

# **EXECUTIVE SUMMARY**



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### Profile of the Union Territory

The Union Territory (UT) of Puducherry is located on the East Coast of India and extends over an area of 490 sq.km. UT consists of four regions namely, Puducherry, Karaikal, Mahe and Yanam, geographically separated from each other. As per 2011 census, UT's population was 12.47 lakh, which recorded a decadal growth rate of 28.1 *per cent* as compared to 2001 census. UT's Gross State Domestic Product (GSDP) in 2019-20 at current price was ₹ 38,253 crore.

*(Paragraph 1.1)*

### Overview of Government Account

**Snapshot of Finances:** The Revenue receipts (₹ 6,781 crore) of the UT during 2019-20 increased by ₹ 381 crore over the previous year. However, the same was lesser than the revenue expenditure of ₹ 6,836 crore which resulted in revenue deficit of ₹ 55 crore as against the revenue surplus during 2018-19. The Capital expenditure showed a marginal increase from ₹ 316 crore in 2018-19 to ₹ 327 crore in 2019-20. The fiscal deficit increased from ₹ 302 crore in 2018-19 to ₹ 381 crore in 2019-20.

*(Paragraph 1.4.1)*

**Snapshot of Assets and Liabilities:** The Internal Debt of the UT increased by 6.55 *per cent* from ₹ 6,486 crore in 2018-19 to ₹ 6,911.07 crore in 2019-20. However, the loans and advances from GoI decreased by 9.62 *per cent* from ₹ 1,569.50 crore in 2018-19 to ₹ 1,418.50 crore in 2019-20. The Gross Capital Outlay increased by 4.83 *per cent* from ₹ 6,760.19 crore in 2018-19 to ₹ 7,086.80 crore in 2019-20.

*(Paragraph 1.4.2)*

### Resources of the Union Territory

**Revenue receipts:** Revenue receipts increased by ₹ 381 crore (5.95 *per cent*) in 2019-20 over the previous year. Buoyancy of revenue receipts to GSDP decreased from 0.92 in 2018-19 to 0.54 in 2019-20.

*(Paragraph 2.3.2.1)*

**Own resources:** The annual growth rate of own tax revenue decreased by 22.37 *per cent* during 2019-20 over the previous year. This was mainly due to wrong booking of GST compensation under UT GST during 2018-19 instead of under Grants-in-aid.

The arrears of revenue as on 31 March 2020 under the principal heads of revenue amounted to ₹ 1,101.41 crore, of which ₹ 517.44 crore were outstanding for more than five years.

*(Paragraph 2.3.2.2)*

**Grants-in-aid:** The Grants-in-aid from GoI increased by ₹ 1,040 crore in 2019-20 over the previous year. The Grants-in-aid from GoI constituted 26.63 *per cent* of the revenue receipts excluding GST compensation of ₹ 862 crore.

*(Paragraphs 2.3.2.3 and 2.3.4)*

## Application of resources

**Total expenditure:** The total expenditure increased from ₹ 6,703 crore in 2018-19 to ₹ 7,163 crore (6.86 *per cent*) in 2019-20. The expenditure on General, Social and Economic Services constituted 32.58 *per cent*, 36.30 *per cent* and 31.12 *per cent* of the total expenditure respectively.

*(Paragraph 2.4.1)*

**Revenue expenditure:** During 2019-20, the Revenue expenditure increased by ₹ 449 crore (7.03 *per cent*) over the previous year. Revenue expenditure constituted 95.43 *per cent* of the total expenditure. However, as a percentage of GSDP, it declined from 18.55 in 2018-19 to 17.87 in 2019-20. The buoyancy of Revenue expenditure with reference to Revenue receipts during 2019-20 was 1.18.

*(Paragraph 2.4.2)*

**Committed expenditure:** The committed expenditure constituted 59.21 *per cent* of Revenue expenditure and 59.70 *per cent* of Revenue receipts during 2019-20.

*(Paragraph 2.4.2.2)*

**Subsidies:** Implicit subsidies to the tune of ₹ 33 crore were provided during the current year.

*(Paragraph 2.4.2.3)*

**Capital expenditure:** Capital expenditure was on a decreasing trend. As against the Capital expenditure of ₹ 439 crore incurred during 2015-16, the expenditure incurred during 2019-20 was ₹ 327 crore which constituted only from 4.57 *per cent* of total expenditure.

*(Paragraph 2.4.3)*

**Incomplete projects:** An amount of ₹ 151.53 crore was blocked in 74 incomplete projects by Public Works and Electricity Departments.

*(Paragraph 2.4.3.3)*

## Expenditure priorities

The percentage of aggregate expenditure to GSDP declined from 21.51 *per cent* in 2015-16 to 18.73 *per cent* in 2019-20. In respect of General Category States, it was 16.97 *per cent* in 2015-16 and 15.15 *per cent* in 2019-20. Expenditure on Education, Sports, Art and Culture decreased from 12.07 *per cent* in 2015-16 to 11.65 *per cent* of the aggregate expenditure in 2019-20 and it was also less than the General Category States in both the years.

*(Paragraph 2.4.4)*

## Debt management

**Debt profile:** The outstanding debt (including Public Account liabilities) though increased from ₹ 7,754 crore in 2015-16 to ₹ 9,449 crore in 2019-20, the rate of growth decreased from 10.30 *per cent* to 3.41 *per cent* during the same period. Out of the total debt receipt of ₹ 1,043 crore during 2019-20, an amount of ₹ 762 crore (73.06 *per cent*) was utilised for repayment of debt leaving a balance of ₹ 281 crore available for capital spending.

*(Paragraph 2.6.1)*

**Maturity profile:** The Maturity profile of Public debt indicated that nearly 72.51 *per cent* of the total Public debt was repayable within the next seven years.

*(Paragraph 2.6.3)*

**Interest burden:** The burden of interest payments decreased from 11.05 *per cent* in 2018-19 to 10.18 *per cent* of Revenue receipts during 2019-20.

**Debt repayment:** The debt repayment to debt receipts which was 22.81 *per cent* in 2015-16 increased to 53.72 *per cent* in 2017-18 and went upto 73.06 *per cent* in 2019-20.

*(Paragraph 2.7)*

## Budgetary Management

**Summary:** The total provision authorised by the UT legislature including original and supplementary budget was ₹ 8,888.26 crore, out of which an expenditure of ₹ 7,939.74 crore was incurred resulting in savings of ₹ 948.52 crore.

*(Paragraph 3.1.1)*

**Expenditure without budget provision:** An amount of ₹ 3.39 crore was re-appropriated under five heads without any original or supplementary budget provision and expenditure of ₹ 3.28 crore was incurred therein.

*(Paragraph 3.3.1.1)*

**Unnecessary supplementary provision:** In respect of 11 cases under five grants, as against the original provision of ₹ 71.95 crore, the total expenditure was only ₹ 61.35 crore. However, a sum of ₹ 20.03 crore was also provided in the supplementary grant which proved wholly unnecessary in view of the total savings of ₹ 30.63 crore.

*(Paragraph 3.3.4)*

**Unnecessary/excessive re-appropriation:** In 74 sub-heads, unnecessary provision of more than ₹ 10 lakh were made by re-appropriation to the tune of ₹ 50.44 crore wherein the expenditure incurred was ₹ 416.10 crore under these heads which was within the total provision of ₹ 517.42 crore. Out of these 74 sub-heads, no expenditure was incurred under 17 sub-heads.

*(Paragraph 3.3.5)*

**Anticipated savings not surrendered:** In respect of 22 grants/appropriations with saving of ₹ 895.07 crore (saving of ₹ one crore and above), ₹ 565.73 crore (63.20 *per cent* of savings) was not surrendered and in respect of 17 grants/appropriations with a savings of ₹ 378.59 crore, no amount was surrendered.

*(Paragraph 3.3.6.1)*

**Grants having huge savings:** Out of total 33 grants, there was savings of ₹ 596.27 crore (62.86 *per cent* of total savings of ₹ 948.52 crore) in 13 grants exceeding ₹ 10 crore in each case (above ₹ 50 crore in three grants). In

122 sub-heads, savings exceeded ₹ 50 lakh in each case and by more than 50 *per cent* of the total provision wherein out of total provision of ₹ 613.82 crore, savings amounted to ₹ 528.62 crore (86.12 *per cent*).

*(Paragraph 3.3.6.3)*

**Persistent savings:** Out of 33 grants, savings of more than ₹ 50 lakh was noticed persistently under 20 grants during the last five years.

*(Paragraph 3.3.6.4)*

**Rush of expenditure:** In respect of 39 sub heads, expenditure exceeding ₹ 50 lakh and by more than 50 *per cent* of the total expenditure for the year was incurred in March 2020.

*(Paragraph 3.4.4)*

## Financial Reporting

**Funds kept outside Public Account:** The service charge of ₹ 6.70 crore received by the Transport Department for driving licence, registration certificate, taxation and permit were kept outside the Government Account.

*(Paragraph 4.1)*

**Non-inclusion of clear cut liabilities:** Though the Public Works Department had a committed pending liability of ₹ 32.04 crore as of March 2019 towards payment to contractors, no allocation was made in the Budget for 2019-20 for settlement of dues.

*(Paragraph 4.2)*

**Funds transferred directly to implementing agencies:** During 2019-20, GoI transferred ₹ 172.02 crore directly to various implementing agencies in the UT of Puducherry for implementation of Schemes of GoI. As funds are not routed through the UT budget, Finance Accounts do not capture the flow of these funds or the related expenditure.

*(Paragraph 4.4)*

**Utilisation Certificates:** The Utilisation Certificates in 653 cases amounting to ₹ 449.36 crore were outstanding. Of this, 172 cases amounting to ₹ 23.10 crore were pending for more than nine years.

*(Paragraph 4.5)*

**Temporary advance:** 1,456 temporary advances amounting to ₹ 114.62 crore drawn by various DDOs, remained unadjusted. Of this, 265 advances amounting to ₹ 15.75 crore remained unadjusted for more than 10 years.

*(Paragraph 4.6)*

**Indiscriminate use of Minor Head 800:** During 2019-20, under six Major Heads, expenditure aggregating to ₹ 1,395.18 crore (88.97 per cent of the total expenditure of ₹ 1,568.12 crore under these heads) were classified under the minor head '800 - Other Expenditure'. Similarly, under 10 major heads, revenue receipts aggregating ₹ 55.07 crore (87.38 per cent of the total receipts of ₹ 63.02 crore under these heads), were classified under minor head '800 - Other Receipts'.

*(Paragraph 4.7)*

**Non-submission of accounts:** The annual accounts of 53 out of 71 Bodies/Authorities due up to 2018-19, were not received by Audit. The pendency was more than five years in respect of 15 Bodies/Authorities.

*(Paragraph 4.8)*

**Misappropriation and losses:** The UT Government reported 317 cases of misappropriation, loss, theft and defalcation upto March 2020 involving Government money of ₹ 27.88 crore in various Departments. FIRs had been lodged against all the 317 cases. Out of the above, 24 cases were awaiting departmental and criminal investigation. In 21 cases departmental action was initiated and not finalised / pending in Courts of Law. In 272 cases, recovery or write-off orders awaited.

*(Paragraph 4.9)*

## Union Territory Public Sector Undertakings

**Nature of PSUs and Investments:** As on 31 March 2020, there were 13 Government Companies (Public Sector Undertakings - PSUs). Out of which, there are 12 working companies and one non-functional Government Company in the Union Territory of Puducherry. The total investment (Equity and Long term loans) in PSUs was ₹ 728.36 crore.

*(Paragraphs 5.3 and 5.5)*

**Dividend declared:** The UT Government had not formulated any policy for payment of minimum dividend on the share capital contributed by it. The return



in the form of dividend on the aggregate investment of ₹ 712.39 crore of UT Government in the PSUs was a meagre 0.16 *per cent*.

**(Paragraph 5.6.2)**

**Rate of Real Return:** Since the PSUs incurred overall loss during 2019-20, the Rate of Real Return on Government Investment calculated on historical value was negative at 9.72 as compared to present value which was also negative and worked out to 4.25 *per cent*.

**(Paragraph 5.8.3)**

**Profit earned:** Out of 12 working PSUs, six PSUs earned a profit of ₹ 28.05 crore and six PSUs incurred a loss of ₹ 52.37 crore, leading to overall loss of ₹ 24.32 crore.

**(Paragraph 5.9.1)**

**Timeliness in preparation of accounts:** Accounts of all the 12 Government Companies were in arrears for various reasons. These companies submitted their 15 arrear accounts (pertaining to various financial years) during 2020-21.

**(Paragraph 5.10.2)**

**Revision of Auditors Report:** As a result of supplementary audit of the financial statements of the five companies selected for review, by the CAG, the statutory auditors of one Government Company *viz.*, Swadeshee Bharathee Textile Mills Ltd., revised their report based on the observations of CAG.

**(Paragraph 5.12.1)**

**Non Compliance of Accounting Standards:** The statutory auditors reported that two companies did not comply with mandatory Accounting Standards.

**(Paragraph 5.12.2)**