

# **CHAPTER IV**

## **AUDIT OF TRANSACTIONS**

## AUDIT OF TRANSACTIONS

This chapter presents the results of the audit of transactions of the Departments of the Government, their field formations as well as that of autonomous bodies. The instances of lapses in the management of resources and failures in the observance of the norms of regularity, propriety and economy have been presented in the succeeding paragraphs under broad headings.

### 4.1 Avoidable expenditure

#### *WOMEN AND CHILD DEVELOPMENT DEPARTMENT*

##### *4.1.1 Purchase of rice at higher cost*

**Failure of the Women and Child Development Department to use the rice supplied by Government of India at lesser cost for the scheme of supplying 10 kg of rice free of cost to all ration card holders resulted in avoidable additional expenditure of Rs 11.21 crore.**

Government of India (GOI) allots rice at the central issue price<sup>1</sup> as may be specified from time to time to Union Territory (UT) Government for issue to Below Poverty Line families under 'Targeted Public Distribution System' (TPDS). GOI also supplies rice to UT Government at higher rates for issue to Above Poverty Line families. The distribution price of rice to the public is, however, left to the UT Government and the subsidy involved in distribution at a lesser price than the procurement price has to be met by the UT Government.

Paragraph 4.4 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2004, had commented upon the Civil Supplies and Consumer Affairs (CS&CA) Department for not lifting the entire quantity of rice allotted by GOI under TPDS and Education, Adi-draavidar and Fisheries departments failing to utilise unlifted quantity of rice for distribution under various welfare schemes, resulting in avoidable additional expenditure to the Government.

The UT Government launched a new scheme of supplying 10 kg of rice free of cost to all ration card holders from July 2006. The Director, Women and Child Development (W&CD) Department, who was to implement the scheme, ascertained (May 2006) the availability of rice from the allocation of rice under TPDS by GOI for implementing the scheme. Though sufficient

<sup>1</sup> Central issue prices were Rs 5,650 per Metric Tonne for Below Poverty Line and Rs 8,300 per Metric Tonne for Above Poverty Line categories during July 2006 to March 2007

quantity of rice was available, it was decided (July 2006) to procure rice from open market for the scheme on grounds of quality. The scheme was implemented till March 2007 and then discontinued.

Audit scrutiny revealed that CS&CA Department lifted only 7,065 Metric Tonne (MT) of rice against GOI allotment of 52,173 MT during July 2006 to March 2007 under TPDS whereas W&CD Department purchased 26,927 MT of rice from open market at higher cost for implementing the scheme.

The failure of W&CD Department to use the rice supplied by GOI at a lower cost resulted in avoidable additional expenditure of Rs 11.21 crore to Government.

The Director, W&CD Department attributed the purchase of rice from open market to the decision of the Government to supply quality rice to public which would also benefit the farming community in the Union Territory. This contention is not tenable as GOI releases rice under TPDS only if it meets the required standards and the UT Government also ensures the quality of rice before lifting it from GOI. Besides, the rice was purchased from millers and not directly from the farming community. Thus, the decision to purchase rice from open market for the scheme only increased the cost to Government.

The matter was referred to Government in July 2007; the reply had not been received (January 2008).

## ***EDUCATION DEPARTMENT***

### ***PONDICHERRY INSTITUTE OF POST MATRIC TECHNICAL EDUCATION***

#### ***4.1.2 Additional expenditure due to non-revision of fee structure***

**Failure to collect tuition fees from the students of Government aided polytechnics resulted in an additional expenditure of Rs 1.65 crore to Government.**

Of the five Polytechnics in the Union Territory (UT) of Puducherry, four are being administered by Pondicherry Institute of Post Matric Technical Education (PIPMATE), a society registered under Societies Regulation Act. The expenses of PIPMATE are met out of grants released by Education Department. The rules and regulations of PIPMATE empowered the governing body to prescribe the fees to be collected from the students. The governing body, however, resolved (May 1989) to adopt the application and prospectus of Government Polytechnic for the four polytechnics under their

control. As Government stopped the collection of tuition fees from the students of Government polytechnic from the academic year 1998-99, tuition fees was not collected by PIPMATE.

The Lieutenant Governor, the administrator of the UT, observed (July 2000) that institutes of higher education run by the societies should generate revenue to make them self-sustaining. As receipts of PIPMATE did not cover even one *per cent* of its annual expenditure of nearly Rs 3.50 crore and all other professional colleges run by other societies in the UT were collecting tuition fees, the governing body of PIPMATE (December 2000) and the finance committee (March 2001) resolved to collect tuition fees from the students of polytechnics under their control and sent (May 2001) proposals to Government through Director of Collegiate Technical Education (DCTE). Government deferred the decision for the academic years 2001-02 and 2002-03.

PIPIMATE again submitted the proposal in January 2003 to collect annual fees of Rs 3,600 from first year students from 2003-04 and Rs 2,570 from second and third year students from 2004-05 and 2005-06 respectively. Though the Secretary to Government (Education) justified the charging of tuition fees from the students of PIPIMATE, the Minister for Education and Chief Minister recommended keeping the proposal in abeyance. When this recommendation was forwarded to the then Lieutenant Governor for approval, he observed (March 2003) that the students of PIPIMATE should also pay tuition fees as such fees were being collected from students of other professional courses run by other societies in the UT and suggested giving scholarships or other subsidies to poor and meritorious students. After discussion with the Chief Minister and Minister for Education, the file was returned by the Secretary to Government to Deputy Secretary to Government in April 2004 with directions to take action before the next academic year in consultation with DCTE and Finance Department. The file was, however, returned to DCTE only in June 2005 and no further action was taken.

When the non-collection of tuition fees even after the resolution of the Governing body, was pointed out by Audit, the Member Secretary, PIPIMATE contended (October 2007) that the tuition fees were not collected due to non-receipt of orders from Government. He also said that Government proposed to extend free education, which was applicable to Higher Secondary Education, to higher education from 2007-08. These contentions are not tenable as

- the governing body of PIPIMATE is empowered to have its own fee structure and the resolution of December 2000 to have its own fee structure nullified their earlier resolution (May 1989) to have uniform fee structure. Hence, orders of Government were not necessary.

- though the Government approved the fee structure in April 2004, orders were not communicated to PIPMATE resulting in non-collection of tuition fees from the academic year 2004-05.
- policy decision announced by Government will have only prospective effect. As Government continued to collect tuition fees from students of other professional colleges, the policy decision was not implemented even during 2007-08.

Non-collection of tuition fees approved by Government from 2004-05 to 2007-08 deprived PIPMATE of a revenue of Rs 1.65 crore<sup>2</sup> and resulted in additional expenditure to Government to that extent.

The matter was referred to Government in August 2007; the reply had not been received (January 2008).

## **REVENUE AND DISASTER MANAGEMENT DEPARTMENT**

### **4.1.3 Excess expenditure on acquisition of land**

**Non-adherence to guidelines issued by Government to determine the fair market value for lands acquired for the new Collectorate at Karaikal resulted in excess expenditure of Rs 1.60 crore.**

The Government of Puducherry issued (February 1989) comprehensive instructions for the guidance of departments as well as the Land Acquisition Officer (LAO) detailing procedures to be followed while implementing the Land Acquisition Act, consequent to its amendment in 1984 and various judgements of High Court and Supreme Court on matters relating to land acquisition. The guidelines, *inter alia*, provide for assessing the value of the land under acquisition based on the sales effected in the area during the year prior to the date of notification under Section 4(1) of the Act. It also provides for diminishing 20 to 33  $\frac{1}{3}$  per cent of the assessed value towards improvement and amenities if vast land is acquired for urban purposes. The assessed value was to be then compared with the guideline value of the Registration Department and higher value adopted as fair market value of the land under acquisition. The Act provides for calculating the compensation payable to landowners by increasing the market value by 12 per cent towards additional market value from the date of notification under Section 4(1) of the Act to the date of award and by 30 per cent towards solatium for compensating future earnings.

While acquiring 14.32 hectares of land in Karaikal for construction of the new collectorate, the LAO assessed the value of land at Rs 40,433 per

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<sup>2</sup> Based on fees proposed by PIPMATE in January 2003

Are<sup>3</sup>. As the land, based on which the value was assessed, was located in the area proposed for acquisition, the LAO felt that the land owner would lose considerably if the deduction was made from his purchase value as per guideline issued by the Government. The LAO, therefore, arrived at the compensation treating this assessed value as fair market value of land under acquisition. The award was passed in June 2007 and compensation was being paid to the land owners as per the award (July 2007) at the rate of Rs 56,028 per Are.

The contention of the LAO is not tenable as

- The entire land under acquisition is in low lying area requiring improvement
- The guideline value of land under acquisition ranged between Rs 25,000 and Rs 30,000 per Are
- Fifty two out of 63 sales considered by the LAO for assessing value were below Rs 32,000 per Are
- The land owner would not lose as the assessed value was to be increased by 30 *per cent* towards solatium while calculating compensation; besides, increase in cost after the date of notification under Section 4 (1) is also compensated by way of additional market value.

By allowing the minimum deduction of 20 *per cent* over assessed value, compensation payable for the land worked out to Rs 44,822 per Are.

The action of the LAO in having assessed the fair market price without diminishing assessed value as stipulated in the guidelines resulted in excess expenditure of Rs 1.60 crore<sup>4</sup>.

The matter was referred to Government in August 2007; reply had not been received (January 2008).

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<sup>3</sup> 100 Ares = 1 hectare  
<sup>4</sup> (Rs 56,028 - Rs 44,822) X 1,432 Ares

## **PUBLIC WORKS DEPARTMENT**

### **4.1.4 Additional liability due to avoidable delay in the preparation of design details**

#### **Avoidable delay in preparation of design details resulted in cancellation of the contract and in an additional liability of Rs 1.53 crore.**

The work of construction of indoor stadium at Keezhaveli, Karaikal was awarded to a contractor for Rs 5.11 crore on 1 March 2006. The work was to commence on 1 March 2006 and was to be completed within a year. The contract contemplated closure by either party if the work could not be commenced within 1/8<sup>th</sup> of the stipulated time for completion of work (45 days) due to reasons not within the control of the contractor. Scrutiny of the records relating to the execution of the work revealed the following:

After issuing the work order to the contractor, the Executive Engineer, Buildings and Roads Division, Karaikal (EE, Karaikal) requested (9 March 2006) the Executive Engineer (Designs) and Architect, Public Works Department (PWD), Puducherry to forward the design details and detailed drawing respectively. The EE (Designs) advised (13 March 2006) the EE, Karaikal to conduct fresh soil test as the test already conducted did not relate to the site of the work. Further, the copy of the preliminary estimate called for by the Architect (31 March 2006) for the preparation of working/detail drawings was sent by the EE, Karaikal only on 25 April 2006. The structural design/drawings for the pile, pile caps, columns and grade beams could only be finalised and sent to EE, Karaikal on 19 May 2006 due to delay in providing papers to EE (Designs). The drawings were handed over to the contractor on 23 May 2006.

The contractor withdrew (26 May 2006) from the contract citing delay in handing over the site and design details and increase in the cost of construction material. When the EE, Karaikal issued (July 2006) a show cause notice to the contractor for breach of contract the contractor filed a writ petition in High Court demanding refund of performance guarantee (PG) and earnest money deposit (EMD). The High Court attributed the delay to the Department and directed (November 2006) to refund the EMD and PG to the contractor. The work was awarded at a negotiated rate of Rs 6.64 crore on 28 March 2007 with a completion period of one year. The work was under progress and the Department spent Rs 2.14 crore as of November 2007.

Thus, the avoidable delay in the preparation of the design details/drawings resulted in an additional liability of Rs 1.53 crore (Rs 6.64 crore – Rs 5.11 crore) apart from delay in construction of indoor stadium.

The matter was referred to Government in June 2007. Government contended (October 2007) that the design details were finalised on

24 April 2006. This contention was not tenable as the drawings were sent only on 25 April 2006 for finalising the design. The design were sent to the EE only on 19 May 2006 and given to the contractor on 23 May 2006. The reasons for this delay were not given by Government.

#### 4.1.5 Avoidable expenditure due to belated financial sanction

**Failure of the Chief Engineer in submitting the sanctioned estimate resulted in delay of financial sanction by Government and consequent avoidable extra liability of Rs 1.45 crore on a road work.**

Based on the detailed estimate approved by the Chief Engineer (CE), for Rs 2.83 crore the Government of Puducherry sought (July 2005) approval of Government of India (GOI) for the work of 'Improvement of Road RC 17 from Murungapakkam to Villianur' under Central Road Fund. Considering the urgency of work, the CE ordered (September 2005) issue of tender. GOI while according the administrative approval for Rs 2.88 crore (October 2005) stipulated that the work would be deleted from the programme if financial sanction by Government of Puducherry and technical sanction by the competent authority were not accorded within four months from the date of administrative approval. The sanction also stipulated that any excess expenditure beyond 10 *per cent* of sanctioned amount should be met from the resources of the Union Territory (UT) Government.

The CE while approaching the Government for financial sanction (October 2005) failed to enclose the sanctioned estimate for Rs 2.88 crore. Even when the Finance Department called for (November 2005) the approved estimates, the Superintending Engineer – I (SE-I) submitted it only on 18 January 2006 and the proposal was resubmitted to Finance Department on 2 February 2006. The financial sanction was issued on 24 February 2006, 17 days after the expiry of four months from the date of administrative approval by the GOI. In the meantime, the SE processed the tender and recommended the lowest tender of Rs 3.11 crore. As the time limit stipulated by GOI for financial sanction expired, the CE could not finalise the tender. The CE sought (March 2006) extension of time limit from GOI and on receipt of clarification (May 2006) accorded technical sanction (June 2006) and called for fresh tenders as the lowest tenderer refused to extend the validity period.

In the second call, the work was awarded for Rs 4.56 crore to the same contractor (October 2006). Due to tender excess, the CE revised the estimate to Rs 4.77 crore and obtained (December 2006) approval of Government for meeting the difference of Rs 1.61 crore<sup>5</sup> from the funds

<sup>5</sup> Rs 4.77 crore – Rs 3.16 crore (10 *per cent* above GOI sanction of Rs 2.88 crore)



allotted for creation of infrastructure facilities in Tsunami affected areas by GOI. The work was under progress and the Department spent Rs 27.61 lakh as of October 2007.

The failure of the CE in not having submitted the approved estimates at the first instance itself and the belated submission of estimates to Government delayed the financial sanction and withdrawal of lowest offer of Rs 3.11 crore. Consequently, the work was awarded for Rs 4.56 crore resulting in an avoidable extra liability of Rs 1.45 crore. Besides, contrary to GOI orders, the excess over 10 *per cent* of sanctioned amount was also met from GOI funds indirectly.

The matter was referred to Government in June 2007. Government accepted (October 2007) the facts but failed to give reasons for belated submission of estimate which led to avoidable delay in giving financial sanction which resulted in extra liability of Rs 1.45 crore.

#### **4.1.6 Additional liability due to adoption of wrong design**

**Non-adoption of pile foundation based on soil test in the technically sanctioned estimate resulted in cancellation of contract and execution of the work at higher cost by Rs 22.30 lakh.**

To provide comfortable accommodation for the large number of pilgrims to the Dharbaranyeswara Swamy temple at Thirunallar, Government approved (March 2001) the construction of a Yatri Niwas for Rs 60 lakh. The Consultant engaged for conducting soil tests recommended laying of a pile foundation, however, the Executive Engineer, Buildings and Roads Division, Karaikal prepared detailed estimates (January 2003) adopting open foundation for Rs 57.11 lakh<sup>6</sup>, ignoring consultant's report. The Superintending Engineer-I (SE-I) accorded technical sanction (January 2003). The work was awarded (July 2003) to the lowest tenderer for Rs 56.37 lakh. Audit noted that pile foundation was adopted for the compound wall of Yatri Niwas.

Although the site was ready for handing over in December 2003, yet it was not handed over to the contractor till January 2004 as the Department contemplated change of foundation from open to pile as the second soil test conducted also confirmed the necessity of pile foundation. Consequently, the contractor demanded rates based on PSR 2003-04 and market rate for pile foundation. The SE-I, instead of entrusting the pile foundation work as substituted work, ordered (May 2004) the cancellation of contract on the grounds of change in the foundation. As the revised cost adopting pile

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<sup>6</sup> Pondicherry Schedule of Rates (PSR) 2002-03 was adopted

foundation would exceed Government sanction, SE-I ordered (October 2004) retendering based on the original estimate of Rs 57.11 lakh with open foundation. The work was awarded (September 2005) for Rs 70.91 lakh. Meanwhile, a revised estimate was prepared (April 2005) for Rs 1.29 crore adopting pile foundation and Government approved it in August 2006. In the meantime, the Chief Engineer sanctioned (February 2006) market rate for pile foundation treating it as substituted item. The work was completed in July 2007 and Rs 83.61 lakh was paid to the contractor. The final bill was not settled (November 2007).

Had the SE allowed the first contractor to execute the pile foundation as a substituted item as was done for the second contractor, additional liability estimated at Rs 22.30 lakh<sup>7</sup> could have been avoided.

The matter was referred to Government in July 2007; Government contended (November 2007) that the agreement with the first contractor was fore-closed as the site could not be handed over to him due to non-shifting of High Tension (HT) overhead line by the Electricity Department and the additional expenditure was inevitable as the power line was shifted only in September 2005. This contention was not factual as the Assistant Engineer reported (February 2004) to the Executive Engineer that the power line was shifted by the Electricity Department during the first week of December 2003. Thus, the Department prepared estimates and accorded technical sanction to the work ignoring full facts and also created additional liability for the Government.

## ***PUBLIC WORKS AND ELECTRICITY DEPARTMENTS***

### ***4.1.7 Additional expenditure due to delay in shifting of electrical lines***

**Avoidable delay in furnishing the cross section of carriageway by the Public Works Department and delay in obtaining technical sanction and taking up the shifting of electrical lines by Electricity Department resulted in additional expenditure of Rs 20.52 lakh.**

The work of 'Conversion of existing two lane carriageway into four lane carriageway from Kanagachettikulam to Kalapet' sanctioned by Government in December 2003 included shifting of electrical posts and transformers. Though the proposal for shifting the electrical lines were sent to Electricity Department in December 2003 and the road widening work

<sup>7</sup> Additional liability has been worked out based on the difference between PSR 2003-04 and PSR 2004-05 for the quantity adopted in the revised estimates for all items of work except for pile foundation. For foundation, the rate of PSR 2004-05 with tender excess of first contractor and the actual rate given to the second contractor have been adopted

was entrusted to a contractor in February 2004, the Assistant Engineer of the executing division sent the cross section of the proposed carriageway to the Electricity Department only in June 2004. The contractor completed the road widening work (March 2005) but could not take up the laying of surface course and other related minor works as the electrical poles had not been shifted.

The Executive Engineer, Division IV of Electricity Department prepared the estimate for shifting the electrical lines in July 2004 but had not obtained the technical sanction as the estimate exceeded the powers of Superintending Engineer. The estimate was split up into two (high tension and low tension lines) and technically sanctioned by the Superintending Engineer in June and August 2005 respectively. To avoid further delay, the Public Works Department took up the erection of poles in August 2005 but even then the Electricity Department did not commence the shifting of electrical lines. Citing escalation in cost of materials, the contractor demanded (March 2006) higher rates for executing balance work. The Department rejected this plea and the contract was foreclosed (May 2006). The Electricity Department completed the shifting work in June 2006. The estimate for the balance work was revised from Rs 29.20 lakh (as per the original contract) to Rs 47.02 lakh and the work was entrusted (November 2006) to a new contractor for Rs 49.05 lakh. The work was completed and the contractor was paid Rs 49.77 lakh (February 2007).

The avoidable delay in providing the cross section of carriageway by the Public Works Department and delay in obtaining technical sanction and taking up the shifting work by Electricity Department resulted in foreclosure of the contract and additional expenditure of Rs 20.52 lakh<sup>8</sup> in completing the balance work.

The matter was referred to the Government in July 2007. Government (Public Works) accepted (October 2007) the facts and contended that it was not the practice to provide cross section of carriageway for shifting of electrical poles and on demand from Electricity Department in April 2004, the details were sent in June 2004. This indicates the poor co-ordination between the two departments. The reply from Government (Electricity Department) was not received (January 2008).

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<sup>8</sup> Based on the actual quantity of work executed for various items and the difference in rate between the original contract and actually paid

## 4.2 Blocking of funds

### AGRICULTURE DEPARTMENT

#### 4.2.1 Avoidable interest liability due to blocking of funds

**Release of funds to 'Land Purchasing Agency' without ascertaining the viability of purchasing agricultural land for distribution to landless rural scheduled caste people resulted in blocking of Rs two crore outside Government Account.**

To improve the standard of living of landless rural scheduled caste people, the Government decided (March 2005) to purchase and distribute agricultural land to them for temporary retention to undertake cultivation. To avoid the delay in land acquisition, Government nominated Puducherry Agro Service and Industries Corporation Limited (PASIC) as 'Land Purchasing Agency' for implementing the scheme though such activity was outside the jurisdiction of this Government company.

Even before ascertaining the number of beneficiaries to be covered and the quantum of land required for the scheme, the Additional Director of Agriculture released Rs one crore each in March 2005 and February 2006 as Grant-in-aid to PASIC. Through advertisement, PASIC obtained (October 2005) offers for 13 hectares of land from owners at Puducherry and Karaikal regions. As the sellers were not ready to part with their land at the guideline value fixed by Registration Department, PASIC requested the Additional Director (November 2006) to constitute a Price Fixing Committee. The proposal to constitute the committee was however returned by the Lieutenant Governor seeking guidelines to be followed in fixing the price. As the clarifications submitted by the Additional Director were found cumbersome and ambiguous and the Revenue Department contended that the direct purchase of land by PASIC may result in litigation over title to the property in future, the Secretary to Government, Agriculture Department decided to acquire land through Revenue Department and ordered (December 2006) to assess the requirement of land for the scheme. Since the requirement was found to be 3,000 hectares to cover all beneficiaries, the Department proposed (December 2006) to dispense with the purchase of land by Government. The scheme was modified to provide a maximum financial assistance of Rs three lakh to selected beneficiaries for purchasing half acre of agricultural land. PASIC kept the money in short-term deposits and earned an interest of Rs 18.25 lakh as of August 2007.

The release of Rs two crore to PASIC without ascertaining the viability of the scheme resulted in blocking of the amount outside Government Account.

The matter was referred to Government in August 2007. Government accepted (September 2007) that the amount was released to PASIC even before the detailed guidelines were framed for implementing the scheme and stated that the accrued interest of Rs 18.25 lakh earned by PASIC would also be included while implementing the scheme, after obtaining approval of revised guideline by the Lieutenant Governor.

Thus, release of funds far in advance of requirement resulted in blocking of Rs two crore with PASIC.

## **TOWN AND COUNTRY PLANNING DEPARTMENT**

### **PONDICHERRY SLUM CLEARANCE BOARD**

#### **4.2.2 Unfruitful expenditure due to non-recovery of subsidy**

**Failure of the Pondicherry Slum Clearance Board to recover the subsidy paid to poor persons who have not taken up the construction for more than one year of release of subsidy resulted in unfruitful expenditure of Rs 1.40 crore.**

The Government of Union Territory of Puducherry formulated (December 2003) 'Pondicherry Perunthalaivar Kamaraj Centenary Housing Scheme to provide subsidy for construction of houses to people below the poverty line who do not have their own houses. The scheme was to be implemented by Pondicherry Slum Clearance Board (Board) in phases utilising the grant released by Government though the jurisdiction of the Board was only clearance of slums and not to assist people below poverty line. The rules framed for implementing the scheme provide for release of subsidy in three instalments<sup>9</sup> without prescribing any time limit for completion of construction. The nominated officer is to inspect the site after 15 days of release of first instalment and recover the subsidy with interest from persons who failed to take up construction.

Government targeted 7,500 poor persons per year during 2003-04 and 2004-05 and released Rs 60 crore during January 2004 to December 2004 (Rs 30 crore) and during February 2005 to March 2006 (Rs 30 crore) for Phase I and Phase II respectively. The details of phase wise selection of beneficiaries and release of subsidy by the Board are given below:

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<sup>9</sup> First instalment of Rs 15,000 on sanction and second and third instalments of Rs 15,000 and Rs 10,000 on completion of lintel and roof levels respectively

(Number of beneficiaries)					
	Year	Selection of beneficiaries	Release of subsidy		
			I instalment	II instalment	III instalment
Phase I	2003-04	1,243	1,243	344	--
	2004-05	6,250	6,250	6,264	4,987
	2005-06	1	1	481	1,289
	2006-07	6	6	81	339
	<b>Total</b>	<b>7,500</b>	<b>7,500</b>	<b>7,170</b>	<b>6,615</b>
Phase II	2004-05	1,011	1,011	0	0
	2005-06	6,485	6,485	6,163	4,696
	2006-07	4	4	537	1,146
	<b>Total</b>	<b>7,500</b>	<b>7,500</b>	<b>6,700</b>	<b>5,842</b>

The Board released subsidy of Rs 55.76 crore as of March 2007. The balance amount of Rs 4.24 crore (Rs 1.38 crore for Phase I and Rs 2.86 crore for Phase II) could not be released as 1,130 beneficiaries had not applied for the second instalment and 2,543 beneficiaries had not applied for the third instalment.

Three hundred and thirty beneficiaries who received first instalment mainly during February 2004 to November 2004 in Phase I and 800 beneficiaries who received first instalment mainly during March 2005 to July 2005 in Phase II had not taken up construction. Test check of the inspection reports of the officers of the Board revealed that the beneficiaries either promised to commence construction or reported their inability due to financial constraints, utilisation of subsidy for other purposes, etc. When the non-recovery of subsidy as provided in the rules was pointed out by Audit (May 2007), the Board issued legal notices to 679 beneficiaries in Puducherry region and got the subsidy refunded from 76 beneficiaries. The Board stated (September 2007) that action was not initiated as provided in the rules as beneficiaries were poor. The Board also stated that only 935 beneficiaries (296 in Phase I and 639 in Phase II) had not commenced the construction after initiating of stern action and action would be continued to achieve 100 per cent result.

The failure of the Board to monitor the utilisation of subsidy paid and take action to recover the subsidy from 935 defaulting beneficiaries resulted in unfruitful expenditure of Rs 1.40 crore. Besides, the objective of providing houses to these poor persons was also not achieved.

The matter was referred to Government in July 2007; the reply had not been received (January 2008).

## **AGRICULTURE DEPARTMENT**

### **PONDICHERRY MARKETING COMMITTEE**

#### **4.2.3 Blocking of funds on construction of godown**

**Release of Rs 19.30 lakh to Pondicherry Marketing Committee to construct storage godown without considering the viability of its utilisation resulted in godown remaining unutilised from April 2004.**

Government sanctioned (January 2002) the scheme 'Short term loan assistance to farmers' to enable them to pledge their produce at nominal rate of interest and sell them when the market was favourable thereby preventing distress sale of agricultural produce. The scheme was to be implemented by Pondicherry Marketing Committee (PMC) from its own resources without any liability to Government. Government sanctioned (January 2002) Rs 19.30 lakh under this scheme for construction of a godown in the premises of regulated sub-market at Madagadipet, Puducherry. The construction of godown was completed in April 2004 but PMC could not implement the scheme for want of funds.

Failure of the Director of Agriculture to consider the financial position of PMC before release of grants-in-aid for construction of godown resulted in idle investment of Rs 19.30 lakh. When pointed out, Joint Director of Agriculture stated (December 2007) that PMC had sought for a grant of Rs one crore as revolving fund for implementing the scheme.

The matter was referred to Government in August 2007; Government contended (September 2007) that the godown is being utilised by farmers to stock their produce at the time of peak arrivals. Audit scrutiny of the records of PMC, however, revealed that PMC has got storage facilities for stocking agricultural produce arrived during peak season and the new godown was not necessary for this purpose. As such, the construction of godown for this scheme without ensuring the availability of funds with PMC resulted in blocking of Rs 19.30 lakh for more than three years.

## **4.3 General**

### **4.3.1 Follow up action on earlier Audit Reports**

The Committee on Public Accounts (PAC) prescribed a time limit of three months for the Departments for furnishing replies to the audit observations included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken by them and submission of Action Taken Notes on the recommendations of the PAC by the Departments. The pendency

position of paragraphs/recommendations for which replies/action taken notes were not received are as follows:

- (a) Out of 45 paragraphs/reviews included in the Audit Reports relating to 2003-04, 2004-05 and 2005-06, Departmental replies were not received for 37 paragraphs/reviews as of September 2007.
- (b) Government Departments had not taken any action as of September 2007 on 452 recommendations made by the PAC in respect of Audit Reports of 1977-78 to 2001-02 (details *vide* **Appendix – 4.1**).