location	Constructed	Allotted
Urban Areas			
1	Ariyur	142	142
2	Pitchaveeranpet	120	120
Total		262	262
Rural Areas			
1	Kirumampakkam – I	42	42
2	Kirumampakkam – II	29	29
3	Kirumampakkam – III	41	41
4	Kudiyuruppalayam	111	111
5	Korkadu	74	74
6	Vambapet	89	89
7	Karikalampakkam	92	92
8	Sembiyalpalayam	42	42
9	Karayamputhur	203	186
10	Kalitheerthalkuppam	72	72
11	Manalipet	60	35
12	Katterikuppam	36	26
13	Kunichampet	88	55
14	Periyapet	46	0
15	Chinnapet	39	14
16	Varichikudy (North)	56	48
17	Varichikudy (South)	114	85
Total		1,234	1,041
Grand total		1,496	1,303

Appendix 5.1
(Reference: Paragraph 5.1.11; Page 112)

Statement showing investments made by UT Government in PSUs whose accounts are in arrears

(Figures in columns 4 & 6 to 8 are ` in crore)

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by Union Territory Government during the year of which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2010-11	13.83	2011-12 to 2015-16	1.17	Nil	15.00
2	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2011-12	9.93	2012-13 to 2015-16	Nil	Nil	11.83
3	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2013-14	112.58	2014-15 and 2015-16	Nil	Nil	Nil
4	Puducherry Adi-Dravidar Development Corporation Limited (PADCO)	2013-14	14.86	2014-15 and 2015-16	Nil	Nil	6.30
5	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	2014-15	3.82	2015-16	Nil	Nil	39.55
6	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2013-14	4.19	2014-15 and 2015-16	0.61	Nil	3.06
7	Puducherry Distilleries Limited (PDL)	2012-13	8.45	2013-14 to 2015-16	Nil	Nil	Nil
8	Pondicherry Textile Corporation Limited (PONTTEX)	2012-13	361.35	2013-14 to 2015-16	6.00	Nil	55.97
9	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2009-10	28.21	2010-11 to 2015-16	5.50	Nil	29.00
10	Puducherry Power Corporation Limited (PPCL)	2014-15	99.78	2015-16	Nil	Nil	Nil
11	Puducherry Tourism Development Corporation Limited (PTDC)	2013-14	17.59	2014-15 and 2015-16	Nil	Nil	4.50
12	Puducherry Road Transport Corporation Limited (PRTC)	2012-13	34.78	2013-14 to 2015-16	Nil	Nil	15.90
	Total				13.28	Nil	181.11

Appendix 5.2
(Reference: Paragraph 5.1.1.3; Page 112)
Summarised financial position and working results of Government companies and Statutory Corporation
as per their latest finalised financial statements/accounts

(Figures in Column (5) to (12) are ` in crore)

Sl.No	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of the year	Accumulated profit(+)/ Loss(-)	Turnover	Net profit(+)/ Loss(-)	Net impact of audit comments	Capital employed ¹	Return on capital employed	Percentage of return on capital employed	Man-power
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	AGRICULTURE & ALLIED												
1	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2010-11	2015-16	13.83	Nil	(-)27.08	27.13	(-)13.06		(-)12.19	(-)12.82	Nil	343
2	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2011-12	2015-16	9.93	Nil	(-)18.45	133.23	(-)7.53		(-)8.40	(-)7.27	Nil	347
	Sector-wise total			23.76	Nil	(-)45.53	160.36	(-)20.59		(-)20.59	(-)20.09	Nil	690
	FINANCE												
3	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2013-14	2014-15	112.58	Nil	25.23	9.27	(-)3.23		162.54	(-)3.23	Nil	103
4	Puducherry Adi-Dravidar Development Corporation Limited (PADCO)	2013-14	2015-16	14.86	Nil	(-)13.13	9.90	(-)1.22		7.29	(-)1.07	Nil	61
5	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	2014-15	2015-16	3.82	11.86	Nil	35.67	Nil		14.63	0.25	1.71	1,416
6	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2013-14	2016-17	4.19	Nil	1.45	3.65	1.45		43.88	1.45	3.30	40
	Sector-wise total			135.45	11.86	13.55	58.49	(-)3.00		228.34	(-)2.60	Nil	1,620

Note: Loans outstanding represents long-term loans at the close of 2015-16

Sl.No	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Paid-up capital	Loans outstanding at the end of the year	Accumulated profit(+)/ Loss(-)	Turnover	Net profit(+)/ Loss(-)	Net impact of audit comments	Capital employed ¹	Return on capital employed	Percentage of return on capital employed	Man-power
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
	MANUFACTURING												
7	Puducherry Distilleries Limited (PDL)	2012-13	2015-16	8.45	Nil	39.13	35.43	4.76		47.96	4.79	9.99	148
8	Pondicherry Textile Corporation Limited (PONTEX)	2012-13	2014-15	361.35	Nil	(-486.50)	13.87	(-11.09)		163.28	3.21	1.97	894
9	Swadeeshee-Bharathee Textile Mills Limited (SBTML)	2009-10	2012-13	28.21	Nil	(-42.79)	10.52	(-11.36)		16.49	(-9.59)	Nil	356
	Sector-wise total			398.01	Nil	(-490.16)	59.82	(-17.69)		227.73	(-1.59)	Nil	1,398
	POWER												
10	Puducherry Power Corporation Limited (PPCL)	2014-15	2016-17	99.78	Nil	31.06	43.72	(-27.23)		164.11	(-27.23)	Nil	118
	Sector-wise total			99.78	Nil	31.06	43.72	(-27.23)		164.11	(-27.23)	Nil	118
	SERVICE												
11	Puducherry Tourism Development Corporation Limited (PTDC)	2013-14	2015-16	17.59	Nil	(-20.59)	12.75	(-0.66)		(-3.00)	(-0.64)	Nil	263
12	Puducherry Road Transport Corporation Limited (PRTC)	2012-13	2015-16	34.78	Nil	(-38.34)	27.47	(-1.45)		3.49	(-1.45)	Nil	810
	Sector-wise total			52.37	Nil	(-58.93)	40.22	(-2.11)		0.49	(-2.09)	Nil	1,073
	Grand total			709.37	11.86	(-550.01)	362.61	(-70.62)		600.08	(-53.60)	Nil	4,899
	Non-working company												
	MANUFACTURING												
1	Pondicherry Electronics Limited (PELECON)	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

¹ Capital employed represents shareholders funds plus long-term borrowings. In respect of Sl.No.9, capital employed represents net fixed assets (including capital work-in-progress) PLUS working capital

Glossary of abbreviations

AA	:	Assessing Authority
AIIMS	:	All India Institute of Medical Sciences
ABW	:	Army Based Workshop
ACTO	:	Assistant Commercial Tax Officer
ADWD	:	Adi-Dravidar Welfare Department
ATNs	:	Action Taken Notes
AYUSH	:	Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy
BC	:	Backward Class
C&AG	:	Comptroller and Auditor General of India
CTD	:	Commercial Taxes Department
CCR	:	Central Control Room
CCT	:	Commissioner of Commercial Taxes
CCTV	:	Closed Circuit Television
CDRRP	:	Coastal Disaster Risk Reduction Project
CDSCO	:	Central Drugs Standard Control Organisation
LA	:	Licencing Authority
CLAA	:	Central Licence Approving Authority
CPS	:	Coastal Police Station
CST	:	Central Sales Tax Act, 1956
CTD	:	Commercial Taxes Department
CTO	:	Commercial Tax Officer
DCG (I)	:	Drugs Controller General of India
DCTO	:	Deputy Commercial Tax Officer
DDC	:	Department of Drug Control
DFDT	:	Department of Food and Drug Testing
DGP	:	Director General of Police
DI	:	Drug Inspector
DPCO	:	Drugs (Price Control) Order, 1995
DPR	:	Detailed Project Report
FDC	:	Fixed Dose Combination
GSDP	:	Gross State Domestic Product
GFR	:	General Financial Rules
GH	:	Government Hospital
GIA	:	Grant-in-Aid
GOI	:	Government of India
GPS	:	Global Positioning System
HUDCO	:	Housing and Urban Development Corporation
IAC	:	Industrial Assessment Circle
ICO	:	Infection Control Officer
ICN	:	Infection Control Nurse

IGMCRI	:	Indira Gandhi Medical College and Research Institute and Hospital
IPHS	:	Indian Public Health Standards
IRs	:	Inspection Reports
ISM	:	Indian System of Medicine
ITC	:	Input Tax Credit
IW	:	Industrial Wing
JIPMER	:	Jawaharlal Institute of Post Graduate Medical Education and Research Institute
JNNURM	:	Jawaharlal Nehru National Urban Renewal Mission
LoP	:	Letter of Permission
MCI	:	Medical Council of India
MD	:	Managing Director
MHA	:	Ministry of Home Affairs
MIS	:	Management Information system
MoU	:	Memorandum of Understanding
MPF	:	Modernisation of Police Force
MPW	:	Multi Purpose Workers
MR	:	Muster Roll
NIC	:	National Informatics Centre
NPA	:	Non Performing Assets
NPPA	:	National Pharmaceutical Pricing Authority
NSQ	:	Non-Standard Quality
OBC	:	Other Backward Classes
OTS	:	One Time Settlement
PAC	:	Public Accounts Committee
PADCO	:	Puducherry Adi Dravidar Development Corporation Limited
PASIC	:	Puducherry Agro Services and Industrial Corporation Limited
PCA	:	Patient Care Allowance
PCSM	:	Pondicherry Co-operative Sugar Mills Limited
PH	:	Physically Handicapped
PHB	:	Pondicherry Housing Board
PIA	:	Project Implementation Agency
PIPDIC	:	Pondicherry Industrial Promotion Development and Investment Corporation Limited
PKMCS	:	Perunthalaivar Kamaraj Medical College Society
PSCB	:	Puducherry Slum Clearance Board
PSUs	:	Public Sector Undertakings
PVAT	:	Puducherry Value Added Tax Rules, 2007
PVAT Act	:	Puducherry Value Added Tax Act, 2007
PVC	:	Pharmaco Vigilance Committee
PWD	:	Public Works Department
RBI	:	Reserve Bank of India
RC	:	Registration Certificate

RoC	:	Registrar of Companies
RR Act	:	Revenue Recovery Act
SAAP	:	State Annual Action Plan
SACFA	:	Standing Advisory Committee on Radio Frequency Allocation
SC	:	Scheduled Caste
SFC Act	:	State Financial Corporation Act, 1951
SLNA	:	State Level Nodal Agency
SLR	:	Self Loading Rifle
SSI	:	Small Scale Industries
SSP	:	Senior Superintendent of Police
ST	:	Scheduled Tribe
TIN	:	Taxpayers Identification Number
UC	:	Utilisation Certificate
UT	:	Union Territory
VAT	:	Value Added Tax
VTS	:	Vehicle Tracking System

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