

## OVERVIEW

This Audit Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Union Territory Government of Puducherry for the year 2007-08 and three Chapters comprising 14 paragraphs (including one stock paragraph) dealing with the result of the financial transactions of the Government, Local Bodies and Government Companies.

A summary of the financial position of the Union Territory of Puducherry and the audit findings is given below:

### **1 Financial position of the Union Territory Government**

Revenue receipts of the Union Territory Government during the current year increased by 13 *per cent* (Rs 252 crore) and revenue expenditure increased by 14 *per cent* (Rs 274 crore) over previous year resulting in an increase of revenue deficit of Rs 22 crore during 2007-08 over the revenue deficit of Rs 43 crore in previous year. Given the incremental deficit of Rs 22 crore in revenue account during 2007-08 along with an increase of Rs four crore under non-debt capital receipts accompanied with decrease of Rs 85 crore in capital expenditure led to a decrease of Rs 67 crore in fiscal deficit during 2007-08 from the level of Rs 398 crore in 2006-07. The decrease of Rs 67 crore in fiscal deficit along with an increase of Rs 30 crore in interest payments led to a decrease of Rs 97 crore in primary deficit during 2007-08 from Rs 211 crore in 2006-07. Fiscal liabilities grew by 34.8 *per cent* from Rs 2,168 crore in 2006-07 to Rs 2,923 crore in 2007-08 mainly due to creation of separate Public Account for the Union Territory from 17 December 2007. The return on investment was Rs 3.68 crore (0.5 *per cent*) against the Government investment of Rs 760.91 crore in companies and co-operatives.

*(Paragraphs 1.1 to 1.12)*

### **2 Appropriation audit and control over expenditure**

Appropriation Accounts present the details of amounts actually spent *vis-à-vis* the amount authorised by the Legislature. During 2007-08, expenditure of Rs 2,603 crore was incurred against the total grants and appropriations of Rs 3,045 crore, resulting in a saving of Rs 442 crore. Supplementary provision of Rs 98.20 crore made in six grants was in excess of requirement resulting in savings of Rs 9.06 crore. In 86 cases, expenditure fell short by more than Rs 50 lakh in each case and also by more than 10 *per cent* of the total provision, resulting in savings of Rs 569.33 crore and in 54 cases, the expenditure exceeded the approved provisions resulting in excess of Rs 149.85 crore. Rupees 48.26 crore was

released far in advance of requirement to Project Implementation Agency for rehabilitation works under Tsunami Rehabilitation Programme.

*(Paragraphs 2.1 to 2.4)*

### **3 Audit of Transactions**

#### *Civil*

Audit of financial transactions test checked in various Departments of the Government and their field offices and Local Bodies revealed instances of irregular/avoidable/unfruitful expenditure aggregating to Rs 4.19 crore as mentioned below:

Health Department made irregular payment of Rs 56.38 lakh towards special and sumptuary allowances to the teaching faculties of Perunthalaivar Kamaraj Medical College and Research Institute.

Avoidable expenditure/liability was noticed in the departments of Local Administration (Rs 57.19 lakh) and Public Works (Rs 66.64 lakh).

Land purchased for Rs 2.39 crore by Adi-dravidar Welfare Department for distribution of housing plots was not allotted to the beneficiaries even after four years of acquisition.

*(Paragraphs 3.1 to 3.3)*

### **4 Revenue receipts**

Cross verification of records in audit revealed suppression of taxable turnover involving tax and penalty of Rs 2.52 crore.

*(Paragraph 4.9.7)*

Application of incorrect rates of tax resulted in short levy of tax of Rs 3.36 crore.

*(Paragraph 4.11)*

Incorrect computation of taxable turnover in respect of three dealers resulted in short levy of tax of Rs 1.85 crore.

*(Paragraph 4.12)*

There was short collection of licence fees of Rs 90.75 lakh in respect of two assessees.

*(Paragraph 4.15)*

## **5 Commercial transactions**

As on 31 March 2008, the Union Territory of Puducherry had 13 Government companies including one subsidiary Company. The total investment in Government companies increased from Rs 604.45 crore as on 31 March 2007 to Rs 620.99 crore as on 31 March 2008. The accounts of 12 Government companies were in arrears for periods ranging from one to three years. As per the latest finalised accounts, five Government companies earned aggregate profit of Rs 22.07 crore. Six companies incurred aggregate loss of Rs 41.15 crore and of this, the accumulated losses of three companies had aggregated to Rs 295.25 crore, which exceeded their paid-up capital of Rs 259.07 crore.

*(Paragraphs 5.2 to 5.8)*

### ***Puducherry Distilleries Limited***

Failure to pursue with the supplier of rectified spirit its obligation to pass on the benefit of abolished excise duty to the Company resulted in undue benefit of Rs 29.12 lakh to the supplier.

*(Paragraph 5.14)*

### ***Puducherry Agro Service and Industries Corporation Limited***

Supply of mineral water to a stockist in contravention of the terms of supply led to accumulation and non-recovery of dues of Rs 13.15 lakh.

*(Paragraph 5.15)*