

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Government of the Union Territory of Puducherry relates to matters arising from Compliance Audit of selected programmes and activities of Government Departments.

The primary purpose of the Report is to bring important results of audit to the notice of the Union Territory Legislature. Auditing Standards require that the materiality level for reporting should commensurate with the nature, volume and magnitude of transactions. The audit observations are expected to enable the Executive to take corrective action 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.

This Chapter presents the profile of audited entities, authority for audit besides the planning and extent of audit and follow-up on the previous Audit Reports. Chapter II contains findings arising out of Compliance Audit in Government Departments. Chapter III contains the trend of revenue receipts.

1.2 Profile of audited entities

There are 42 Departments in the Union Territory 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 Union Territory of Puducherry are audited by the Accountant General (Audit-II), Tamil Nadu and Puducherry.

Abbreviations used in this Report are listed in the Glossary at Page No. 79

The comparative position of receipts of the Union Territory Government and expenditure incurred by the Union Territory Government during the year 2019-20 and in the preceding two years are given in **Tables 1.1** and **1.2** below:

Table 1.1: Comparative position of receipts

(₹ in crore)

Receipts	2017-18	2018-19	2019-20
Revenue receipts	6,003	6,400	6,781
Tax revenue	2,806	3,188	2,475
Non-tax revenue	1,374	1,584	1,638
Grants-in-aid and contributions	1,823	1,628	2,668
Capital receipts	Nil	Nil	Nil
Recovery of loans and advances	1	1	Nil
Public Debt receipts	1,061	1,007	1,044
Public Account receipts	717	778	928
Total receipts	7,782	8,186	8,753

(Source: Finance Accounts of respective years)

Table 1.2: Comparative position of expenditure

(₹ in crore)

Expenditure	2017-18	2018-19	2019-20
Revenue expenditure			
General services	1,874	2,154	2,313
Social services	2,235	2,401	2,440
Economic services	1,694	1,832	2,083
Grants-in-aid and contributions	4	Nil	Nil
Total	5,807	6,387	6,836
Capital expenditure			
Capital expenditure	394	313	327
Loans and Advances disbursed	*	3	Nil
Repayment of Public Debt	570	639	762

Expenditure	2017-18	2018-19	2019-20
Contingency Fund	Nil	Nil	Nil
Public Account disbursements	269	1,335	807
Total	1,233	2,290	1,896
Grand Total	7,040	8,677	8,732

* ₹ 21 lakh for the year 2017-18
(Source: Finance Accounts of respective years)

1.3 Authority for audit

The authority for audit by the Comptroller and Auditor General of India is derived from Article 149 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG conducts audit of expenditure and receipts of the Departments in the UT of Puducherry under Sections 13¹ and 16² of CAG's (DPC) Act. CAG is the sole auditor in respect of three Autonomous Bodies, which are audited under Sections 15³ and 19(2)⁴ of CAG's (DPC) Act. In addition, CAG conducts audit of 70 other Autonomous Bodies, under Section 14⁵ of CAG'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 CAG 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 CAG, 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 CAG within 60 days from the date of receipt of the Audit Report under the provisions of Section 143 (6) of the Companies Act, 2013. The audit observations on the financial

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.

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.

performance of Government Companies as revealed from their accounts are included in Chapter V of the Union Territory Finances Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2020, which is being presented separately.

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 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 CAG of India, which is submitted to the Lieutenant Governor of Union Territory of Puducherry under Article 151 of the Constitution of India and Section 49 of the Union Territories Act, 1963.

1.5 Response to Audit

1.5.1 Inspection Reports

A review of Inspection Reports issued up to 31 March 2020 revealed that 4,668 paragraphs relating to 1,005 IRs remained outstanding at the end of September 2020 (**Appendix 1.1**).

Large pendency of IRs was indicative of the fact that Heads of Offices and Heads of Departments did not initiate appropriate and adequate action to rectify the defects, omissions and irregularities pointed out in the IRs.

1.5.2 Audit Paragraphs

Six Audit Paragraphs including two Compliance Audit Paragraphs on Electricity Department and Jail Department were forwarded demi-officially to the Secretaries of the Departments concerned between January 2021 and

May 2021 to send their responses within six weeks. Government replies were received in respect of two Compliance Audit Paragraphs. The replies, wherever received, were suitably incorporated in the Report. Replies of Heads of Department and the views expressed by the representatives of the Government during Exit Conferences/Exit meetings were also considered while finalising the Report.

1.5.3 Recommendations

This Report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedure and systems, compliance with which would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large. The UT Government is requested to take cognizance of these recommendations and take appropriate action in a time bound manner.

1.6 Follow-up on the Audit Reports

The Public Accounts Committee (PAC) of the Union Territory Legislature of Puducherry, 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 PAC by the Departments. The position of pendency of paragraphs/recommendations, for which replies and ATNs were not received is shown in **Table 1.3**.

Table 1.3: Explanatory notes not received (as of March 2021)

Year of the Audit Report	Date of placement of Audit Report in the UT Legislature	Number of paragraphs in Audit Report			Number of paragraphs for which explanatory notes were not received		
		Civil	Revenue	Commercial	Civil	Revenue	Commercial
2010-11	30.07.2012	11	3	2	Paragraphs discussed by PAC and recommendations yet to be received		
2011-12	29.07.2013	11	4	2			
2012-13	23.09.2014	10	3	1			
2013-14	06.05.2015	9	2	1			
2014-15	08.09.2016	8	6	1	5	5	1
2015-16	15.06.2017	8	2	1	8	1	1

Year of the Audit Report	Date of placement of Audit Report in the UT Legislature	Number of paragraphs in Audit Report			Number of paragraphs for which explanatory notes were not received		
		Civil	Revenue	Commercial	Civil	Revenue	Commercial
2016-17	18.07.2018	7	1	1	7	1	1
2017-18	30.03.2020	8	3	1	8	3	1
2018-19	02.09.2021	5	2	1	5	2	1
Total		77	26	11	33	12	5
Grand Total		114			50		

From **Table 1.3**, it could be seen that out of 114 paragraphs, explanatory notes to 50 paragraphs were awaited (March 2021).

The status of PAC discussion in respect of Reviews/Paragraphs present in the Audit Reports is shown in **Table 1.4**.

Table 1.4: Reviews/Paragraphs appeared in Audit Reports vis-a-vis discussed (as of March 2021)

Period of the Audit Report	Number of paragraphs appeared in Audit Report				Number of paragraphs discussed/yet to be discussed
	Civil	Revenue	Commercial	Total	
2010-11	11	3	2	16	59 paragraphs discussed
2011-12	11	4	2	17	
2012-13	10	3	1	14	
2013-14	9	2	1	12	
2014-15	8	6	1	15	55 paragraphs are yet to be discussed
2015-16	8	2	1	11	
2016-17	7	1	1	9	
2017-18	8	3	1	12	
2018-19	5	2	1	8	
Total	77	26	11	114	

From **Table 1.4**, it may be seen that 55 paragraphs, present in the Audit Reports for the period from 2014-15 to 2018-19 are yet to be discussed by PAC. The compliance position of various Departments to PAC recommendations is shown in **Table 1.5**.

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		
		Civil	Revenue	Commercial	Civil	Revenue	Commercial
Up to 2010-11	15	984	50	101	210	12	30
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
Action Taken Notes on PAC recommendations not received during 2015-16 to 2019-20							
Total	20	1,263	113	183	362	50	85
Grand Total		1,559			497		

As of July 2021, Government Departments did not furnish ATNs on 497 recommendations made by PAC in respect of Audit Reports pertaining to the period 1988-89 to 2008-09. From the year 2009-10 to 2013-14, the recommendations of PAC are awaited.

1.7 Scope of this Report

This Report of the CAG relates to matters arising from the Audit of six Government Departments. The findings include two Compliance Audits on “Electricity Tariff, Metering, Billing and Collection System in Puducherry Electricity Department” and “Audit on Management of Jails in Union Territory of Puducherry”. Apart from the above, there are also four paragraphs. These are discussed in Chapter II. The Chapter III discusses about the trend of revenue receipts and response of the Departments/Government towards audit.