OVERVIEW

This Audit Report contains 13 Audit Paragraphs and 3 Audit Reviews apart from comments on the Finance and Appropriation Accounts. As per existing arrangement, copies of the Draft Audit Paragraphs and Draft Audit Reviews are sent to the concerned Secretary to the Union Territory Government by the Principal Accountant General demi-officially with a request to furnish replies within 6 weeks. The Secretaries are also reminded demi-officially by the Principal Accountant General for replies. However, despite such efforts, out of 13 Audit Paragraphs and 3 Reviews, no response was received for 4 Audit Paragraphs and 1 Review from the Secretaries concerned.

1 Finance Accounts of the Union Territory Government

Revenue receipts of the Government were Rs 1073 crore against which the revenue expenditure was Rs 1099 crore, resulting in a revenue deficit of Rs 26 crore.

Capital receipts of the Union Territory Government comprised Rs 193 crore from public debt and Rs 6 crore from recoveries of loans and advances. As against this, the expenditure comprised Rs 119 crore on capital outlay, Rs 7 crore on disbursement of loans and advances and Rs 54 crore on repayment of public debt. The excess receipt had partially offset the revenue deficit and limited the decrease in cash balance to Rs 7 crore.

Revenue receipts comprised tax revenue (Rs 268.59 crore), non-tax revenue (Rs 302.31 crore) and grants-in-aid from Government of India (Rs 501.69 crore). The increase compared to 2000-2001 was 13 *per cent*. The share of tax revenue in the revenue receipts was 25 *per cent*, non-tax revenue was 28 *per cent* and grants-in-aid was 47 *per cent*. The revenue receipts grew at an average annual rate of 20 *per cent* during 1997-2002.

Grants-in-aid from Government of India, which form major share of the revenue receipts, increased by 4 *per* cent compared to 1997-1998. Rupees 8 crore received in 2000-2001 for implementing Centrally Sponsored Schemes and kept in deposit account was taken as receipts of this year. However, Rs 12.24 crore received during this year from Government of India was transferred to deposit account at the end of the year. The grants obtained to cover non-plan deficit was Rs 362.25 crore, while the actual deficit was only Rs 281.63 crore; thus excess grant had been sought. In spite of receipt of excess grant, there was a revenue deficit of Rs 26 crore.

Revenue expenditure accounted for 86 *per cent* of total expenditure, and was up by 20 *per cent* during 2001-2002 compared to the previous year. Of this, the non-plan expenditure constituted 78 *per cent*. Interest payments increased by 94 *per cent* from Rs 52 crore in 1997-98 to Rs 101 crore in 2001-2002, pointing to increased debt burden.

The capital expenditure increased by 10 *per cent* in 2001-2002. The outstanding balance of loans and advances given by the Government was Rs 54.82 crore at the end of 2001-2002. There was no system of watching the recoveries of loans paid by Fisheries Department.

Total investment of the Union Territory Government in Public Sector Undertakings, Corporations and Co-operative Societies increased from Rs 402.71 crore in 2000-2001 to Rs 446.76 crore in 2001-2002. Return from these investments during 1997-98 to 2000-2001 was, however, meagre and declined from 0.20 to 0.16 *per cent*. Ten out of eleven companies with a total investment of Rs 358.13 crore had not paid any dividend during 2001-2002 and seven of these companies had not declared any dividend during the past eight to ten years.

Only 72 *per cent* of the loans and advances received from Government of India were available for use, the balance 28 *per cent* being utilised for repayments due. The outstanding loans and advances have been rising year after year and reached Rs 944.75 crore in 2001-2002. The fiscal deficit increased from Rs 89 crore in 2000-2001 to Rs 146 crore in 2001-2002 which was mainly met from borrowings from Government of India.

While the development expenditure on Capital and Plan was steadily declining from 1997-98 to 2001-2002, the expenditure on 'General services', which is unproductive, had increased during this period. In addition, there were wastages, diversion and blocking of funds on incomplete projects affecting the quality of expenditure.

(Paragraphs 1.3 to 1.11)

2 Appropriation Audit and control over expenditure

Appropriation Accounts present the details of amounts actually spent *vis-a-vis* the amount authorised by the Legislature. Audit of Appropriation Accounts revealed -

Supplementary provision of Rs 219 crore constituted 20 *per cent* of original budget provision. Supplementary provision of Rs 0.92 crore obtained in two grants was unnecessary as the expenditure was less than the original grant, while supplementary provision of Rs 167.80 crore made in 11 grants was excessive resulting in savings of Rs 9.59 crore.

In 121 sub-heads under 22 demands for grants, expenditure fell short by more than Rs 10 lakh and also by more than 10 *per cent* of the total provision resulting in savings of Rs 47.49 crore. In 71 sub-heads under

19 demands for grants, the expenditure exceeded the approved provision by more than Rs 10 lakh and also by more than 10 *per cent* of total provision.

In 12 sub-heads under 7 demands for grants, the re-appropriation of funds was found to be excessive or unnecessary or inadequate by over Rs 5 lakh.

Expenditure of Rs 3.64 crore was incurred on New Service/New Instrument of Service without the approval of the Legislature on 5 schemes over and above the budget provisions.

In 7 schemes, Rs 4.03 crore was drawn during 2001-2002 without any immediate requirement.

Review of budgetary procedure and control of expenditure followed by Public Works, Agriculture and Industries departments revealed that these departments did not follow the procedures prescribed in the Financial Rules.

(Paragraphs 2.1 to 2.4)

3 Integrated Audit of Co-operation Department

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.

The following are some of the significant points noticed in audit:

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.

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

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.

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

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)

4 Implementation of Information Technology Policy

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 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 following are some of the significant points noticed in Audit :

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.

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

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.

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

Computers costing Rs 4.78 lakh were found missing.

The scheme was not evaluated after March 1995.

(Paragraph 3.2)

5 Working of Pondicherry Adi-dravidar Development Corporation Limited

Pondicherry Adi-dravidar Development Corporation Limited was incorporated in September 1986 to undertake the task of economic upliftment of the members of Adi-dravidar community in the Union Territory of Pondicherry. A review of the activities of the Company during the period 1997-98 to 2001-2002 revealed the following:

As against the target to cover 5000 Adi-dravidar families during Ninth Plan period, only 2840 families were covered and average disbursement per beneficiary was even below the unit cost fixed by the Company for such assistance.

The benefits of training schemes implemented at a cost of Rs 1.22 crore from 1989-90 to 2000-2001 were not evaluated by the Company.

Disbursement of term loans under National Scheduled Castes and Scheduled Tribes Finance and Development Corporation Limited scheme was 18 to 48 *per cent* of the funds received. Recovery percentage of loans extended under this scheme came down from 50 *per cent* to 14 *per cent* of overdues.

(Paragraph 7.9)

6 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.

(Paragraph 3.4)

7 Functioning of Panchayati Raj Institutions in Union Territory of Pondicherry

Though the Pondicherry Village and Commune Panchayat Act was enacted in 1974, the object of democratic decentralisation of powers contemplated in the Act has not been achieved due to non-conduct of elections to Village/Commune Panchayats. The administration of the Act was through Special officers and Commissioners. The Panchayats functioned only as an extension of Government Department. Failure to revise the taxes and levies in time and to prescribe rules in respect of form of accounts, quantum of audit and certification of accounts indicate that inadequate importance was given to administration of Panchayat funds. Planning in selection of development works was inadequate and basic amenities to be provided were not identified.

(Paragraph 5.2)

8 Blocking of funds and unproductive expenditure

(i) Provision of funds without reference to any action plan and failure to consider the balance amount available before release of grants resulted in blocking of Rs 2.56 crore outside Government Account.

(Paragraph 5.4)

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

(Paragraph 3.3)

(iii) 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.

(Paragraph 3.6)

(iv) Pondicherry Housing Board purchased land without proper approach road and the expenditure of Rs 63.55 lakh remained unproductive.

(Paragraph 5.3)

9 Avoidable expenditure

(i) 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.

(Paragraph 3.5)

(ii) The Department incurred extra expenditure of Rs 42.32 lakh on improvement of a rural road without following specifications and without traffic demand/ potential.

(Paragraph 4.2)

(iii) Due to wrong computation of traffic intensity, the Thethampakkam road was improved and widened with higher specifications than those prescribed, resulting in an avoidable expenditure of Rs 24.92 lakh.

(Paragraph 4.1)

10 Working of Government Companies

As on 31 March 2002, there were eleven Government Companies (including one subsidiary company) in the Union Territory of Pondicherry with a total investment of Rs 404.34 crore (equity : Rs 379.81 crore, share application money : Rs 5.52 crore and long term loan : Rs 19.01 crore). Of the eleven Government Companies, eight companies had not finalised their accounts within the time schedule and the arrears ranged from one to five years. According to the latest finalised accounts of the eleven Government Companies, five Companies incurred aggregate loss of Rs 22.21 crore and five Companies earned aggregate profit of Rs 12.35 crore. In respect of one Company, the entire loss was met by the Government of Union Territory of Pondicherry.

(Paragraphs 7.2 and 7.3)