CHAPTER III
CIVIL DEPARTMENTS

SECTION – A

AUDIT REVIEWS

3.1 Integrated Audit of Co-operation Department (Co-operation Department)

Highlights

The declining number of Co-operative Societies and members indicated lessening interest in the co-operative movement. Poor performance by the major Societies, lack of adequate monitoring and evaluation and disinterest in reviving these institutions have discouraged the public.

Significant points noticed during test-check were:

- **Utilisation Certificates for Rs 4.63 crore were overdue as of March 2002; Rs 79.92 lakh released over five years were not utilised by three Societies.**

(Paragraph 3.1.4.2)

- **Twelve Primary Weavers' Societies, Pondicherry State Weavers' Co-operative Society (apex society) and Pondicherry Co-operative Handloom Export Development Project have been running on loss during 1997-2002.**

(Paragraph 3.1.5.1)

- **Jayaprakash Narayan Co-operative Spinning Mills was established in Karaikal to create employment opportunity to the rural people. But labour force available in the area was inadequate, resulting in loss to the Mill due to under-utilisation of capacity.**

(Paragraph 3.1.5.2(i))

- **Pondicherry State Co-operative Wholesale Stores incurred a loss of Rs 4.64 crore as of March 2002.**

(Paragraph 3.1.5.3)

- **Default in repayment of loans by farmers and denial of guarantee by Government of India to raise additional financial resources resulted in poor performance by the Pondicherry Co-operative Central Land Development Bank Limited.**

(Paragraph 3.1.5.4(ii))

3.1.1 Introduction

The Department is implementing 14 major schemes extending financial assistance in the form of share capital, loan, subsidy and grant to 441 Co-operative Societies.

3.1.2 Organisational set up

The Secretary to Government is the administrative head while the Registrar of Co-operative Societies (RCS) is responsible for planning, implementation, administration and monitoring and is assisted by one Joint Registrar, seven Deputy Registrars (DRCS)[7]**,** one Dairy Development Officer and one Co-operative Officer in charge of Yanam Region.

3.1.3 Audit coverage

The functioning of the Department for the period 1999-2002 was reviewed during February 2002 to June 2002, in the offices of the RCS, DRCS (Karaikal), Pondicherry State Weavers' Co-operative Society (PONTEX - apex society), Pondicherry Co-operative Handloom Export Development Project (PONFAB), State Co-operative Spinning Mills (SPINCO), Jayaprakash Narayan Co-operative Spinning Mills (JPCOSPIN), Pondicherry State Co-operative Wholesale Stores (PSCWS), one Marketing Society, one Housing Federation, 13 Primary Weavers' Societies, two Credit Banks and 64 other Societies. Financial assistance extended to these institutions constituted 47 *per cent* of total expenditure of the Department.

3.1.4 Finance

The funding details of the Department and the expenditure incurred were as under:

(Rupees in crore)

Year	Revenue Account		Capital and Loan Accounts	
	Budget Provision	Expenditure	Budget Provision	Expenditure
1999-2000	8.83	8.83	9.19	9.18
2000-2001	10.39	10.39	9.63	9.56
2001-2002	11.04	11.01	8.72	8.60

3.1.4.1 Deficiencies in Budgeting

Budget prepared without assessing the requirement

(i) The Department made lumpsum provision under various schemes, without assessing the requirement. After allotment of funds, proposals were called for release of assistance. The Department stated that budget demand was based on expenditure of previous years. But the required funds were obtained by the Department through supplementary grants and re-appropriations.

Illustratively, Rs 2.64 crore provided under 20 units of appropriation were diverted to other schemes in full through re-appropriation. Rupees 32 lakh provided for the scheme 'Investment in credit societies (Pondicherry

[7] **Planning, Audit, Handlooms and housing, Credit, Consumers, Karaikal and Mahe**

region)' in all the three years were withdrawn by re-appropriation. Besides, Rs 13.52 crore were provided through supplementary grant during 1999-2002. Thus, the Department had poor budgeting system. Government stated (October 2002) that the supplementary grant and re-appropriation were necessitated due to cuts imposed by Planning and Research Department.

(ii) Funds are not to be provided for vacant posts. But this was not observed, resulting in saving of Rs 21.34 lakh under three schemes during 2000-2001 and Rs 6.28 lakh under one scheme during 2001-2002.

(iii) RCS obtained modification orders (August 2000) for diversion of Rs 1.16 crore to 'Handloom Development Scheme (2851.E.110 (2))' from other schemes to provide working capital to PONFAB but surrendered the amount later.

(iv) Rupees 1.13 crore meant for release of grant to spinning mills was wrongly provided under Capital Head instead of Revenue Head, resulting in savings. The revenue expenditure of Rs 1.12 crore had to be provided in supplementary grant.

3.1.4.2 Irregular release of grants

(i) Government released Rs 90 lakh to SPINCO in November 2001 as grants-in-aid (Non-plan) without any proposals either from the Mill or RCS. The accounts did not reveal the utilisation of this grant. Government stated (October 2002) that in future, funds would be released after obtaining proposal.

(ii) Pondicherry Co-operative Sugar Mills Limited (PCSM) had received Rs 4.46 crore as share capital as of 1997-98. During 1998-2002, an additional share capital of Rs 13.75 crore was released in anticipation of increase in authorised share capital. As of October 2002, the authorised share capital was not increased. Government stated that the issue was being pursued with the Mill.

Grants released far in advance of requirement

(iii) Utilisation Certificates for Rs 4.63 crore released upto September 2000 were not received as of March 2002. Following grants released by RCS were kept unutilised by the Societies.

Serial number	Name of the Society	Grant/ Subsidy	Purpose	Year and month of release	Reasons for non-utilisation
1.	Pondicherry Central Co-operative Processing, Supply and Marketing Society Limited	Rs 25 lakh	Construction of modernised agricultural marketing complex	December 1997	The Technical Monitoring Committee constituted in June 1997, finalised a plan for a six storey building with parking space in ground floor (March 1999) and obtained approval from Pondicherry Planning Authority in August 2000. But the plan was revised to construct a three storey building and utilise the ground floor also for commercial purpose. The revised estimate was yet to be prepared.
2.	Pondicherry Central Co-operative Processing, Supply and Marketing Society Limited	Rs 35 lakh	Installation of mechanised system of boiling and drying	December 1997 to January 1999	The Committee to monitor the programme was constituted only in September 2001 and feasibility study was conducted only in May 2002. Government stated (October 2002) that the work was being taken up.
3.	Karaikal Co-operative Milk Supply Society Limited	Rs 19.92 lakh	Construction of chilling plant under modern method of milk processing	March 1995 to March 1997	The Society obtained approval of Karaikal Planning Authority for the building plan in June 1999 but had not engaged the consultant for setting up the plant. Government stated (October 2002) that the consultant has since been appointed and the work has been taken up.

3.1.4.3 Recovery of loans

Poor management of loan recovery

As of March 2002, Rs 3.90 crore was pending recovery as per Government Account. Of this, Rs 0.95 crore involving 777 cases were overdue in addition to the interest of Rs 1.21 crore. Of the total amount of Rs 2.16 crore overdue, Rs 1.89 crore related to 1999-2000 and earlier years. Further, the RCS had released Rs 1.19 crore to 13 Societies, even though the earlier loans were not repaid. Rule 155 of General Financial Rules (GFR) provide for adjustment of interest first out of the instalments repaid. But, RCS adjusted the principal first and balance was adjusted towards interest due. RCS had not levied penal interest for belated repayments. In respect of 5 cases where Rs 72.56 lakh was paid and fully recovered as per loan ledger, there was short-collection of interest of Rs 42.17 lakh as of June 2002. Government stated that the instruction of audit has been taken note of for future guidance.

3.1.4.4 Other points

Drawing and Disbursing Officer of Karaikal, Mahe and Yanam had not furnished the monthly expenditure to RCS for 19, 29 and 36 months during 1999-2002.

The Senior Accounts Officer in the Office of the RCS had not closed the cash book for 10 months and not verified the cash balance for 31 months during 1999-2002. Such a serious lapse provides ample scope for perpetration of fraud, misappropriation, etc.

3.1.5 Programme management

The Department implemented 14 schemes during 1997-2002 and spent Rs 63.16 crore against the total outlay of Rs 58 crore (Appendix 13). The Department had spent more under the schemes 'Assistance to Pondicherry Co-operative Sugar Mills' and 'Assistance to Handloom and Consumer Co-operatives'. The poor performance of the PCSM was discussed in paragraph 3.5 of the Report of the Comptroller and Auditor General of India for the year ended March 2001. The performance of the Societies under the Handloom Sector and the PSCWS under Consumer Sector were reviewed and the points noticed are discussed below:

3.1.5.1 Handloom Sector

Out of 15 Weaving Societies (including PONTEX and PONFAB) and two Spinning Mills in which Government had invested Rs 31.23 crore, only one Weaving Society was running on profit during 1997-2002.

(i) Functioning of Primary Weavers' Societies

There are 13 Primary Weavers' Societies having a membership of 5619. The societies purchase yarn from PONTEX, produce cloth and sell them to PONTEX. The societies are to implement various welfare schemes for the weavers, the funds for which are released by Government through PONTEX. Further, PONTEX fixes the price for the cloth produced by the societies based on yarn cost and wages and allows only 10 *per cent* on this cost for the administrative expenses of the societies. As the actual overheads of the societies were high, they were forced to obtain loan. Further, the release of yarn by PONTEX was based on market demand and closing stock of cloth available with it. Resultantly, during 1997-2002 470 Metric Tonnes (MT) of yarn were supplied to 5 societies against their requirement of 871 MT. This led to under-utilisation of capacity and consequent non-recovery of fixed expenses and further loss.

Government stated that the profit margin of Primary Weavers' Societies has since been increased to 11 *per cent* and the shortfall in supply of yarn was due to shortage of funds with PONTEX to manufacture cloth as Rs 4.26 crore was due to the apex society from Government. The fact remained that no remedial action had been taken to enable the societies to run profitably.

(ii) Functioning of PONFAB

PONFAB incurred loss due to high fixed cost

PONFAB is a major export-oriented Weaving Society having 2184 members. The details of production and sales are given below:

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Total number of Weavers	900	651	651	660	520
Quantity of yarn required (in MT)	113	82	82	83	65
Quantity of yarn purchased (in MT)	77	42	59	51	63
Value of production (Rupees in crore)	2.40	1.00	1.13	1.32	1.32
Value of sales (Rupees in crore)	0.91	1.82	2.64	2.29	2.04
Closing stock (Rupees in crore)	2.83	2.35	1.54	1.03	1.02
Fixed expenses (Rupees in lakh)	55.60	74.41	84.50	73.40	62.30
Loss (Rupees in lakh)	12.40	20.92	20.59	1.80	6.79

It could be seen that the quantity of yarn purchased was much less than requirement, resulting in curtailment of production. However, the sales turnover increased during the period due to clearance sale of stock. In spite of increased sales, PONFAB incurred loss due to high fixed expenses.

The fixed expenses of the Society including interest on cash credit was Rs 84.50 lakh during 1999-2000. To cover this fixed expense and to operate at a gross profit margin of 15 *per cent*, the total sales turnover needs to be about Rs 5.35 crore. As PONFAB would be able to achieve a maximum turnover of Rs 3 crore only even with 100 *per cent* capacity utilisation, it requested (May 2000) share capital assistance of Rs 2 crore from Government to reduce its interest liability and thereby fixed expenses. Government, however, released only Rs 44.55 lakh. It could be seen that though PONFAB procured adequate yarn, it could produce only cloth valuing Rs 1.32 crore during 2001-2002, the sale of which was insufficient to cover the fixed expenses. Further, despite curtailing its fixed expenses, it incurred loss in 2001-2002.

Government stated that the poor performance of PONFAB was due to reduction in its active membership and proposed to implement voluntary retirement scheme to reduce fixed cost.

(iii) Functioning of PONTEX

Poor marketing strategy by PONTEX

The performance of PONTEX during 1997-2002 was analysed and is given below:

(Rupees in crore)

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
Opening Stock	2.73	3.74	4.12	4.45	3.73
Purchases	4.80	5.74	5.48	5.91	5.88
Total	7.53	9.48	9.60	10.36	9.61
Closing Stock	3.74	4.12	4.45	3.73	3.72
Value of goods sold	3.79	5.36	5.15	6.63	5.89
Sales value	6.06	8.41	7.78	9.77	8.63
Margin earned (*per cent*)	2.27 (60)	3.05 (57)	2.63 (51)	3.14 (47)	2.74 (47)
Loss	0.17	0.55	0.70	0.89	0.67

It could be seen that though the margin earned over its cost ranged between 60 and 47 *per cent*, PONTEX continued to incur loss indicating its high overheads. Instead of taking corrective measures to reduce the overheads, PONTEX attributed the continued loss to the glut in the market and stated that the export potential had declined after 1996-97. It was, however, seen that the Indian export of cotton handloom fabrics had increased from Rs 206.80 crore in 1999-2000 to Rs 496.47 crore in 2001-2002. In physical terms, export of dhoties had increased by 106 *per cent* and lungies by 40 *per cent* during 2001-2002 over the previous year. Thus, PONTEX failed to take advantage of the market conditions.

Government attributed the high overhead cost to interest on borrowings and slump in lungi market. It was proposed to expand retail marketing network to improve the sale of lungis.

(iv) Poor marketing of handloom products

The Annual Report of the Handloom Export Promotion Council for 2000-2001 mentions that the problem faced by handloom industry in marketing products is high cost of production and low productivity, which can be remedied by modernising looms, improving quality and developing new products which could not be replicated by other sectors. Government of India (GOI) had been extending necessary assistance in this regard but neither RCS nor the apex body had given any lead in the matter and had not taken any steps to improve productivity and quality and to develop new products.

No initiative taken by RCS to improve the performance of Handloom Sector

As the marketing function of the Societies was not effective, the number of active weavers, which stood at 3278 in 1997-98 declined to 2075 in 2001-2002. The average wage earned by the weaver was Rs 29, Rs 20, Rs 27, Rs 32 and Rs 34 per day during these years respectively. The release of government assistance without analysing the causes for the poor performance of the Societies had not helped PONTEX in tiding over the problems.

Government stated that the RCS assisted in improving the performance of Handloom Sector by procuring lungis and towels for free distribution schemes of Government and asking weavers to maintain quality and developing new varieties. However, the steps taken have not been fruitful so far.

3.1.5.2 Functioning of the Spinning Mills

(i) JPCOSPIN

Mill established without assessing manpower availability resulted in under-utilisation of capacity

JPCOSPIN was established to create employment opportunities for the people in the rural areas of Karaikal with Government share capital of Rs 12.71 crore and bank loan of Rs 12.80 crore. The Mill which has a production capacity of 2807 MTs of yarn, commenced production in July 1997 but could achieve a maximum utilisation of 64 *per cent* only, which resulted in loss. As the Mill was established with loan assistance from bank, it approached the Government for increase of share capital to repay the loan, and thereby reduce the interest burden. The details are as follows:

(Rupees in crore)

Year	Share capital assistance during the years	Amount utilised to repay bank loan	Expenditure on interest	Loss incurred
1997-1998	0.75	0.63	2.42	1.75
1998-1999	2.30	1.34	2.48	3.00
1999-2000	1.50	1.17	2.09	1.86
2000-2001	0.75	1.17	1.88	2.45
2001-2002	1.25	0.88	1.77	2.58
Total	**6.55**	**5.19**	**10.64**	**11.64**

The Mill continued to avail cash credit for working capital requirement which led to increasing losses. The accumulated loss of the Mill as of March 2002 was Rs 16.03 crore as against the share capital of Rs 19.35 crore, of which Government share was Rs 19.26 crore.

The project report of the Mill had envisaged employment of 395 workers for achieving full production. The Mill, which had employed 486 workers during 1997-98, could employ only 297, 307 and 333 workers in the years 2000, 2001 and 2002 respectively mainly due to labour shortage in the area. The average number of workers who reported for work during these years was much less due to large absenteeism especially during the agricultural season, which indicated that the rural population required mainly seasonal employment. The Mill was started with the objective of providing employment to these people without considering this fact. As a result, the Mill could not function to its full capacity and no alternative solution for the problem has been identified. Continued investment of funds in the Mill was unproductive.

Government stated (October 2002) that the Mill initiated recruitment process to augment the strength of workers and has 72 trainees out of 365 workers at present. The Mill also closed labour intensive reeling sections and would utilise the labour for achieving full production capacity. By obtaining share capital to clear the entire loan liability, the Mill would run profitably. The fact, however, remains that the Mill remained afflicted by labour shortage due to its locational disadvantage.

(ii) SPINCO

No help by SPINCO to weavers of UT

SPINCO was established in 1984 mainly to meet the Hank yarn needs of Primary Weavers' Co-operative Societies. SPINCO supplied yarn at concessional price to PONTEX till 1996-97 and thereafter it withdrew the concession due to financial constraints. The Mill increased the spindle capacity from 25,080 to 35,160 in 1996-97 and increased the production of yarn from 1715 MTs in 1997-98 to 1908 MTs in 2001-2002. However, the production of Hank yarn declined from 588 MT in 1997-98 to 284 MT in 2001-2002. Government stated that cost of production of Hank yarn was very high and it could not afford the sale of this yarn to PONTEX and PONFAB at subsidised rate. Thus, SPINCO did not fulfil the primary objective of meeting yarn requirement of Primary Weavers' Co-operative Societies.

The Mill was earning profit till 1997-98 and thereafter it started incurring losses. The Mill requested RCS for share capital assistance of Rs 2 crore in May 2000 for modernisation and Government released Rs 37.50 lakh in June 2000. The Mill utilised only Rs 5.92 lakh for purchase of machinery and the balance for working capital. Thus, SPINCO was yet to find a solution to improve its performance.

3.1.5.3 Functioning of PSCWS

Poor performance of wholesale stores

PSCWS is one of the two wholesale stores which purchases consumer goods from State Co-operative Consumer Federation and sells them through its branches and 46 Fair Price Shops (FPS). The stores has 27,447 individuals and 111 societies as members and incurred Rs 4.64 crore loss as of March 2002 mainly due to high overheads and low profit margin. Poor sales turnover in FPS also contributed to the loss. Share capital assistance of Rs 3.82 crore provided during 1997-2002 could not revive the stores as this amount was used for settling earlier liabilities. The voluntary retirement scheme introduced by the stores did not yield the desired result and the proposal for diversification into cooking gas dealership and liquor trade had not materialised so far.

Government stated that the Stores is working out all possibilities to wipe out the accumulated loss by opening new self-service outlets, transferring FPS to a newly formed society and obtaining licence for sale of Indian Made Foreign liquor.

3.1.5.4 Credit Sector

(i) Government provides assistance by way of loan and subsidy for purchase of tractors by Agricultural Credit Societies and also subsidises the hire charges payable by the farmers. The claim for reimbursement of hire charges made by the Societies to RCS revealed that different rates of hire charges were claimed during the same year. The claims were not supported by copies of bills. There were no guidelines for claiming the hire charges and the Societies fixed the rates of hire charges for different activities with reference to the extent of land and not on the number of hours of use. In all, Rs 34.50 lakh were paid as subsidy during 1999-2002.

Government contended that fixing uniform rate of hire charges was not feasible as it depended on market rates prevailing in various areas. The contention is not tenable as the Public Works Department has fixed such hourly rates for its Machinery and Equipment.

Land Development Bank could not provide credit facility to farmers due to poor recovery of loan

(ii) Pondicherry Co-operative Central Land Development Bank Limited extended long term credit to agriculturists by obtaining financial assistance from National Bank for Agricultural and Rural Development (NABARD), on the strength of GOI guarantee. Government had invested Rs 1.30 crore in the Bank (March 2002). The targets and achievements were as under:

	Physical (Number of loanees)		Financial (Rupees in lakh)	
Year	**Target**	**Achievement**	**Target**	**Achievement**
1997-1998	456	187	93.10	85.01
1998-1999	336	184	70.00	66.80
1999-2000	215	122	79.85	83.39
2000-2001	195	84	69.73	37.43
2001-2002	262	29	85.72	18.09

The poor achievement in 2000-2002 was due to stoppage of refinance facility by NABARD from 2000-2001 because GOI did not issue guarantee as there was huge overdue principal pending collection by the Bank. Rupees 1.12 crore of principal, Rs 0.55 crore of interest and Rs 0.51 crore of penal interest were overdue (March 2000). The Bank resolved (December 2000) to request the Government to waive the interest and penal interest to enable collection of the overdue principal and thereby obtain refinance facility to help the farmers. The Government agreed and after verification of facts released (January 2002) Rs 1.19 crore. The Bank stated (September 2002) that Rs 38.81 lakh thereof remained unspent. The delay in effecting recoveries resulted in stoppage of refinance facility, affecting extension of further credit facility to farmers.

3.1.6 Impact Assessment

Primary objectives of the Department not achieved

The status of co-operative movement in UT revealed that though the total number of societies remained static during the period 1997-2001, the membership declined from 5.75 lakh to 4.08 lakh. Out of 690 registered societies, only 429 societies were functioning (March 2001). Of this, 252 societies were running at a loss. Out of 177 profit making societies, 135 were under Credit, Dairy and Housing Sectors wherein the Government investment was only Rs 4.84 crore, a mere 7 *per cent*. Further, the Department earned Rs 14.20 lakh as dividend during 2001-2002 as against an investment of Rs 74.68 crore in 311 societies. 29 societies had been liquidated during 1999-2001 and 70 societies were in the process of liquidation (March 2002).

Government stated that the financial assistance was provided to loss making weaker societies and Handloom Sector. However, the loss making societies which had major share of government assistance have not been strengthened to enable them to become self-supporting.

Apex institutions were administered mainly by the officers of the Department. 69 *per cent* of Societies managed by administrators were running at a loss whereas only 49 *per cent* of Societies managed by elected bodies were running on loss. Government stated that the loss-making Societies which were run by administrators belong to weaker section and were affected by poor marketing, heavy establishment and heavy pendency in recovering loans and assured to conduct elections to all Societies.

The co-operative movement which was spearheaded by the Co-operation Department has slackened due to the failure of the Department to review, evaluate and assist the Societies in various sectors in terms of their actual need. The Department had assumed minimal role and arranged for funds occasionally and partially to the Societies.

3.2 Implementation of Information Technology Policy (Planning and Research Department)

Highlights

The scheme of computerisation was taken up without an overall plan and as a result, procurement of computers alone was emphasised. The Departments created database for their individual requirement and its adaptability to the requirement of other departments such as Planning and Research Department was not considered. The Relational Data Base Management System required for standardisation of data was not implemented. The Information Technology Policy formulated in December 1999 was circulated to the departments for implementation without overall direction. The task force constituted to evaluate the policy and evolve new strategies for implementation, did not function at all. Many schemes of Information Technology Policy have not been taken up. Even the Centre for Advanced Studies in Information Technology was dissolved prematurely without assigning its responsibilities to any other agency. Thus, the implementation of computerisation scheme and the Information Technology Policy had not served the basic objectives of accelerating the Government machinery in creating necessary inputs for policy formulation.

The significant points noticed are given below:

Out of Rs 12.44 crore shown as spent during 1997-2002, Rs 4.96 crore remained unspent and Rs 0.43 crore was wasteful and unproductive.

(Paragraph 3.2.4)

- There was no overall planning and Information Technology Department was not established till June 2002.

(Paragraph 3.2.5)

- Standardisation of data was not done as the Relational Data Base Management System was not introduced and only 13 *per cent* of staff were trained in the use of computer.

(Paragraph 3.2.6.1(ii) and (v))

- Excess expenditure of Rs 9.90 lakh in purchase of computers was noticed in three instances and the dissolution of Centre for Advanced Studies in Information Technology rendered the expenditure of Rs 31 lakh unproductive.

(Paragraph 3.2.6.1 (viii) and 3.2.6.2)

- No records were maintained on the movement of computers and computers costing Rs 4.78 lakh were found missing.

(Paragraph 3.2.6.4(i))

- The scheme was not evaluated after March 1995.

(Paragraph 3.2.8)

3.2.1 Introduction

To improve efficiency of Government in a systematic and phased manner, Government implemented the scheme 'Computerisation in various departments/offices' from 1986-87 onwards for generating and providing information inputs to enable policy formulation. The departments were procuring computer hardware and software for efficient management of their activities under various schemes. In December 1999, Government announced Information Technology (IT) Policy which aimed at a comprehensive programme to make the Union Territory (UT) a forerunner in the field of IT. The policy enumerated the basic objectives under six sectors.

(i) **Government:** Making the Government machinery citizen friendly by facilitating transparency, efficiency and quick decision making in the administration.

(ii) **Education:** Imparting IT training in order to increase IT literacy and creation of trained manpower.

(iii) **Industry:** Creating a healthy investment environment and encourage and accelerate the growth of IT related industries with attractive policies.

(iv) **Public:** Providing the common man an easy access to information in all spheres of life.

(v) **Information Infrastructure:** Establishing a good information communication infrastructure in the UT.

(vi) **Organisational Structure:** Creating an organisational structure to achieve the above objectives by the year 2005.

The policy envisaged 18 schemes at a total outlay of Rs 28.95 crore (Appendix 14) under two categories viz., short term (3 years) and long term (5 years). The schemes except 'Centre for Advanced Studies in IT' (CASIT) were not implemented separately and expenditure was incurred under the existing scheme of computerisation in various departments/ offices.

3.2.2 Organisational structure

The Director, Planning and Research (P&R) Department who implemented 'Computerisation' scheme was incharge of the implementation of the IT Policy, assisted by one Evaluation Officer. The State Informatics Officer (SIO), National Informatics Centre (NIC), appointed by Government of India (GOI) for setting up the computer-communication network (NICNET) for transfer of information to Planning Commission, provided 'Decision Support and Management Information System' to the UT Government free of charge. The Government established a separate IT Department in July 2002.

3.2.3 Audit coverage

The implementation of the 'Computerisation' scheme during 1997-2002 and the IT policy from 1999-2002 was reviewed in the Directorate of P&R, Chief Secretariat and 15 out of 48 departments during January 2002 to June 2002. The points noticed are furnished in the succeeding paragraphs.

3.2.4 Finance

The expenditure incurred by the P&R Department under the scheme 'Computerisation' and under the new scheme 'Assistance to CASIT', taken up under IT Policy and the expenditure incurred by other departments towards purchase of computers and accessories under Plan and Non-plan during the years 1997-2002 are furnished below:

(Rupees in lakh)

Year	Planning and Research Department			Other Departments				Grand total
	Non-plan	Plan	Total	Non-plan	Plan	CSS**	Total	
1997-1998	9.21	15.00	24.21	2.08	47.20	--	49.28	73.49
1998-1999	9.60	46.83	56.43	--	23.82	0.17	23.99	80.42
1999-2000	9.85	315.67	325.52	1.83	41.68	6.62	50.13	375.65
2000-2001	10.75	303.07*	313.82	18.35	123.83	21.23	163.41	477.23
2001-2002	11.99	143.55*	155.54	12.87	66.86	1.64	81.37	236.91
Total	**51.40**	**824.12**	**875.52**	**35.13**	**303.39**	**29.66**	**368.18**	**1243.70**

*** includes grants-in-aid to CASIT**
**** Centrally Sponsored Scheme**

The following observations are made :

Unspent grants and unnecessary advance payment to the extent of Rs 4.96 crore

(i)(a) The Plan expenditure of the P&R Department during 1999-2002 included grants-in-aid of Rs 4.58 crore to CASIT Society. After spending Rs 0.80 crore on creation of infrastructure, the Society was dissolved in

March 2002 and the unspent balance of Rs 3.78 crore and the interest of Rs 0.33 crore earned were transferred (March 2002) to Pondicherry Engineering College, without the approval of Government and Legislature. Government ordered (July 2002) refund of the amount after audit pointed out this.

(b) Pondicherry Electronics Limited (PELECON) was the nodal agency for providing computer training to students. The Education Department had to make payment to PELECON annually. As the courses commenced in October/November 2001, only one instalment was payable during 2001-2002. However, PELECON was paid Rs 129.85 lakh instead of Rs 32.46 lakh during that year.

(c) Out of Rs 32 lakh released to ten Commune Panchayats by Local Administration Department during 1997-2000 for computerisation, Rs 19.24 lakh were kept unutilised (March 2002). Similarly, Rs 2 lakh drawn by Pondicherry Pollution Control Committee in March 2000 were kept unutilised (March 2002).

Wasteful and unproductive expenditure of Rs 42.87 lakh

(ii)(a) Computer peripherals and software purchased at a cost of Rs 12.98 lakh during the years 1998-2002 remained unutilised for the reasons furnished in Appendix 15.

(b) All the Ministers and Members of Legislative Assembly (MLAs) were provided with computers during 1998-2000. However, without obtaining the computers back from them, new computers were purchased and supplied to the new members in the year 2001 including those who were re-elected. The wasteful expenditure on 35 computers was Rs 23.09 lakh. Government stated (October 2002) that action is being taken to take back the computers from MLAs at the earliest.

(c) Against 18 computers sanctioned by Government under Rajiv Gandhi National Drinking Water Mission Project, Public Health Division purchased (March 2001) 35 computers and distributed 17 computers to field officers not implementing the scheme. The excess expenditure of Rs 6.80 lakh was irregular.

3.2.5 Planning

During 1986-97, the scheme of computerisation was monitored by Finance Department through Electronic Data Processing (EDP) centre. In July 1997, the work was transferred to P&R Department without the transfer of EDP centre. However, the P&R Department attended to only purchase of computers on behalf of various departments without involving itself in any planning. Even after the formulation of IT Policy, the IT Department which was to act as nodal agency was not established till June 2002 on the ground that GOI approval for creation of the post of Director was not received. The task force, constituted in January 2001, to evaluate the policy and evolve new strategies for its implementation did not function at all.

3.2.6 Implementation

3.2.6.1 Computerisation

Database created was not used in policy formulation

(i) Each department evolved software in consultation with NIC to suit their individual requirement without considering its adaptability to the requirement of P&R Department and created database in respect of a few schemes implemented by them. The data required for periodical review meetings were sent only in printed forms for compilation. Thus, no systematic approach was evolved and the database created was not helpful in policy formulation.

Standardisation of data was not done

(ii) In September 1999, the Government decided that standardisation of database is of prime importance and for this, Relational Data Base Management System (RDBMS) should be developed atleast in five departments initially. The RDBMS has not been developed so far. Though RDBMS package was purchased (cost: Rs 3 lakh) for Director of Accounts and Treasuries (DAT) for Budgetary Control in March 1999 and the data ported to RDBMS, it was not put to use as the computers purchased for this purpose were diverted. The Director, P&R Department stated that the work was not taken up due to shortage of manpower.

(iii) Only 35 out of 48 departments have computerised the payroll. Details collected from 14 departments revealed that computerisation was not done for personnel management in nine departments.

Non-computerisation of identified areas

(iv) In February 1996, the areas to be computerised in the eleven sections in the Secretariat were identified. Of the 73 areas identified, only ten areas have been computerised (March 2002). Similarly, out of 43 functions proposed to be computerised by four departments[8], only 21 functions were computerised. The departments attributed lack of trained manpower as the main reason for shortfall. Government replied (October 2002) that it is proposed to computerise all sections in the Secretariat after completion of structured wiring.

Only 13 *per cent* of staff was trained in use of computer

(v) During 1999-2002, 80 officials were trained in software operation and 310 officials were trained in office automation. Only 13 *per cent* in the cadre from Lower Division Clerk to Superintendent were trained in office automation.

Infrastructure created was not put to use

(vi)(a) Government released in March 2000 Rs 1.5 lakh to Jawaharlal Nehru Institute for Post Graduate Medical Education and Research (JIPMER) for installing a video conference equipment to enhance the quality of patient care through a link with General Hospital (GH), Pondicherry. Though JIPMER installed the equipment and Integrated Services Digital Network (ISDN) was set up in December 1999, the video

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8 **Education, Adi-dravidar Welfare, Agriculture and Port Departments**

conference equipment was not provided to GH, Pondicherry till March 2002.

(b) Eight equipments were purchased for setting up video conferencing facility among the Secretaries and seven of them were installed in December 2000. Provision of this facility at a cost of Rs 4.17 lakh was unnecessary as the Secretaries were functioning in the same building.

(c) Though the departments were provided with modems, the transfer of information was not being effected through internet.

(vii) 44 computers were purchased for Police Department at a cost of Rs 32.84 lakh on single quotation from Hindustan Computers Limited (HCL) on the ground that National Crime Records Bureau (NCRB) supplied HCL hardware with the software for this purpose. It was, however, seen that NCRB furnished only the specifications of the computer without indicating the brand.

(viii) In respect of three cases mentioned in Appendix 16, the tender committee rejected lowest tenders on invalid reasons and selected expensive brand incurring extra expenditure of Rs 9.90 lakh.

3.2.6.2 Centre for Advanced Studies in IT

Unproductive expenditure of Rs 31 lakh

The IT Policy formulated by the Government envisaged the setting up of CASIT (i) to carry out Research and Development (ii) to offer a range of Master's programmes (iii) to help in implementing IT policy of the Government (iv) to undertake professional testing programmes and accredition of private training institutions and (v) to foster academic-industry linkages. The policy envisaged a total outlay of Rs 10 crore, of which, Rs 6.50 crore were to be released during 1999-2002 and the balance during 2002-2004. CASIT was expected to function on self-sustaining basis and encourage participation of National/Multinational Corporations and Non-Resident Indians.

Government established CASIT (February 2000) and released Rs 4.58 crore as grants-in-aid. Government also spent Rs 5.74 lakh on preparation of Project Report etc. The Institute started (September 2000) the Post-Graduate Degree Programme in Information Technology (PGDPIT) with 30 students, of which, 18 students were selected from UT. The Institute also spent Rs 66.34 lakh on equipment, furniture and computer accessories and Rs 25.26 lakh for modifying the building. Thereafter, the Institute approached University Grants Commission (UGC) for grant of Deemed University status, which was refused due to 60 *per cent* reservation of seats for candidates from UT. The Institute did not admit students for 2001-2002 and was dissolved in March 2002 on the ground that there had been a drastic decrease in the demand for IT professionals both in the country as well as abroad and the M.Tech programme in Computer Science introduced by Pondicherry Engineering College might be sufficient.

The following points were noticed:

(i) CASIT was created with an array of specific objectives set forth in the IT policy, but concentrated only on the creation of an institution for academic course and did not consider implementing other objectives. It was dissolved without assigning its responsibilities to any other agency.

(ii) CASIT commenced the course of PGDPIT without obtaining the approval of UGC or All India Council for Technical Education (AICTE) and taking into account their regulations. The fate of 30 students admitted to the course also hangs in balance as their degree is not recognised by AICTE or UGC. The expenditure of Rs 31 lakh on CASIT has become unproductive.

3.2.6.3 Other Schemes

The computerisation activities taken up by test-checked departments revealed the following:-

Non-transfer of surplus computers to High Schools

(i) The Education Department imparted computer education in 29 Higher Secondary Schools till March 2001 and thereafter, Government decided to impart computer education to all Higher Secondary Schools through PELECON. Six agencies were awarded the work for Rs 6.49 crore. The necessary infrastructure and computers were to be provided by the agencies. Consequently, 171 computer systems already available in the schools became redundant and no action has been taken to find alternative use for them. It was proposed to shift these systems to High Schools, but they had not yet been shifted (August 2002).

Deficiencies in software developed by DAT

(ii) The check of computerised functions in DAT in respect of voucher compilation, cheque writing and General Provident Fund (GPF) accounting disclosed deficiencies like differences between the amount accounted and actually paid, corrections in the monthly/annual accounts compiled without correcting the primary files, differences between the figures under the head of account '8005' in the voucher compilation software and those accounted in GPF Ledgers and incorrect interest calculation on GPF. The Director rectified the defects in the software except the difference between accounting package and GPF accounting software . There was a difference of Rs 19.18 lakh in credit and Rs 4.10 lakh in debit (March 2002).

Though there is a provision in the cheque writing software to compare the cheque amount and the amount paid by the bank, the reconciliation of paid cheques was not done from January 1998 onwards. The failure to carry out the reconciliation would lead to non-detection of misappropriations. Further, though the GPF audit software was evolved for passing the bills after pre-audit, there were minus balances in the ledger accounts at the end of the year. DAT agreed that there were 18 cases of overpayment of Rs 1.67 lakh and addressed the departments for recovery.

(iii) Though the EDP centre pointed out that the software developed by Government Maternity Hospital had deficiencies like absence of provisions for entering details of infants, blood group, particulars of patients, disease classification on the pattern of World Health Organisation code of diseases, data retrieval based on disease code, 6 digit code for operation database for blood donors etc., the deficiencies were not rectified (May 2002).

3.2.6.4 Other points of interest

Missing computers

(i) The physical verification conducted in February 2001 indicated that out of 92 computers and 220 peripherals, only 49 computers and 111 peripherals could be located. 38 computers and 77 peripherals were reported to have been kept in residences[9]. 5 computers and 32 peripherals costing Rs 4.78 lakh were found missing. The movement of computers was not watched and the records of P&R Department revealed that 34 computers, 39 printers and 25 Uninterrupted Power Supply Systems were purchased and supplied to seven Secretaries and one Personal Assistant to Chief Secretary. Government stated (October 2002) that the audit observation has been taken note of for future guidance.

(ii) Though two Laptops returned by two Ex-Ministers were kept in P&R Department, a new Laptop was purchased for State Election Commissioner in March 2002 for Rs 1.12 lakh. Further, four Laptops costing Rs 4.73 lakh were not received back from former Ministers. While replying, Government had not furnished any reasons for not supplying the Laptop obtained from Ex-Ministers to State Election Commissioner and stated that action would be taken to get back the Laptop from former Ministers.

(iii) The sections in the Secretariat were provided with computers only from May 2002 to July 2002, which are yet to be used. Similarly, though five areas of application were identified for computerisation in Legislative Assembly Department in January 1988, this could not be taken up due to inadequate space.

3.2.7 Achievement of short-term objectives in the IT Policy

The short-term objectives envisaged in the IT Policy but not achieved by March 2002 are furnished below:

Short- term target	Achievement
Government	
(i) Government to initiate action towards the standardisation of basic data which ensures the manageability, portability and interoperability of systems across the departments.	Standardisation of basic data was yet to be done for want of adequate trained manpower.

[9] **Parliamentary Secretary, Personal Secretary to Chief Secretary and Members of Legislative Assembly**

Short- term target	Achievement
(ii) Each Department in the Government has to prepare a five year IT plan with prioritisation of applications, to create a visible impact on citizens at large.	Out of the test-checked departments, the Civil Supplies Department alone has prepared a three year IT Plan. P&R Department called for the plan only in April 2002 and Port, Economics and Statistics, Public Works, Regional Electoral Officer, Yanam, Agriculture, Election, Science and Technology and Forest departments (Eight out of 48 departments) had furnished the plans.
(iii) 2 *per cent* of the budget to be earmarked for IT usage in the Government for purchase of IT products, training and services.	Though P&R Department issued instructions in June 2000 to provide 2 *per cent* of budget allocation to IT related expenditure, no separate provision has been made in the budget except under computerisation sector. The percentage of allocation made by each department towards IT products etc., could not be ensured as it was spent under 'Office Expenses' of the related budget.
Education	
(i) Specific courses to be launched to provide project management and software marketing skills.	Details not furnished.
(ii) Computers and Internet access to be made available in all degree level institutions.	As the modalities of usage of internet by the students has not yet been finalised, the internet access was not made available to the degree level college students.
(iii) Enhancing the quality of IT training offered by private institutes through an accredition programme.	Not done as this item was to be attended to by CASIT which was dissolved.
Industries	
(i) Training Institutions for Hardware, Software, Services and Maintenance to be deemed as "Industries" and should be eligible for all facilities offered to Industries including Bank Finance and Small Scale Industries. Certification for software training to be governed by existing standards prescribed by the Department of Electronics, Government of India.	Not notified as declared units.
(ii) Priority in sanctioning and servicing of power at industrial rates.	Government order issued only in May 2002.
(iii) Private sector Software Technology Parks to be encouraged.	No such activities noticed.

Short- term target	Achievement
(iv) Relaxation of Floor Space Index to IT parks to the extent of 50 *per cent* to be given.	Relaxation of Floor Area Ratio to the extent of 50 *per cent* to the units set up outside urban areas given in May 2002. However, separate order giving details of the areas in which the above concession would be available was yet to be released.
(v) A venture capital fund to be established for IT related Industries.	The Pondicherry Industrial Promotion Development and Investment Corporation Limited will formulate and implement a venture capital/seed capital assistance.
(vi) Assistance to be sought from Department of Telecommunications, GOI, and Videsh Sanchar Nigam Limited for expanding IT specific telecom facilities on warfooting and ensuring high-speed international data connectivity.	Details not available.
(vii) 50 *per cent* subsidy for installation of captive generation sets by IT industries subject to a maximum of Rs 15 lakh to be given.	50 *per cent* subsidy subject to a maximum of Rs 5 lakh was notified in May 2002.
Public	
(i) Internet access nodes to be opened at all regions, blocks and commune levels.	Not yet opened.
(ii) The IT trained ex-servicemen to be utilised for IT penetration in the rural areas.	Not yet implemented.

3.2.8 Impact assessment

The implementation of the Computerisation scheme was evaluated in March 1995 by Finance Department identifying the areas to be computerised and the deficiencies to be rectified. Subsequent to transfer of this scheme to P&R Department and the formation of IT Policy in December 1999, the work of evaluation was entrusted to Economics and Statistics Department. However, no evaluation was carried out.

Though the scheme of Computerisation was implemented from 1986-87 onwards, the aim of creating adequate database and standardisation were not achieved at the time of introduction of IT Policy. In a National Seminar on ‘Data Warehousing in Government’ conducted in April 1999, the Department highlighted the deficiencies in the existing set up in the UT including the reliability of the data, inordinate delay in compilation and publication, the slow pace of computerisation, lack of proper training to update skill of personnel engaged in data handling etc. Yet, no perceptible improvement in the nature of data handling was noticed and the implementation of IT policy was yet to take off.

Government took note of the audit observations and stated (October 2002) that separate IT Department was established by drawing one professor from Pondicherry Engineering College on honorary basis to work as Director. Action has been initiated by IT Department in August 2002 for appointment of a consultant to undertake a system requirement study for the implementation of IT related activities and nine firms were shortlisted. The consultant would be appointed to prepare the blue print for laying IT back bone for Government Departments in Pondicherry region and for introduction of 'e-governance' in 16 departments and by the end of March 2003, a master plan would be ready for implementation.

SECTION – B

AUDIT PARAGRAPHS

AGRICULTURE DEPARTMENT

KRISHI VIGYAN KENDRA

3.3 Unproductive expenditure

The failure of the Krishi Vigyan Kendra to create necessary technical posts for the Bio-control laboratory rendered the expenditure of Rs 81.90 lakh largely unproductive.

Government of India (GOI) sanctioned (November 1994) Rs 30 lakh for building and Rs 20 lakh for equipment for establishing a Bio-control Laboratory (Lab) under the control of Krishi Vigyan Kendra (KVK), Pondicherry, a registered society.

GOI released Rs 50 lakh in instalments by February 1997 and the construction was completed in July 1997. A consultant was appointed (November 1997) for advising on manpower and equipment required. Bio-control agents were produced on experimental basis during 1999-2001. KVK did not fix the annual capacity of the Lab and targets fixed were inadequate to the needs.

In this connection, the following observations were made:

(i) The building work, recruitment of technicians and procurement of equipment were not dovetailed to enable the lab to become functional on completion of building. The consultant was appointed only in November 1997 after completion of building (July 1997) and electricity was provided only in March 1998. The equipment were procured in phases over 26 months after completion of building and seven of the nine posts of technician and supporting staff recommended by the consultant were not filled up. Even the two technicians appointed were untrained.

(ii) KVK was to cater to the needs of 25,000 hectares (ha) of cultivated land but the production of bio-control agents and biopesticides during 1999-2002 could meet the needs of only 1500 ha. Besides, the bioagents for groundnut, cotton, black gram, etc were not produced during these years.

Thus, the project was handled inefficiently over a period of seven years without any efforts for co-ordination. The expenditure of Rs 81.90 lakh remained largely unproductive as bio-control agents were produced only on experimental basis and not on large scale.

Government stated (October 2002) that the minimum manpower required for trial production was employed during 1999-2001 and full production potential of the Lab would be achieved during 2002-2003 after recruiting necessary technical staff. It was, however, seen that the production target for 2002-2003 would cover only 680 ha through bio-control agents and 4320 ha through biopesticides against the total cultivated area of 25,000 ha. The Lab has been largely unproductive even after five years of establishment.

EDUCATION DEPARTMENT

3.4 Strengthening of Technician Education Project – Phase II

The objective of increasing the capacity and improving the quality of education and management in three Polytechnics of the Union Territory of Pondicherry was not largely achieved. The infrastructure created was not put to optimum use and no schemes were implemented to improve the quality of education and management.

Government of India (GOI) entered into an agreement with International Development Association (IDA) to provide assistance for the project 'Strengthening of Technician Education Project – Phase II' (Project) to expand the capacity of Polytechnics and improve the management, operations and the quality of Polytechnic Programme.

The Government of Pondicherry implemented the Project from October 1992 through the Pondicherry Institute of Post-Matric Technical Education (PIPMATE), a registered society. A State Project Implementing Unit (SPIU) headed by a Project Director was formed in August 1995 in PIPMATE to implement the Project. The Project which covered one Government Polytechnic - Motilal Nehru Government Polytechnic (MNGP) and two Polytechnics under the control of PIPMATE (Women's Polytechnic, Pondicherry and Karaikal Polytechnic, Karaikal) was implemented at a cost of Rs 19.91 crore. Test-check of the Project revealed the following:

A. Financial performance

The financial performance of PIPMATE in respect of the project is as under:

Funds provided by Government during 1992-2000	:	Rs 23.33 crore
Expenditure incurred on the Project	:	Rs 19.91 crore
Claims for reimbursement preferred with IDA	:	Rs 17.10 crore
Claims admitted by IDA	:	Rs 16.78 crore
Reimbursement actually received from GOI as Grant (Rs 5.70 crore) and Loan (Rs 3.07 crore)	:	Rs 8.77 crore

The following observations are made:

(i) PIPMATE appropriated Rs 3.42 crore for its own activities. Government stated (October 2002) that the grants were released under the budget allocation of Education Department and hence cannot be treated as diversion. This contention was not tenable as funds were released by Education Department for implementing the Project.

(ii) The amount reimbursed by IDA to GOI was not released to the Union Territory (UT) Government. Only in January 1999, the matter was raised with GOI. It was decided that the claims admitted by IDA from April 1999 would be released by GOI. Consequently, Rs 8.77 crore was released by GOI and Government of Pondicherry had to forego Rs 8.01 crore incurred by it on the project. The Secretary, Education Department contended (October 2002) that PIPMATE was not instructed to follow up the receipt of amount claimed till the end of 1998. The poor co-ordination between Finance and Education departments resulted in non-release of Rs 8.01 crore by GOI.

(iii) It was seen that machinery valuing Rs 28.67 lakh purchased during September 1997 to September 1999 for MNGP were not installed as of July 2002 for want of space.

B. Physical performance

The objectives of the 14 schemes implemented under three sectors and achievements thereof are given in Appendix 17. The following observations are made:

(i) Capacity expansion

Though infrastructure has been created at a cost of Rs 17.17 crore, new courses as contemplated have not been commenced (July 2002). The Project Report contemplated an increase in capacity in the three Polytechnics from 310 (9 courses) to 780 (27 courses), whereas the actual capacity was only 529 (15 courses) during 2001-2002. Incidentally, it was noticed that the admissions to the courses were not made with reference to infrastructure created but based on the number of applicants. The approval of Director of Technical Education and Training, Chennai (DTE&T) for the actual admissions was obtained later. During 2001-2002, 224 students were admitted in 5 courses for which infrastructure was available only for 160 students. Further, though infrastructure was created for 12 new courses for 290 students, these courses were not introduced. Government stated (October 2002) that these new courses were not introduced due to paucity of funds. The non-commencement of courses contemplated in the Project resulted in under-utilisation of infrastructure created.

(ii) Quality improvement

Though infrastructure has been developed, there was huge shortfall in providing long term training to faculty members and various systems and centres proposed to improve the quality of education were not established. The pass percentage in MNGP which was 76 and 72 during 1997-98 and 1998-99 declined to 57, 64 and 49 during 1999-2002. Government stated that poor pass percentage was due to students securing high marks in SSLC not preferring diploma courses, change of medium of instruction to English at diploma level and introduction of new syllabus. However, the low pass percentages reflected the quality of education imparted.

(iii) Efficiency improvement

There is a common Directorate of Education for primary school to Collegiate/Professional Education. This hampers the growth of technical education. The Project proposed establishment of SPIU, Director of Technical Education, Board of Technical Education, Industry-Institute Interaction Cell and Maintenance Cell. SPIU alone was established and the other institutions were not established. Government stated that Rs 25 lakh was provided in budget for 2002-2003 for establishing Directorate of Technical and Higher Education. Failure to restructure the department after incurring Rs 80.07 lakh on buildings, etc., indicated poor planning. The Polytechnics in the UT continue to depend on DTE&T, Chennai for sanctioning intake of students, development of curriculum, conduct of examinations, etc. PIPMATE also informed that industrial training and placement are being looked after by the faculties of the Polytechnics under their control.

Conclusion

From the above, it is seen that out of Rs 19.91 crore spent on the Project, Rs 17.17 crore was incurred on creating infrastructure like building, furniture and equipment. However, the aim of improving the capacity of polytechnics and improving the efficiency of education were not fulfilled. Thus, the Project had only improved the infrastructures of the three polytechnics without achieving the basic aim of improving the capacity, quality and efficiency.

POLICE DEPARTMENT

3.5 Avoidable establishment expenditure due to sanction of more posts than required

Against the requirement of 60 Police Constables for Mobile Units, the Department obtained sanction for 150 posts resulting in an avoidable expenditure of Rs 1.82 crore from July 1998 to June 2002.

The Senior Superintendent of Police (Crime and Investigation) proposed (July 1997) to set up Mobile Units in all the four regions of the Union Territory (UT) and sought creation of 10 posts of Assistant Sub-Inspectors, 30 posts of Head Constables (HC), 120 posts of Police Constables (PC) and 30 posts of drivers under the Plan scheme 'Modernisation of Police force'. The proposal did not indicate the number of units to be set up and the staff requirement for each unit. Government sanctioned 190 posts in October 1997.

The Department assessed (October 1997) the vacancies in the post of PCs as 223 which included 150 PCs for the Mobile Units[10] and recruited 176 persons in June 1998 and 41 persons in October 1999. After completion of the prescribed training, the PCs were posted to regular establishment in October 1999 and May 2001 respectively.

It was seen that as against 120 PCs and 30 HCs sanctioned for the Mobile Units, only 40 PCs and 20 HCs were deployed for the purpose. As such, the sanction and recruitment of 90 PCs/HCs was not justified and resulted in an avoidable expenditure of Rs 1.82 crore from July 1998 to June 2002, adopting the minimum of the pay scale and dearness allowance for the respective months.

Government contended (October 2002) that the actual deployment of force to man one Mobile Unit was 2 HCs and 4 PCs and for 10 Mobile Units for 3 shifts, the deployment was 60 HCs and 120 PCs. This contention was not tenable as the standing order for Police Control Room prescribed only two shifts. Also, the Motor Transport Officer stated in June 2002 that 2 HCs and 4 PCs were employed in each Mobile Unit indicating only 60 HCs/PCs were deployed for this purpose.

[10] **30 for filling up vacancies due to promotion of PCs to HCs**

SCIENCE, TECHNOLOGY AND ENVIRONMENT DEPARTMENT

3.6 Blocking of funds due to indiscriminate release of funds

The release of funds to the Pondicherry Council for Science and Technology without any requirement resulted in blocking of over Rs 72 lakh outside Government Account.

The Pondicherry Council for Science and Technology (Council) was registered as a Society in September 1998, with the object of identifying the areas for application of Science and Technology for development, to advise Government on the formulation of policies, to promote Science and Technology and effective co-ordination, to prepare Science and Technology plans, etc. The Memorandum of Association of the Council specifies that the funds for the Council shall comprise (i) Grants-in-aid from the Union Territory (UT) Government and Government of India (GOI), (ii) donations and contributions from other sources and (iii) any other income and receipt. The proposal of the Council for the creation of posts made in October 2000 was pending with Government (March 2002).

In spite of formation of the Council in September 1998 and non-creation of posts for functioning of the Council, the UT Government released Rs 76.87 lakh during 1995-2002, of which the Council spent Rs 4.63 lakh for meeting office expenses. Besides, the Council received Rs 13.75 lakh during 1999-2002 from GOI, of which Rs 4.79 lakh was spent. As of March 2002, the Council had a cash balance of Rs 84.66 lakh including interest. Thus, funds were released only to avoid lapse of budget grant, resulting in blocking of Rs 72.24 lakh of Government funds.

When pointed out, Government stated (August 2002) that though approval for setting up the Council was given in March 1996, it was set up in September 1998 due to administrative delay. Since all the projects contemplated by the Council required huge cost, grants were released to make the Council financially sound. Government also stated that Rs 40 lakh was paid in April 2002 towards acquisition of land and assured to utilise the balance amount shortly. The contentions of Government are not tenable as the grants were released under 'Office expenses' without any definite programme and the Council proposed (October 2001) to Government to purchase land for construction of building, without undertaking any of its intended activities. The Council has spent only Rs 9.42 lakh in 7 years, which shows that the Council has not commenced functioning.

GENERAL

3.7 Follow up action on earlier Audit Reports

(i) Outstanding Action Taken Notes

The Committee on Public Accounts (PAC) accepted the recommendations of the Shakdher Committee wherein it was recommended that (i) Departments were to furnish replies to the audit observations included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken by them, within a period of 3 months of the presentation of the Reports to the Union Territory Legislature (ii) A time limit of 3 months was prescribed for submission of Action Taken Notes on the recommendations of the PAC by the department. A review of the outstanding paragraphs revealed the following:

(a) Out of 125 paragraphs/reviews included in the Audit Reports upto 2000-2001, departmental replies in respect of 80 paragraphs/reviews, as detailed below, were not received as of September 2002.

Year	Number of paragraphs/ reviews in the Audit Report	Number of paragraphs/reviews for which replies not received
1997-98	35	11
1998-99	40	19
1999-2000	32	32
2000-2001	18	18
TOTAL	**125**	**80**

(b) The Government Departments had not taken any action as of September 2002 on 135 recommendations made by PAC in respect of Audit Reports of 1974-75 to 1990-91 (Appendix 18).

(ii) Action taken by the Government on the important system deficiency commented in the Audit Reports

According to Rule 58 of General Financial Rules (GFR), the Demand for Grants presented to the Legislature should include:

(a) Statement showing estimated strength of Establishment and provision therefor (both Non-plan and Plan) in the Budget, (b) Statement showing details of provision in the budget for grants-in-aid to Non-Government Bodies, (c) Works annexure indicating details of works costing Rs 10 lakh or above individually and (d) Statement giving details of provision in the budget for New service/New instrument of service.

In the Union Territory of Pondicherry, the Demands for Grants presented to the Legislature do not include the above statements. Though this was commented in the Audit Reports for the years 1999-2000 and 2000-2001, the Government continued to present the Demands for Grants for 2002-2003 without the above statements, which violates the provisions of GFR.

3.8 Misappropriation and losses

Cases of misappropriation of Government money, stores, etc., reported to Audit till the end of March 2002, on which final action was pending at the end of June 2002, were as under:

Serial number		Number of cases	Amount (Rupees in lakh)
1.	Cases reported to the end of March 2001 and outstanding at the end of June 2001	295	17.63
2.	Cases reported during the period from April 2001 to March 2002	27	1.77
3.	Cases closed during the period from July 2001 to June 2002	12	0.73
4.	Cases outstanding at the end of June 2002	310	18.67

The department-wise and year-wise analysis of the cases and their status as of June 2002 are indicated in Appendix 19. No amount was recovered/ written off pending completion of departmental/criminal action initiated.

In addition to the above cases, there was a specific case of fradulent withdrawal of Rs 17.97 lakh from the General Provident Fund (GPF) account of staff of Arignar Anna Government Arts College which is discussed below:

In January 2002, Government had made good the loss of Rs 17.97 lakh sustained by the staff of Arignar Anna Government Arts College, Karaikal due to fraudulent drawal from their GPF Account by the watchman of the College, during January 2000 to September 2000. The amount was drawn from the head "8550 - Civil Advances - 104 - Other Advances" and the ratification orders of Government of India for the withdrawal was not obtained.

The Regional Executive Officer, Karaikal stated (January 2001) that the watchman had prepared sanction orders by forging the signature of the Under Secretary, Education Department, prepared fake bills by forging the signature of Drawing and Disbursing Officer (DDO) and presented the same to the Deputy Director of Accounts and Treasuries (DDAT), Karaikal. On the strength of the forged authorisation, he had taken the cheques from

DDAT and encashed by forging the signature of the DDO. These bills did not find place either in Bill Drawn Register or Bill Transit Register.

Scrutiny revealed that the fraudulent drawal was made possible because the DDO utilised the services of the watchman as messenger to Treasury and Bank, though clerk and cashier were available for doing these duties. The DDAT admitted the bills received without Bill Transit Register and without ensuring the agreement of signature of DDO in the bill with his specimen signature and issued open cheques for amounts ranging from Rs 1.10 lakh to Rs 5.12 lakh in favour of DDO instead of crossed cheques in favour of subscribers. Only from January 2001, the DDAT began enforcing that the bills should accompany Bill Transit Register. The fraud requires further vigilance and police action.

Thus, the failure to follow the prescribed procedures by the DDO and DDAT resulted in the misappropriation of Government funds. Though the Department filed a criminal case against the delinquent official, no action was taken to freeze the assets created by him utilising the fraudulent money.

The matter was referred to Government in November 2002; reply had not been received (January 2003).