

## CHAPTER IV

### AUDIT OF TRANSACTIONS

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

#### 4.1 Misappropriation

##### *ADI-DRAVIDAR WELFARE DEPARTMENT*

##### *4.1.1 Deficiency in distribution of scholarship*

**Deficiencies noticed in the system of drawal and release of scholarships to Scheduled Caste students led to widespread irregularities including misuse of funds.**

The Department draws amounts payable as scholarships to Scheduled Caste students studying in Government as well as private schools of the Union Territory and releases it to the respective Heads of schools for disbursement. At the time of receipt of the funds, the Heads of schools give temporary receipts to the Drawing and Disbursing Officer. These are followed by final acquittances to be sent by the Heads of Schools after disbursement of these scholarships to the beneficiary students. The receipt of acquittances is watched through a separate register by the Accounts Section. Test check of the records of the Department in Pondicherry region and 28 educational institutions disclosed the following:

- The Department is obtaining the funds on the basis of details of eligible students. The cashier draws the amount for release to the Heads of Schools. The cashier had not maintained the details of undisbursed scholarship lying with him and had not tallied it with cash on hand. Audit found that Rs 0.81 lakh drawn in 21 bills during 2002-04 were not released to the Heads of Schools.
- The Accounts Section of the Department entered the amount drawn (school-wise) in the register maintained to watch the receipt of acquittances. The acquittances received from the Heads of schools were being recorded in this register, but the register was not closed periodically to determine the pendency of receipt of acquittances from

various Heads of Schools who had been released the scholarship amount.

- Out of Rs 8.83 crore drawn during 1999-2001 and 2002-04<sup>14</sup>, acquittances for Rs 2.20 crore were not recorded in the register.
- Although acquittances for Rs 3.31 lakh relating to 2002-03 had been sent by the schools, these were shown as pending in the register.
- In 13 cases in five schools<sup>15</sup>, acquittances for Rs 90815 relating to February 1999 to March 2003 had not been sent (August 2004) by the Heads of Schools.
- The Headmasters of two schools contended that Rs 8815 were not received by them, though records of the Department indicated disbursement of this amount to them.
- The Principal, Thanthai Periyar Government Girls Higher Secondary School, Ariankuppam who received Rs 10750 during February 1999 to March 2001 disbursed only Rs 7860 to the students. The balance not disbursed was neither refunded to the Department nor shown in the cash balance of the school.
- The Head of Government Middle School, Ariankuppam, who received (April and June 2004) Rs 0.68 lakh neither disbursed the amount to students nor handed it over to the next incumbent when she was transferred (September 2004).
- The Principal of Bharathi Government Higher Secondary School, Bahour refunded Rs 1.55 lakh in April 2004. When Audit took up scrutiny, the cashier of the Department brought it into cashbook only in October 2004 and remitted it into Government Account.

The scheme of disbursement of scholarship was meant to promote education of needy scheduled caste students. The amount obtained by the Department was thus required to be given to the students through a proper system. In the light of deficiencies in the system of release to Heads of Schools and the lack of proper watch over its disbursement to the students, the extent to which benefits reached the students remained doubtful.

The matter was referred to Government in September 2004; reply had not been received (March 2005).

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<sup>14</sup> **The register for 2001-02 was not produced to Audit**

<sup>15</sup> **(1) Government Middle School, Nellithope; (2) Government High School, Sulthanpet; (3) Government Higher Secondary School, Oulgaret; (4) Thanthai Periyar Government Girls Higher Secondary School, Ariankuppam and (5) White Angels English High School, Kuyavarpalayam**

## 4.2 Wasteful expenditure

### *FISHERIES DEPARTMENT*

#### *4.2.1 Payment of assistance under Savings-cum-Relief scheme to ineligible fishermen*

**Cash assistance intended to help fishermen tide over financial difficulties during lean season was disbursed after the season. Besides, assistance of Rs 1.97 crore was given to ineligible persons.**

The Centrally Sponsored 'National Scheme of Welfare of Fishermen - Savings-cum-Relief scheme' implemented to assist marine fishermen during lean season provided for disbursement of Rs 1200 to the fishermen during the four lean months<sup>16</sup> @ Rs 300 per month (p.m.). This payment was financed by contribution of Rs 600 at the rate of Rs 75 p.m. for eight months by the beneficiary fishermen and Rs 600 by Government of India (GOI). The fishermen eligible under the scheme were those who (a) were engaged full time in fishing in the sea, (b) lived below poverty line, (c) did not own mechanised boat and (d) were below 60 years of age. The scheme enjoined that under no circumstances should the beneficiary contribution be collected in a lump sum or assistance be distributed in a lump sum. In the Union Territory (UT), the Government contributed Rs 200 out of the Rs 600 to be contributed by each fisherman.

The scheme contemplated entrustment of the work of collection of monthly contribution from fishermen and its remittance to Government to the fishermen's co-operative societies. However, the UT Government also entrusted the verification of eligibility conditions to such co-operatives. The amounts collected were kept in a nationalised bank to be drawn by the Director, Fisheries and distributed to the societies alongwith UT Government/GOI contributions.

Scrutiny of the records relating to the implementation of the scheme during 2001-04 revealed the following:

(i) The subscription from fishermen for the scheme was to be collected during February to September in Pondicherry, Karaikal and Yanam regions (East coast) and during September to April in Mahe region (West coast) so that the collection of subscription and the receipt of GOI and UT funds could be properly regulated so as to release the assistance during the lean months. However, every year the Department sent proposals for GOI contribution belatedly and received the first instalment from GOI during September – November. The UT Government share was released during September - March and the collections from the fishermen were remitted by the societies invariably in one lump sum during October to February. The

<sup>16</sup> East coast : October to January ; West coast : May to August

second instalment of GOI contribution was received belatedly. During 2001-04, the assistance was paid nearly five to 12 months after the lean period in respect of Mahe and after more than one to seven months in Pondicherry, Karaikal and Yanam. Thus, the assistance meant to help the fishermen tide over financial difficulties during lean months was paid in one lump sum after the lean period.

(ii) According to the statistical details furnished by the Director, Fisheries to the Director, Economics and Statistics Department (ESD), the active fishermen in the UT (both marine and inland fishermen) were 9871 as of March 2002 and 10372 as of March 2003. However, under the Savings-cum-Relief scheme meant for active marine fishermen, 12069 and 12610 fishermen (excluding women beneficiaries) were covered during the two years. This indicates release of assistance to ineligible fishermen. Thus with reference to the figures furnished to ESD, 4436 ineligible fishermen were given assistance of Rs 35.48 lakh during the two years.

(iii) The Director, Fisheries extended the scheme to 20273 women beneficiaries who were not involved in fishing during 2002-03 (9506) and 2003-04 (10767). Assistance of Rs 1.62 crore paid to them was inadmissible.

(iv) The Department did not monitor the release of the scheme funds to eligible beneficiaries by the societies. Test check disclosed the following:

- Out of 1813 beneficiaries, whose particulars were test checked in Audit, ration cards of 1021 beneficiaries could not be identified in the Civil Supplies Department on account of incomplete/wrong addresses. Consequently, the admissibility of the assistance given to these fishermen could not be verified in audit.
- Of the remaining 792 beneficiaries, 537 members belonged to Above Poverty Line families, two owned mechanised boats and 33 were above 60 years of age.
- Out of 123 fishermen who were registered with the Department as owners of mechanised boats, 90 were paid the assistance during 2001-03.
- Scrutiny of applications received for the new pension scheme proposed by the Department for fishermen revealed that 43 out of 50 applicants were above 60 years of age but had received assistance under the Savings-cum-Relief scheme.

Thus, test check of 965<sup>17</sup> beneficiaries revealed that 705<sup>18</sup> (73 per cent) were ineligible<sup>19</sup>. Consequently, assistance of Rs 11.28 lakh paid to them during 2001-03 was inadmissible.

On the non-verification of eligibility conditions being pointed out, the Deputy Director (Welfare) stated (March 2004) that the societies had been instructed (November 2003) to furnish a certificate regarding the fulfilment of eligibility conditions by the beneficiaries and to issue identity cards to them.

The matter was referred to Government in September 2004; reply had not been received (March 2005).

## **HEALTH DEPARTMENT**

### **4.2.2 Payment of medical assistance to ineligible beneficiaries**

**Failure to check the Below Poverty Line status of the applicants with family ration cards resulted in extending financial assistance of Rs 44.07 lakh to 51 ineligible persons.**

Under the instructions of Government of India (GOI), the Union Territory (UT) Government established the Pondicherry Medical Relief Society for Poor (Society) in April 1999 to provide financial assistance to patients living Below Poverty Line (BPL) suffering from major life threatening diseases. The Society received Rs 3.17 crore from the UT Government (Rs 2.67 crore) and GOI (Rs 50 lakh) and sanctioned assistance of Rs 3.11 crore to 443 persons (average: Rs 70203 per patient) as of August 2004.

To check the BPL status of the applicants, the Society required them to furnish income certificates from the Revenue Department, though this information is available in the ration card. The Society sanctioned assistance of Rs 87.44 lakh to 105 persons based on the certificates from the Revenue Department which indicated that their income was below Rs 15000 *per annum*. The photocopy of the ration card submitted by the applicants, as evidence of their residence had, however, categorised them as 'Above Poverty Line' with an income of more than Rs 15000. Out of these 105 beneficiaries, assistance of Rs 6.64 lakh was paid as advance for nine beneficiaries during November 2001 to January 2003 directly to the medical

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<sup>17</sup> 792 + 123 + 50 = 965

<sup>18</sup> 537 + 2 + 33 + 90 + 43 = 705

<sup>19</sup> Duplication of beneficiaries has been eliminated in the data

institutions where the treatment was to be taken. The final claims adjusting the advances had not been received till August 2004.

On the above being pointed out, Government stated (February 2005) that the upper limit of the BPL category was revised from Rs 15000 to Rs 24000 *per annum* with effect from 24 July 2002 and the beneficiaries were provided assistance on the basis of income certificates. The contention of the Government is not tenable, since 51 out of the 105 beneficiaries were given medical assistance of Rs 44.07 lakh even before 24 July 2002. In respect of the remaining 54 beneficiaries, the assistance was released after 24 July 2002 based on the income certificates issued by the Revenue Department wherein their annual income was certified as less than Rs 15000. As the income of these persons according to their ration card was more than Rs 15000, the accuracy of the certificate issued by Revenue Department is questionable. Accordingly, the eligibility of these 54 beneficiaries for assistance aggregating Rs 43.37 lakh was not established.

### **4.3 Undue favour to contractors**

#### ***PUBLIC WORKS DEPARTMENT***

##### ***4.3.1 Additional expenditure due to inappropriate adoption of rates***

**Payments made at rates prescribed for manual labour for works executed using machinery led to additional expenditure of Rs 38 lakh.**

Under the 'Tank Rehabilitation Project', the Department selected 84 tanks for rehabilitation and awarded the works to the registered Water Users Associations (Eri sangams) on nomination basis at estimated rates. The Department prepared the estimates for the works based on the Pondicherry Schedule of Rates (PSR) and made payments on level measurements. In respect of works executed during 1998-2003, Department adopted the PSR for building works (Rs 28.77 per cubic metre (cum)) for the item 'Excavation of rough earth' as there was no prescribed rate for irrigation works for this item. While building works are executed using manual labour, machinery is used in irrigation works. During 2003-04 the Department prescribed rates for this item for irrigation works in the PSR (Rs 24.58 per cum) and adopted it in the estimates relating to the Project. The rate analysis for this item included hire charges for excavator at Rs 1200 per hour.

Test check of 40 works executed during 1998-2003 revealed that the Eri sangams executed the works using machinery. Based on the hire charges

paid for machinery by the Eri sangams, the rate for this item using machinery worked out to Rs 20.46 per cum only. Payment at the rate of Rs 28.77 per cum to the Eri sangams led to additional expenditure of Rs 38 lakh<sup>20</sup> on excavation of 457333 cum of rough earth.

Government stated (December 2004) that there was no stipulation that the work should be carried out only by engaging manual labour and the Eri sangams had engaged machinery in order to obtain higher out-turn. This contention is not tenable as similar works awarded to contractors through tender, ranged up to 60 *per cent* below estimates based on PSR for building works. As the works were executed on nomination basis, the estimates should have been prepared with reference to machinery rate only.

## **EDUCATION DEPARTMENT**

### **4.3.2 Avoidable expenditure on purchase of uniforms**

**Failure of the Department to analyse the reasonableness of the rates quoted for uniforms resulted in avoidable expenditure to the tune of Rs 26.28 lakh.**

Under the scheme of 'Free supply of uniforms to poor school children' the Department supplies two sets of uniforms every year to all poor school children from Standard I to X. Based on Government instructions, uniforms were purchased from Pondicherry Textiles Corporation Limited (PTC), a state owned company, without calling for tenders. However, neither the Department nor the Government had evolved any system to verify the reasonableness of the rates quoted by the Government company on such purchases.

Scrutiny of the records relating to the purchase of uniforms during 2002-04 revealed that the PTC, while arriving at the price per set of uniforms had boosted it by adopting higher Central Excise rates than prescribed and by adding profit at varying percentages (ranging between 9.73 and 17.19). If the lowest profit margin of 10 *per cent* and the prescribed rates of 'Excise Duty' were adopted, the price would be lower than that quoted by PTC.

When pointed out, Government obtained (December 2004) a revised cost sheet from PTC justifying the rate and stated that profit margin also included various overheads such as cost of capital, packing, forwarding, transportation, etc. This contention is not tenable as

(i) there was no cost of working capital to PTC as the Department had paid 90 *per cent* of the cost of supply in advance,

<sup>20</sup> (Rs 28.77 - Rs 20.46) x 457333

(ii) the revised working sheet provided for transportation and profit at varying rates though all supplies were made to the same consignees and

(iii) Excise duty was calculated at the rate of 14 *per cent* for the year 2002-03, while the actual rate during that year was only 12 *per cent*.

If a reasonable profit margin of 10 *per cent* and the correct Excise Duty are adopted, the difference in the price per set of uniform for Standard I to X would range from Rs 12.48 to Rs 34.87 and Rs 10 to Rs 22.61 for the years 2002-03 and 2003-04 respectively (*vide* Appendix 15).

Incidentally, Audit scrutiny revealed that the Secretary (Education) had while finalising the rates for 2002-03 recorded that PTC was unable to offer competitive rates and the Department had to bear the cost of their inefficiency.

Thus, failure of the Department in accepting the prices as quoted by PTC without verifying their reasonableness resulted in avoidable extra expenditure of Rs 26.28 lakh.

#### **4.4 Avoidable/Unfruitful expenditure**

##### ***ADI-DRAVIDAR WELFARE, EDUCATION AND FISHERIES DEPARTMENTS***

##### ***4.4.1 Additional expenditure due to purchase of rice at higher rates***

**Instead of purchasing rice from the Food Corporation of India for implementing welfare schemes, three Departments procured it from open market resulting in additional expenditure of Rs 2.08 crore.**

Government of India (GOI) supplies rice through Food Corporation of India (FCI) for distribution to Below Poverty Line (BPL) families at subsidised rate and to others at higher rates (Above Poverty Line rate). GOI also permitted the use of rice supplied at subsidised rate for distribution to poor people during rainy days free of cost and also to orphanages, schools for handicapped children, old-age homes, hostels for Scheduled Caste/Scheduled Tribe (SC/ST) students etc. There was no restriction on the quantity for supply of rice without subsidy for other welfare schemes. While the Social Welfare and the Women and Child Development Departments procured rice at subsidised rates from FCI for supply free of cost to poor people and handicapped persons, the following departments procured rice from the open market at higher rates for implementing their schemes involving an additional expenditure of Rs 2.08 crore (Appendix 16).



(i) **Education Department:** Under the National Programme for Nutritional Support to Primary Education, GOI supplied rice at the rate of 100 grams per primary school student per day free of cost and paid FCI the cost of rice at the subsidised rate. The Department did not implement this scheme but utilised the rice supplied by GOI for their Mid-day Meals Scheme (MMS). As the Department implemented MMS for students up to X standard at 130 to 160 grams per student per day, it resorted to purchase of the additional requirement of rice from the open market. In as much as (a) the Department utilised subsidised rice supplied by GOI for MMS and (b) the Civil Supplies Department had not lifted huge stock of subsidised rice allotted by GOI during 2001-04 (10377 MT to 19967 MT) under Public Distribution System, the unlifted stock could have been utilised for MMS. This would have avoided the additional expenditure of Rs 1.39 crore involved in purchase of rice from the open market.

(ii) **Adi-dravidar Welfare Department:** GOI supplied 15 kilograms of food grains per resident student per month at subsidised rates to hostels having at least two thirds of the inmates belonging to SC/ST/Other Backward Classes. Though only SC students were staying in hostels run by the Department, it did not avail of this benefit but resorted to purchase of rice from open market at an additional cost of Rs 30.20 lakh on the plea that the inmates demanded good quality rice.

(iii) **Fisheries Department:** To mitigate the suffering of the fishermen during the period of ban on fishing in sea, the Department procured rice from FCI for distribution to fishermen in Mahe and Yanam. However, the fishermen in Pondicherry and Karaikal regions were supplied with rice purchased from the open market at additional cost of Rs 38.11 lakh on the ground that these fishermen refused to accept rice allotted by GOI. Test check conducted in Pondicherry region by Audit revealed that the fishermen were drawing rice supplied by GOI from ration shops for their regular requirement.

Thus, the above Departments failed to procure rice from GOI for their schemes on grounds of quality, though the same rice was procured from GOI and issued to beneficiaries under other schemes. Besides, the departments purchased rice in the open market at different rates.

The matter was referred to Government in September 2004; reply had not been received (March 2005).

## **EDUCATION DEPARTMENT**

### **4.4.2 Avoidable expenditure on purchase of school uniforms**

**Purchase of uniforms without considering the stock in hand resulted in avoidable expenditure of Rs 41.31 lakh.**

The Department proposed (July 2003) extending the scheme of free distribution of two sets of uniforms to poor students studying in XI and XII standards in Government Higher Secondary Schools to comply with the assurance given by the Honourable Chief Minister in his budget speech for 2003-04. The Government order for this extension was issued belatedly in September 2003 and the proposal (October 2003) to purchase stitched uniforms from Pondicherry Textile Corporation Limited was approved by Government in December 2003. Thereafter the uniforms were purchased for Rs 84.43 lakh. While uniforms to the students of XI standard were distributed in February and March 2004, these students were also supplied with uniforms during 2004-05 when they had reached XII standard. The uniforms for outgoing XII standard students were not distributed during 2003-04 in view of the forthcoming higher secondary examination. However, while purchasing uniforms for the year 2004-05, the Department failed to take into account the undistributed stock. Purchase of uniforms for XII standard students for 2004-05, when the stock for 2003-04 was available resulted in avoidable expenditure of Rs 41.31 lakh.

The matter was referred to Government in September 2004; reply had not been received (March 2005).

## **4.5 Blocking of funds**

### **FISHERIES DEPARTMENT**

#### **4.5.1 Implementation of housing schemes for fishermen**

**Failure of the beneficiaries to complete the construction of houses rendered the assistance of Rs 38.05 lakh released to them unproductive. Inordinate delay in the selection of beneficiaries under the centrally sponsored scheme resulted in the blocking of Rs 71.48 lakh.**

The Department implemented a housing and colonisation scheme for fishermen till 2000-01 and another 100 *per cent* Centrally Sponsored Scheme 'National Scheme of Welfare of Fishermen-Development of model fishermen's villages' providing assistance of Rs 35000 and Rs 40000

respectively to fishermen for construction of houses. Audit scrutiny revealed the following:

### **Housing and Colonisation for Fishermen**

Under the scheme the Department drew Rs 1.86 crore during March 1999 to February 2001 and deposited the money with Fishermen's Co-operative Federation/Marketing Unions for disbursement to eligible fishermen in three instalments based on progress of construction. The Federation and the Union released only Rs 1.38 crore by March 2004 to 514 fishermen. Of this, only 285 beneficiaries completed the construction. Though more than three years elapsed against the limit of one year for completion of construction, the remaining 229 beneficiaries did not complete the construction, and received only one instalment or two. Consequently, the assistance of Rs 38.05 lakh released to them became unfruitful.

Government stated (November 2004) that the slow progress in construction of houses was due to the meagre assistance rendered under the scheme compared to the cost of construction and the poor financial status of the beneficiaries. This reply was not acceptable since the subsidy was to be released after checking on progress of construction at different stages and if the procedure had been observed correctly, there should have been fewer cases of default.

### **National Scheme of Welfare of Fishermen**

Under this scheme, the UT Government received Rs 91.58 lakh from GOI in February 2002 to provide assistance to 225 fishermen for construction of houses. The Department released the amount to Pondicherry Fishermen Co-operative Federation Limited in March 2002 though the amount was to be released only after selection of beneficiaries. Further, though there were 730 eligible applicants identified on the basis of applications received in July 2002 (396) and April 2003 (333), the Department selected 510 of them provisionally only in June 2004. In the meantime, the Federation released Rs 20.10 lakh to 56 fishermen who were victims of fire accidents. Release of funds even before selection of beneficiaries and the delay in selection in spite of availability of eligible applicants resulted in locking up of Rs 71.48 lakh with the Federation.

Government clarified (November 2004) that due to problems like genuineness of the land documents, etc., encountered during field enquiry, the Department issued revised guidelines in June 2003 and after field enquiry, the selection was made. Thus, due to drawal of funds even before selection of beneficiaries and inordinate delay in issuing revised guidelines, Government funds of Rs 71.48 lakh remained outside the Government account for over two years.

## **4.6 General**

### ***4.6.1 Follow up action on earlier Audit Reports/ Inspection Reports***

(A) The Committee on Public Accounts (PAC) accepted the recommendations of the Shakhder Committee which recommended (i) that 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 three months of the presentation of the Reports to the Union Territory Legislature and (ii) a time limit of three months for submission of Action Taken Notes on the recommendations of the PAC by the departments. A review of the outstanding paragraphs revealed the following:

(a) Out of 33 paragraphs/reviews included in the Audit Reports (16 relating to 2001-02 and 17 relating to 2002-03), departmental replies were not received for 18 paragraphs/ review (2001-02 : 1 and 2002-03 : 17) as of September 2004.

(b) The Government departments had not taken any action as of September 2004 on 481 recommendations made by PAC in respect of Audit Reports of 1977-78 to 1999-2000 (Appendix 17).

#### ***(B) Outstanding Inspection Reports***

A total of 665 Inspection Reports containing 2422 paragraphs relating to the period 1991-92 to 2003-04 were outstanding as of June 2004. Of this, 213 Inspection Reports containing 447 paragraphs were pending for more than five years.