OVERVIEW

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This Audit Report contains 15 Audit Paragraphs and two 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 six weeks. The Secretaries are also reminded demi-officially by the Principal Accountant General for replies. No response was received for three Audit Paragraphs from the Secretaries concerned.

1 Finance Accounts of the Union Territory Government

The fiscal deficit has come down from Rs 146 crore in 2001-02 to Rs 113 crore in 2002-03 mainly because of receipt of more grants from Government of India to cover non-plan deficit in revenue account.

Though the mobilisation of revenue from own resources improved from 53 *per cent* to 58 *per cent* of revenue receipts during 1998-2003, there was steep decline in receipts from tax revenue against the peak attained in 2000-01. The receipt from sale of power (Rs 387.93 crore), which was 94 *per cent* of total non-tax revenue was offset by the expenditure of Rs 408 crore incurred on collection of this revenue. The Government depended on grant from Government of India for other revenue expenditure.

The overall revenue expenditure of Government grew from Rs 688.94 crore in 1998-99 to Rs 1151.31 crore in 2002-03. Of this, nearly 76 *per cent* was under non-plan, which did not contribute to development.

Fiscal liabilities grew from Rs 611.25 crore in 1998-99 to Rs 1113.25 crore in 2002-03. The interest rate on fiscal liabilities is higher than the rate of growth of Gross State Domestic Product during 2001-03, indicating poor debt sustainability. The net available borrowed funds after meeting repayment of loan and interest were not utilised for development during 1998-2003. During 2002-03, the revenue surplus and the net available borrowed funds contributed to increase in cash balance by Rs 55.61 crore, indicating unnecessary borrowing to this extent and consequent interest liability thereon.

(Paragraphs 1.1 to 1.14)

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 constituted 12 *per cent* of original budget provision. While supplementary provision of Rs 11.62 lakh obtained in four grants was unnecessary as the expenditure was less than the original grant, supplementary provision of Rs 85.99 crore made in eight grants was excessive resulting in savings of Rs 3.35 crore.

In 32 sub-heads under 15 demands for grants, expenditure fell short by more than Rs 50 lakh and also by more than 10 *per cent* of the total provision resulting in savings of Rs 50.93 crore. In 16 sub-heads under nine demands for grants, the expenditure exceeded the approved provision by more than Rs 50 lakh and also by more than 10 *per cent* of total provision.

In 14 sub-heads under 10 demands for grants, the re-appropriation of funds was found to be excessive or unnecessary or inadequate by over Rs 5 lakh.

Rupees 2.06 crore was spent over and above the budget provision on seven schemes without the approval of the Legislature on New Service/New Instrument of Service.

In seven schemes, Rs 67.43 lakh was drawn during 2002-03 without any immediate requirement.

Although there was no person nominated as Member of Legislative Assembly, funds were provided under 'Members of Legislative Assembly Local Area Development Scheme' for three nominated Members of Legislative Assembly and diverted to other purposes.

(Paragraphs 2.1 to 2.4)

3 Review of the functioning of Social Welfare and Women and Child Development departments

A review of the functioning of the Social Welfare and Women and Child Development departments revealed that the basic objective of welfare activities to uplift the weaker sections of society was not given adequate importance while formulating schemes. Even the schemes for the disabled and women, which aimed at providing means of employment through training and education, were ineffective. Only Social Security Schemes were given priority. The schemes implemented did not aim at long-term benefits in terms of uplifting the weaker sections.

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

There was an extra expenditure of Rs 27.55 lakh due to procurement of rice at higher rates.

Supply of rice free of cost to regions not declared as drought prone resulted in wasteful expenditure of Rs 43.78 lakh.

Selection of higher tender without justification in purchase of clothes for free distribution resulted in extra cost of Rs 1.34 crore.

Instead of closing Balwadi Centres and redeploying the excess staff in regular posts, fresh recruitments were made, resulting in avoidable expenditure of Rs 3.34 crore.

There was no facility for vocational training to Juveniles from VI standard onwards.

Distribution of rice and clothing by various departments to ineligible beneficiaries led to wasteful expenditure of Rs 6.08 crore.

(Paragraph 3.2)

4 Implementation of Drugs and Cosmetics Act, 1940

Government of India promulgated the Drugs and Cosmetics Act, 1940 and framed Drugs and Cosmetics Rules, 1945 to ensure manufacture, sale and distribution of drugs and cosmetics of prescribed standard and quality. The implementation of the Act in Union Territory did not match up to the expectations envisaged in the Act, Rules and instructions issued by Government of India. Inadequate manpower, lack of direction due to the absence of a Controlling Authority, insufficient infrastructure coupled with untrained Drug Analyst contributed to the poor performance under Drug Control in terms of inspection, sampling, testing and legal follow up. There was lack of co-ordination among the officials, non-availability of proper records and data and absence of monitoring.

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

Controlling Authority was not appointed to monitor and regulate the functions of Drug Inspectors. The manpower for enforcement was far below the norms suggested by Task Force. The Drug Testing Laboratory lacked adequate infrastructure and the Drug Analyst did not possess adequate experience required to be notified as Government Analyst under the Act.

Intelligence and legal machinery recommended by Task Force to combat spurious drugs was not set up.

Licences were issued for manufacturing Ayurvedic products based on the report of Drug Inspector, who did not have the prescribed qualification/training.

Licensing Authority had not monitored the issue/renewal of licences. There were delays in renewal of licences ranging from 6 months to 24 months. Additional fee for renewal of licences amounting to Rs 5.03 lakh was not collected.

The shortfall in number of inspections ranged from 32 to 64 *per cent* when compared to the norms.

The number of samples of drugs taken for testing was meagre and no cosmetic sample was taken. There was no follow up action in respect of drugs found to be sub-standard.

(Paragraph 3.1)

5 Implementation of Pondicherry School Education Act, 1987

A review of the implementation of Pondicherry School Education Act, 1987 and Rules framed thereunder revealed that recognition of schools and release of grants-in-aid were not made in consonance with the provisions of the Act and Rules. Pension was paid directly by the Department instead of by the schools. General Provident Fund accumulations were not invested to the advantage of the subscribers.

(Paragraph 3.3)

6 Performance of colleges imparting higher education

Dearth of regular qualified lecturers, lack of infrastructure and poor utilisation of infrastructure affected the performance of colleges. Casual lecturers were paid salary for vacation period. Aided colleges were paid grants without considering their revenue and the unspent grant. Contrary to Government advice, the Pondicherry Engineering College continued the General Provident Fund-cum-Pension Scheme for its employees.

(Paragraph 3.4)

7 Prevention and control of fire

Inadequate fire force was the primary cause for the inability to minimise loss of property due to fire. In the absence of a Fire Force Act and Rules, preventive measures were not given importance. As a result, the safety standards and the efficiency in control of fire envisaged in the recommendations of the Standing Fire Advisory Committee were not achieved.

(Paragraph 3.5)

8 Fraudulent payment

The Department recorded fictitious measurements without executing the works and made payments to the contractors for works not executed. The fraudulent payment in respect of three such works was Rs 53.49 lakh.

(Paragraph 4.1.1)

9 Overpayment

The failure of the Executive Engineer to ascertain the veracity of the claim, which included Excise Duty element with basic price, resulted in overpayment of Rs 16.73 lakh.

(Paragraph 4.2.1)

10 Avoidable/unfruitful expenditure

(i) The Department paid cash compensation to farmers affected by loss of production without verifying the veracity and genuineness of loss. Though there was production loss only in 1612 hectares, compensation was paid for 3989 hectares resulting in avoidable payment of Rs 89.14 lakh.

(Paragraph 4.3.1)

(ii) Rupees 43.46 lakh spent on the construction of Patrol Vessel remained unfruitful as the vessel did not meet the specifications.

(Paragraph 4.3.2)

11 Other points of interest

(i) The failure of the Planning Authority to prepare development plan for rural areas resulted in non-collection of development charges of Rs 2.33 crore and release of Rs 68.75 lakh as grants by Government to compensate the revenue loss to the Authority.

(Paragraph 4.4.4)

(ii) Delay in implementation of Government of India notification on enhancing the fees for various activities relating to registration of vehicles, etc., resulted in short-collection of fees of Rs 22.45 lakh.

(Paragraph 6.9)

(iii) Incorrect computation of Advance Income Tax resulted in avoidable interest payment of Rs 23.92 lakh by Pondicherry Distilleries Limited.

(Paragraph 7.16)

(iv) Inadequate preliminary investigation of the land taken over for setting up the Coir Growth Centre and the hasty action in releasing funds to developing agency resulted in avoidable interest loss of Rs 18.09 lakh.

(Paragraph 4.4.2)

(v) State Land Use Board failed to take up the required activities to solve the problem relating to the use of land. Government of India assistance of Rs 31.46 lakh was mainly used to meet the establishment charges.

(Paragraph 4.4.1)

(vi) Government of India fixed a target of construction of 3413 houses *per annum* for the poor under Two Million Housing Programme. Government had not followed the guidelines issued by Government of India for implementing the programme and treated the thatched houses, houses constructed for rental purpose and subsidies/loan released for construction of houses under other ongoing schemes as achievement under the programme.

(Paragraph 4.4.3)

(vii) The Internal Control System envisaged by the Administrative Reorganisation Committee was not implemented. Internal audit was not planned and the audit conducted was inadequate and ineffective.

(Paragraph 5.1)