Report of the
Comptroller and Auditor General of India

for the year ended March 2014

Government of the Union Territory of Puducherry
Report No. 1 of 2015

TABLE OF CONTENTS

PREFACE

This Report for the year ended March 2014 has been prepared for submission to the Lieutenant Governor under Section 49 of the Government of Union Territories Act, 1963.

The Report contains significant results of the performance audit and compliance audit of the Departments of the Government of Union Territory of Puducherry under the General, Social and Economic (including revenue) services including Departments of Adi-dravidar Welfare, Agriculture, Civil Supplies and Consumer Affairs, Commercial Taxes, Co-operation, Education, Electricity, Fisheries and Fishermen Welfare, Health and Family Welfare, Home, Industries and Commerce, Law, Local Administration, Port, Public Works, Revenue and Disaster Management, Stationery and Printing, Town and Country Planning, Transport and Tourism. However, Departments of Animal Husbandry and Animal Welfare, Art and Culture, Election, Information Technology, Labour and Employment, Planning and Research, Rural Development, Science, Technology and Environment, Social Welfare and Women and Child Development are not covered in this report.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2013-14 as well as those which came to notice in earlier years, but could not be reported in the previous Audit Reports; instances relating to the period subsequent to 2013-14 have also been included, wherever necessary.

The audit has been conducted in conformity with the Auditing Standards issued by the Comptroller and Auditor General of India.

CHAPTER I

INTRODUCTION

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INTRODUCTION

1.1 About this Report[*]

This Report of the Comptroller and Auditor General of India (C&AG) on Government of the Union Territory of Puducherry relates to matters arising from Performance Audit of selected programmes and activities and Compliance Audit of Government departments, Government companies and autonomous bodies.

The primary purpose of the Report is to bring to the notice of the Union Territory Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The audit findings are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

Compliance Audit refers to examination of the transactions relating to expenditure, receipt, assets and liabilities of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by the competent authorities are being complied with.

Performance Audit examines whether the objectives of an organization, programme or scheme have been achieved economically, efficiently and effectively.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected schemes, significant audit observations made during the audit of transactions and follow-up on the previous Audit Reports. Chapter-II of this Report contains findings arising out of Performance Audit of selected programmes/activities/departments. Chapter-III contains observations on Compliance Audit in Government departments and autonomous bodies. Chapter-IV contains findings arising out of audit of revenue receipts of the Union Territory and Chapter-V contains findings arising out of audit of commercial and trading activities of the Union Territory (UT).

The cases mentioned in this Report are among those which came to notice in the course of test audit of accounts during the year 2013-14 as well as those which had come to notice in earlier years but could not be included in

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[*] Abbreviations used in this report are listed in the Glossary at Page 84

the previous Reports. Matters relating to the period subsequent to 2013-14 have also been included, wherever possible.

1.2 Profile of audited entity

There are 30 departments in the UT at the Secretariat level, headed by Development Commissioners/Secretaries, who are assisted by Directors and subordinate officers under them. There are 13 Government companies and 81 autonomous bodies. These entities are audited by the Principal Accountant General (General and Social Sector Audit), Tamil Nadu and Puducherry and the Accountant General (Economic and Revenue Sector Audit), Tamil Nadu.

The comparative position of receipts of the UT Government and expenditure incurred by the Government during the year 2013-14 and in the preceding two years is given in **Tables 1 and 2** below.

Table 1: Comparative position of receipts

(₹ in crore)

Receipts	2011-12	2012-13	2013-14
Revenue receipts	**2,771**	**3,146**	**4,308**
Tax revenue	1,329	1,917	1,904
Non-tax revenue	153	118	1,193
Grants-in-aid and contributions	1,289	1,111	1,211
Capital receipts	**Nil**	**Nil**	**Nil**
Recovery of loans and advances	**4**	**3**	**3**
Public Debt receipts	**788**	**529**	**750**
Public Account receipts	**1,059**	**715**	**911**
Total receipts	**4,622**	**4,393**	**5,972**

(Source: Finance Accounts of UT of Puducherry)

Table 2: Comparative position of expenditure

(₹ in crore)

Expenditure	2011-12			2012-13			2013-14		
	Non-plan	Plan	Total	Non-plan	Plan	Total	Non-plan	Plan	Total
Revenue expenditure									
General services	933	35	968	1,100	39	1,139	1,191	44	1,235
Social services	649	849	1,498	571	681	1,252	653	1,008	1,661
Economic services	369	383	752	391	264	655	1,283	299	1,582
Grants-in-aid and contributions	4	Nil	4	5	Nil	5	5	Nil	5
Total	**1,955**	**1,267**	**3,222**	**2,067**	**984**	**3,051**	**3,132**	**1,351**	**4,483**
Capital Expenditure									
Capital expenditure	(-)6	381	375	6	309	315	6	356	362
Loans and advances disbursed	2	Nil	2	1	Nil	1	1	Nil	1
Repayment of public debt	106	51	157	126	62	188	128	76	204
Contingency fund	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Public account disbursements	*	*	795	*	*	717	*	*	709
Total	**102**	**432**	**1,329**	**133**	**62**	**1,221**	**135**	**432**	**1,276**
Grand Total	**2,057**	**1,699**	**4,551**	**2,200**	**1,355**	**4,272**	**3,267**	**1,783**	**5,759**

(Source: Finance Accounts of UT of Puducherry)

* Bifurcation of Non-Plan and Plan not available

1.3 Authority for audit

The authority for audit by the C&AG is derived from Article 149 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure and receipts of the departments of Government of Union Territory of Puducherry under Sections 13[1] and 16[2] of the C&AG's (DPC) Act. He is the sole auditor in respect of 17 autonomous bodies which are audited under sections 19(2)[3] and 20(1)[4] of the C&AG's (DPC) Act. In

[1] Audit of (a) all expenditure from the Consolidated Fund of UT having a legislative assembly, (b) all transactions relating to the Contingency Fund and Public Accounts and (c) all trading, manufacturing, profit & loss accounts, balance sheets and other subsidiary accounts kept in Government departments

[2] Audit of all receipts which are payable into the Consolidated Fund of UT having legislative assembly

[3] Audit of accounts of corporations established by or under law made by Parliament

[4] Audit of accounts of a body or authority at the request of the President or the Administrator of UT having a legislative assembly

addition, the C&AG conducts audit of 64 other autonomous bodies, under Section 14[5] of the C&AG's (DPC) Act, which are substantially funded by the Government. The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the C&AG as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the C&AG as per provisions of Section 619 of the Companies Act, 1956. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various departments and corporations/companies of Government based on expenditure incurred, revenue collected, criticality, complexity of activities, level of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports containing audit findings are issued to the heads of the departments/corporations/companies. The departments/ corporations/companies are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. Important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Report, which is submitted to the Lieutenant Governor of the Union Territory under Article 149 of the Constitution of India and Section 49 of the Union Territories Act, 1963.

During 2013-14, 181 units of various departments/organisations/ companies/corporations were audited for Compliance Audits and Performance Audits, against 169 units planned.

[5] Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of UT having legislative assembly

1.5 Significant audit observations

In the last few years, Audit has reported on several significant deficiencies in implementation of various programmes/activities through Performance Audits as well as on the quality of internal controls in selected departments which impact the success of programmes and functioning of the departments. Similarly, deficiencies noticed during Compliance Audit of the Government departments/organisations are also reported upon.

1.5.1 Performance Audit of programmes/activities

The present Report contains a Performance Audit. The highlights of audit findings are given in the following paragraphs.

1.5.1.1 Performance Audit on 'Implementation of Public Distribution System in the Union Territory of Puducherry '

The Public Distribution System (PDS) was implemented in Union Territory of Puducherry with the aim of providing essential commodities to the poor at subsidised rate. Performance Audit on implementation of PDS was conducted to assess the effectiveness of Civil Supplies and Consumer Affairs Department in identifying eligible beneficiaries, supply of ration goods in timely manner, adequacy of financial arrangements and proper monitoring system to ensure proper distribution of food grains and to avoid diversion of essential goods. Performance Audit revealed the following significant findings:

Though Government of India (GOI) had identified only 83,600 Below Poverty Line (BPL) families as eligible for coverage under PDS with entitlement of 35 kg of food grains per family, the Union Territory Government identified more number of BPL families (1,44,658) leading to scaling down of rice entitlement of BPL families in order to match food grains allotment by GOI.

The Firm selected for implementation of Smart Ration Card system was not technically qualified resulting in delayed implementation. Follow up action for removing ineligible cards identified for enrollment under Smart Ration Card was incomplete.

Diversion of kerosene allotted under PDS was noticed while wheat was not supplied to beneficiaries in Yanam region despite availability of allocation.

Shortfall in inspection of Fair Price Shops was noticed and the State, District and Block level vigilance committees were not formed.

(Paragraph 2.1)

1.5.2 Compliance Audit

Audit of financial transactions test-checked in various departments of the Government, their field offices and Government companies revealed instances of loss of revenue, wasteful/avoidable expenditure, blocking of funds and other irregularities. Some of the important audit findings are given below:

Failure to provide sufficient funds to meet the expenditure of construction of Medical College buildings resulted in avoidable payment of interest of ₹ 2.35 crore to the contractor on belated payments.

(Paragraph 3.1.1)

Purchase of land falling under Coastal Regulatory Zone for establishing a residential school resulted in unfruitful expenditure of ₹ 13.64 crore.

(Paragraph 3.1.2)

Failure of Slum Clearance Board in providing clear site, free access and to get revised structural design in time for construction of tenements resulted in unfruitful expenditure of ₹ 32.03 lakh.

(Paragraph 3.1.3)

Issue of pattas and release of assistance for construction of houses to landless labourers even before completion of land acquisition proceedings and subsequent termination of these proceedings resulted in unfruitful expenditure of ₹ 28.40 lakh.

(Paragraph 3.1.4)

1.5.3 Revenue receipts

1.5.3.1 Audit of functioning of Transport Department

The Audit of Transport Department of Union Territory of Puducherry was undertaken to study the effectiveness of the functioning of the Department in terms of working of check posts, levy of tax and compliance with the various provisions of the Acts/Rules. The Audit revealed the following significant findings:

The non-implementation of basic function of enforcement of check posts resulted in possibility of unauthorised operation of vehicles within the State and violations of other provisions of the MVT Act. The usage of dual software in running the day-to-day functions of the Department resulted in improper projection of data with consequent effect of Department not being able to determine the validity of permits or fitness of the transport vehicles during collection of tax. The number of authorised Pollution testing centres was meagre in comparison with the number of vehicles being registered.

The functioning of Road Safety Council, as well as the Road Safety Cell in implementing and monitoring road safety activities needs to be strengthened as the number of accidents had shown an increasing trend. The absence of an internal audit wing, during the period of audit, indicates poor internal control mechanism to ensure effective functioning of the department.

(Paragraph 4.10)

1.5.4 Commercial and trading activities

Audit of Government companies is governed by Section 619 of the Companies Act, 1956. The accounts of the Government companies are audited by Statutory Auditors appointed by C&AG. These accounts are also subject to supplementary audit conducted by C&AG. As on 31 March 2014, the Union Territory of Puducherry had 13 working PSUs, which employed 5,765 employees. These PSUs registered a turnover of ₹ 378.86 crore as per the latest finalised accounts. This turnover was equal to 1.80 *per cent* of State GDP for the year 2013-14. The PSUs incurred an overall loss of ₹ 32.17 crore and had accumulated losses of ₹ 490.12 crore as per their latest finalised accounts.

As on 31 March 2014, the investment (capital and long term loans) in all 13 PSUs was ₹ 714.98 crore. It grew by 2.28 *per cent* from ₹ 699.02 crore in 2009-10 to ₹ 714.98 crore in 2013-14. Financing and Manufacturing sectors accounted for 18.95 *per cent* and 56.29 *per cent* respectively of total investment in 2013-14. The Government contributed ₹ 114.72 crore towards equity, loans and grants during 2013-14.

As per the latest finalised accounts, three PSUs earned a profit of ₹ 14.30 crore and nine PSUs incurred loss of ₹ 46.47 crore. The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. The PSUs can discharge their role efficiently if they are financially prudent. There is a need for professionalism and accountability in functioning of PSUs. Thirteen PSUs had arrears of 34 accounts as of September 2014. Arrears need to be cleared by setting targets for PSUs and expediting the work relating to preparation of accounts.

(Paragraph 5.1)

The Company's failure to contribute employer's contribution at concessional rate under employees' provident fund scheme resulted in extra payment of ₹ 2.72 crore.

(Paragraph 5.2)

1.6 Response to Audit

Twelve Draft Paragraphs (DPs) and a Performance Audit (PA) were forwarded demi-officially to the Development Commissioners/Secretaries of the departments concerned between June 2014 and January 2015 with the request to send their responses within six weeks. Government replies have been received in respect of PA and five DPs. The replies, wherever received, have been suitably incorporated in the Report.

A review of the Inspection Reports (IRs) issued upto 31 March 2014 revealed that 3,586 paras relating to 934 IRs remained outstanding at the end of June 2014 **(Appendix 1.1)**.

1.7 Follow up on the Audit Reports

The Committee on Public Accounts (PAC) prescribed a time limit of three months for the departments for furnishing replies to the audit observations included in the Audit Reports indicating the corrective/remedial action taken or proposed to be taken by them and for submission of Action Taken Notes on the recommendations of the PAC by the departments. The pendency of paragraphs/recommendations for which replies/Action Taken Notes had not been received is as follows:

(a) Out of 63 paragraphs included in the Audit Reports relating to the years from 2009-10 to 2012-13, departmental replies were not received for 26 paragraphs as of December 2014.

(b) Government departments had not furnished Action Taken Notes as of December 2014 on 318 recommendations made by the PAC in respect of Audit Reports pertaining to the period 1988-89 to 2008-09.

CHAPTER II

PERFORMANCE AUDIT

CHAPTER II

This chapter contains Performance Audit on 'Implementation of Public Distribution System in the Union Territory of Puducherry'.

CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

2.1 Performance Audit on 'Implementation of Public Distribution System in the Union Territory of Puducherry'

Executive Summary

The Public Distribution System (PDS) was implemented in Union Territory of Puducherry with the aim of providing essential commodities to the poor at subsidised rate. Performance Audit on implementation of PDS was conducted to assess the effectiveness of Civil Supplies and Consumer Affairs Department in identifying eligible beneficiaries, supply of ration goods in timely manner, adequacy of financial arrangements and proper monitoring system to ensure proper distribution of food grains and to avoid diversion of essential goods. Performance Audit revealed the following significant audit findings:

Though Government of India (GOI) had identified only 83,600 Below Poverty Line (BPL) families as eligible for coverage under PDS with entitlement of 35 kg of food grains per family, the Union Territory Government identified more number of BPL families (1,44,658) leading to scaling down of rice entitlement of BPL families in order to match food grains allotment by GOI.

The Firm selected for implementation of Smart Ration Card system was not technically qualified resulting in delayed implementation. Follow up action for removing ineligible cards identified for enrollment under Smart Ration Card was incomplete.

Diversion of kerosene allotted under PDS was noticed while wheat was not supplied to beneficiaries in Yanam region despite availability of allocation.

Shortfall in inspection of Fair Price Shops was noticed and the State, District and Block level vigilance committees were not formed.

2.1.1 Introduction

The Union Territory (UT) Government introduced "Targeted Public Distribution System" (TPDS) with effect from June 1997, which envisaged that every family would be entitled to a certain quantity[1] of food grains at prescribed scales at specially subsidised prices. GOI also fixed the scale of issue to Antyodaya Anna Yojana (Poorest of poor) (AAY) families at 35 kg of food grains per family per month. This quantity is issued as rice or wheat or combination of both. With a view to provide food security to all, the UT government introduced Universal Public Distribution System (UPDS) with effect from January 2010 under which Below Poverty Line (BPL) families would get rice free of cost. Further UT Government also procured Single Boiled Rice (SBR) from open market and supplied 10 kg of rice free of cost to all cardholders in Puducherry and Karaikal regions with effect from November 2013. The distribution of ration goods *viz*., rice, wheat, sugar and kerosene was done through 516 Fair Price Shops (FPS) to 3,32,268[2] ration card holders.

2.1.2 Organisational set up

The Civil Supplies and Consumer Affairs Department is headed by the Secretary to Government. Director of Civil Supplies and Consumer Affairs (DCS) is the administrative head of the Department and is responsible for implementation of PDS. The Deputy Director, Karaikal and the Regional Administrators of Mahe and Yanam are the Heads of Office for Civil Supplies units in respective regions. The UT government had nominated Puducherry Agro Products, Food And Civil Supplies Corporation Limited (PAPSCO), a Government Company and M/s Yanam Co-operative Stores Ltd. (YCSL) as authorized agencies for lifting and transporting food grains from the Food Corporation of India (FCI) based on the permits issued by Department and delivery of ration goods to FPS.

2.1.3 Audit Objectives

The Performance Audit was conducted to evaluate whether

- the financial management was effective and economical to ensure that adequate food grains were lifted and only eligible beneficiaries were covered under PDS
- the system for identification of beneficiaries ensured issue of ration cards only to eligible families
- the system prescribed by the department for allocation, lifting, storage arrangements was effective and transparent to ensure

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1 Every BPL and AAY family is entitled to 35 kg of food grains

2 1,12,458 BPL, 32,200 AAY and 1,87,610 APL cards

availability of food grains at FPS and PDS items were distributed at specified quantities/rates in timely manner

- monitoring arrangements were adequate to ensure issue of food grains to all eligible beneficiaries and to avoid diversion

2.1.4 Audit Criteria

The audit findings were based on the criteria sourced from the following:

- Guidelines prescribed by GOI relating to identification of beneficiaries
- Provisions of PDS (Control) Order, 2001
- Orders of UT Government for streamlining PDS from time to time
- General Financial Rules

2.1.5 Audit scope and coverage

The Performance Audit was conducted (March-August 2014) covering the period from 2009-14 by test checking records relating to implementation of PDS at Secretariat, Directorate of Civil Supplies and Consumer Affairs, office of Deputy Director of Karaikal region, Civil Supplies units in Mahe and Yanam regions. Audit scrutinized the records relating to PDS in the offices of PAPSCO and YCSL and test checked records of 52 out of 516 FPS that were selected as sample units based on random sampling method.

2.1.6 Audit Methodology

An entry conference was held with the Secretary to Government during March 2014 where the audit objectives, audit criteria and analysis methods were discussed. Exit conference was held during November 2014 and audit findings were discussed with the audited entity. Response of Government (November 2014) to Audit points was also included with suitable comments. Audit also undertook a questionnaire-based survey of beneficiaries in sample FPS to ascertain efficacy of PDS, level of consumer satisfaction and reach of benefit to the public under the existing PDS. In total, 1,145[3] beneficiaries participated in the survey and the results of survey were suitably included wherever necessary.

[3] Puducherry-867, Karaikal-216, Mahe-11 and Yanam-51

Audit findings

2.1.7 Fund Management

Against the Budget provision of ₹ 278.84 crore, an amount of ₹ 277.53 crore was incurred on account of Public Distribution System during 2009-14. The Audit findings regarding fund management are discussed below:

2.1.7.1 Excess expenditure due to lifting APL Rice instead of BPL Rice

GOI allocates rice under AAY, BPL and APL at Central Issue Price (CIP) of ₹ 3,000/M.T, ₹ 5,650/M.T and ₹ 8,300/M.T respectively. The States/UTs were permitted to draw this allocation within a period of 50 days[4]. During September 2013, the requirement of BPL rice for Puducherry region was 1,688.600 MT and GOI allotted 1,344 MT. Out of this allotment PAPSCO lifted only 481.930 MT and allowed the balance quantity 862.07 MT of BPL allotment to lapse. However, in order to meet the balance requirement of 1,206.67 MT (1,688.600 – 481.930) under BPL category, PAPSCO lifted 169 MT of AAY rice and 1,037.670 MT of APL rice.

Thus, PAPSCO failed to lift the entire quantity of BPL allotment and met the balance requirement by lifting AAY/APL rice. Though the cost of AAY rice was lower than BPL rice, the cost of APL rice was much higher than BPL rice and this led to avoidable excess expenditure of ₹ 22.84 lakh[5] being the differential cost between APL and BPL rice.

When pointed out, Government replied that PAPSCO was instructed to explain the reasons for incorrect lifting and in case of any discrepancy, differential cost would be recovered from it.

2.1.7.2 Avoidable expenditure due to non-adoption of differential scale in supply

While introducing UPDS (January 2010) the entitled scale[6] of rice for BPL families was fixed as 10 kg per month free of cost for single member cards and 20 kg per month free of cost for more than single member cards. During July 2011, UT Government increased the scale of food grains for BPL families to 25 kg per month (20 kg rice and five kg wheat) free of cost without differentiating single or more than single member card. As a result, the single member cards were also distributed 20 kg of rice per month

4 From 1st of the month prior to the month of allocation to 20th day of the allocation month

5 862.07 MT * ₹ 2,650/MT

6 Entitled scale as per GOI norms was 35 kg for BPL and AAY families

instead of 10 kg rice thus leading to excess distribution of food grains and avoidable expenditure.

A test check of 301 FPS in Puducherry region showed that as of March 2014 there were 4,762 single member BPL cards. Considering distribution of free rice from July 2011 to October 2013, the avoidable expenditure on procurement and distribution of 20 kg instead of 10 kg rice to 4,762 single member cards worked out to ₹ 99 lakh[7].

When pointed out, Government replied that efforts would be taken to fix the quantity in accordance with number of family members.

2.1.7.3 Avoidable excess payment towards Sales Tax

According to provision of Taxation laws (Amendment) Act, 2007 made by Ministry of Finance, GOI either Central Sales Tax (CST) or State Sales Tax/VAT whichever is less would be levied on inter State sale. While CST on rice was two *per cent*, as per Kerala Government Finance Act, the effective rate of sales tax for rice and wheat was one *per cent* upto 2012-13. From 2013-14 the sales tax was revised as zero *per cent* for rice while one *per cent* sales tax continues for wheat.

PAPSCO purchased PDS rice and wheat from FCI, Kerala for distribution to FPS in Mahe region and FCI should collect only the Sales tax of Kerala as it is less than CST. However, while raising invoices FCI included two *per cent* as CST and the same was paid by PAPSCO without verifying tax rates, which resulted in excess payment of ₹ 3.04 lakh on 2,145.30 MT of rice and 958 MT of wheat lifted during November 2011-March 2014.

When pointed out, Government replied that Government of Kerala would be addressed for refund of excess amount or to adjust against future procurement.

2.1.7.4 Failure to avail GOI subsidy under Decentralised Procurement System

GOI introduced Decentralised Procurement (DCP) system of food grains during 1997-98 for PDS with a view to encourage local procurement to maximum extent thereby extending benefits of Minimum Support Price to local farmers and to reduce transportation costs. Under DCP, the State Government undertakes direct purchase of paddy, wheat and procurement of levy rice as per its' requirements and GOI undertakes to meet the entire expenditure. In the event of total quantity of rice thus procured falling short of total allocation made by GOI for meeting the requirement of PDS, GOI would meet the deficit out of Central Pool Stocks. GOI requested (January 2011) UT Government to consider adoption of DCP. However, DCP was not introduced in UT and UT Government approached GOI only

[7] 4,762 @10 kg *28 months @ ₹ 7.45 per kg

in June 2014 for signing Memorandum of Understanding to declare UT as a DCP State. The consequences of not implementing DCP in UT are discussed below:

As there was continuous demand for distribution of SBR in Puducherry and Karaikal regions, the UT government decided (July 2012) to purchase SBR from open market and distribute 10 kg each to all card holders in Puducherry and Karaikal region and implemented it from November 2013. While approving the proposal for open market purchase (September 2013) UT Government decided to approach GOI either to declare Puducherry as a DCP State and or to revive the scheme of millers levy[8] and procure SBR through FCI itself. While the proposal for declaring UT as a DCP state is yet be approved, UT Government purchased 14,871.73 MT SBR from open market at a cost of ₹ 39.10 crore from November 2013 to March 2014. Had UT Government taken this action immediately on advice of GOI in January 2011 itself, the expenditure incurred for procurement of SBR would have been reimbursed by GOI resulting in savings of ₹ 23.94 crore[9] (approx.).

TPDS aimed at providing food grains to poor families at subsidised rate. UT Government also issued (July 2013) an appeal to APL card holders requesting for voluntary surrender of their rights to draw ration free of cost and opt for Non-PDS cards to minimise wasteful expenditure and curb illegal diversion of PDS commodities. However, under the above scheme of procurement of SBR from open market, APL card holders were also provided rice at 10 kg per month free of cost from November 2013 causing additional financial burden of ₹ 21.51 crore during November 2013 to March 2014.

When pointed out, Government replied that suitable action would be taken after analyzing the facts furnished by Audit.

2.1.8 Identification of beneficiaries under PDS

Identification of eligible BPL families was a prerequisite for effective implementation of PDS. With a view to identify the eligible poor and vulnerable section of society for issue of essential commodities at subsidised rate, GOI prescribed (September 2002) 13 economic and social indicators which were to be considered for ranking and the method of ranking. However, the shortfalls in identifying the eligible beneficiaries to be covered under PDS in UT are discussed below.

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8 Millers deposited SBR with FCI at the rate fixed by GOI and SBR was delivered under PDS quota at CIP fixed for each category (i.e AAY, BPL and APL categories)

9 14, 871.73 MT X ₹ 16,100 per MT (₹ 26, 200 (cost of SBR) - ₹ 10,100 (issue price of APL rice))

2.1.8.1 Identification of more BPL families resulting in reduced entitlement

Mention was made in paragraph 5.1.7.2 of Report of the C&AG for the year ended 31 March 2007 regarding non-compliance of GOI orders to limit BPL cards to 83,600 as per Planning Commission estimates and instead identifying 1,34,027 cards as BPL. As GOI made BPL rice allocation only for 83,600 BPL cards at the rate of 35 kg per BPL family, it is essential for UT Government to identify the eligible BPL families and limit their number to 83,600 to ensure that allotted entitlement was distributed. However, UT Government did not restrict the number of BPL card holders and as of March 2014 had 1,44,658 BPL cards.

As GOI continued to make allocation only for 83,600 BPL cards, UT was forced to extend this limited allocation to all the 1,44,658 BPL families identified and as a result the quantity of PDS food grains supplied to BPL cards was limited to 25[10] kgs instead of the entitled quantity of 35 kgs.

When pointed out, Government replied that BPL families were identified based on the enumeration conducted during 2003-04. However, the fact remains that BPL card holders were deprived of 10 kg of PDS food grains every month which was also confirmed by 46 *per cent* of BPL beneficiaries during beneficiary survey.

2.1.8.2 Discrepancy in number of AAY cards

GOI launched Antyodaya Anna Yojana (AAY) in December 2000 to provide food security to the poorest of the poor who were not in a position to buy food grains even at BPL rate. The CIP for AAY was fixed (December 2000) at ₹ two per kg for wheat and ₹ three per kg for rice, which was substantially lower than the BPL rates[11]. GOI fixed (May 2005) a target of 32,200 families for coverage under AAY and DCS also submitted reports to GOI during September 2009 to March 2014 stating that 32,200 families were covered under AAY. Based on this, GOI continued to allocate rice under AAY category for 32,200 AAY cards. However as per break up of BPL cards available, only 22,000, 26,134 and 26,178 AAY families were covered in UT as of March 2005, March 2011 and March 2014 respectively.

Thus, the quantity allocated by GOI under AAY quota was in excess of requirement and UT Government by providing incorrect details to GOI regarding AAY cards, diverted the excess quantity.

When pointed out, Government replied that a fresh exercise would be carried out to identify eligible AAY families.

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[10] 10 kg/20 kg for single/more than single member BPL card from January 2010 and 25 kg from August 2011 for all BPL cards

[11] Rice – ₹ 5.65 per kg and Wheat – ₹ 4.15 per kg (CIP)

2.1.8.3 Failure to eliminate ineligible ration cards

The PDS (Control) Order 2001, stipulates that States/UTs were required to get the lists of APL/BPL/AAY families reviewed every year for the purpose of deletion/inclusion of ineligible/eligible families. It was, however, noticed that only one survey was undertaken (August 2010) during 2009-14 and 29,000 cards were identified as doubtful cards. No action was taken to verify these cards. Besides, when camps were held to capture the biometric data of ration card holders for preparation of Smart Ration Cards (SRC), it was found that 40,348 card holders did not come for registration as of October 2013. Out of this, 18,313 cards were deleted and 5,398 cards were re-inducted after verification as of August 2014. Action to verify the balance cards is yet to be completed.

When pointed out, Government stated that discrepancies in ration card figures would be verified and necessary corrections would be made. It was further stated that though squad wings were routinely verifying the card details, annual verification as stipulated would be carried out and on completion of SRC system, eligible cards alone would be covered under PDS.

2.1.9 Implementation of Smart Ration Card

2.1.9.1 Delay in introduction of Smart Ration Cards

In order to implement PDS in a transparent manner and to eliminate bogus cards, DCS proposed (February 2009) to replace paper ration cards with Smart Ration Cards (SRC) containing biometric details of card holders and issue smart card readers (Point of Sale (POS) equipment) to FPS with supporting servers and software. SRC was planned to be introduced from January 2011. It was envisaged that once SRC system was rolled out, it would empower the Department to monitor effective implementation of PDS right from allocation and issue of permits to FPS/lifting agencies, lifting of commodities by agencies from FCI godowns, transportation to FPS and final distribution to beneficiaries.

For implementation of SRC, Service Level Agreement was entered (February 2011) with the selected firm[12] for a value of ₹ 13.84 crore. The scheme was to be implemented in two phases in eight months and the firm had to operate service windows (Beneficiary service centre) for two years. Collection of biometric data had to be completed in three months from the date of signing agreement. The firm, after printing SRC and personalisation had to get it authenticated by departmental authorities and had to complete the issue of SRCs to beneficiaries, after receiving the surrendered paper ration cards for eventual return to DCS, within four months from commencement of printing and personalisation of SRCs.

[12] Madras Security Printers

It was noticed that the Smart Card enrolment process which commenced in March 2011 was yet to be completed (August 2014). As of February 2014, out of 3.32 lakh ration cards, only 2.24 lakh SRCs were generated covering 6.86 lakh persons in Puducherry and Mahe regions and payment of ₹ 2.78 crore was made to firm (March 2014). In respect of Karaikal and Yanam regions, the UT Government decided (January 2012) to utilise the biometric data captured for Aadhaar enrolment for creating SRCs and the firm was instructed to collect KYR data and demographic data only in these regions. The delay for enrolment process was due to the following reasons and selection of ineligible bidder as discussed in para 2.1.9.2:

- Defects like photo/finger print/demographic mismatch were noticed in the SRCs issued. Though it was corrected in some SRCs, no corresponding rectification was done in Master data base.

- As SRC enrolment process was not completed, the Department had two databases in operation viz., smart card and paper card. All additions/ deletions were being carried out in both databases leading to duplication of work and linking these two databases to supply chain management became difficult.

- Supply chain management, i.e., Automatic permit generation based on card strength and permit policy was dispensed with because of inflexibility in software and also due to non-availability of unified master database of beneficiaries and monthly permits continued to be issued based on paper ration cards.

- The service window to receive and process request for addition, deletion, correction, change of address was opened only in August 2013 which was supposed to be opened before June 2011. However, its operation was not user friendly and secured and had a major defect to the extent that change of data without validation was possible.

- Though DCS requested (September 2011/February 2012) the Director of Census Operations to share the biometric data in Karaikal and Yanam regions, the same was not provided so far and SRC remained non-starter in both these regions. As a result 113 POS devices purchased for FPS in both these regions as early as December 2011 at a cost of ₹ 24.86 lakh were held in stock beyond the expiry of their respective warranty period of one year.

Due to the above defects, the firm was served (February 2013) show cause notice. It replied (March 2013) that the delay was due to non-receipt of Aadhaar enrolment data for Karaikal and Yanam regions and low turnout of public during enrolment camps and requested (November 2013) one year extension of contract to complete the project. However, no decision was taken on the request by DCS.

2.1.9.2 Selection of ineligible bidder for implementing SRC

For implementation of SRC, the Department invited (July 2010) Expression of Interest. Five bidders responded, of which four bidders were requested to submit their technical and financial bids and a firm was selected (January 2011) to implement SRC at a cost of ₹ 13.84 crore. The scheme was to be implemented in eight months (in two phases of four months each).

The scope of work *inter alia* included (1) collection of biometrics, ration card data as per Unique Identification Authority of India (UIDAI) standards like capturing photos, finger prints of beneficiaries and Know Your Resident data (2) procurement of smart cards, printing, personalisation (writing data of card holders including finger prints) and issuance of activated cards (3) arrange connectivity in the data entry premises and (4) port data into the Data Centre / Department server either through network or through electronic media. The pre-qualification criteria for award of contract included a condition that tenderer should have commissioned and installed at least one data centre project.

Scrutiny of the records revealed that the selected firm had not commissioned any data centre project, which was one of the pre-qualification criteria. But, the firm's technical bid was considered as responsive and work was awarded to the firm based on overall score obtained by it as its financial quote was lower than other competitors.

Thus, selection of a technically deficient bidder led to delayed implementation of SRC eventually leading to non-completion of scheme even after three years.

When pointed out, Government replied that contract was awarded as per the recommendations of Tender Committee and efforts are being taken to avoid delay by conducting meetings at Secretary level to sort out all the problems. But fact remains that even after three years, implementation of SRC was not completed and the objective of achieving transparency in PDS was yet to be fulfilled.

2.1.10 Short supply of commodities

2.1.10.1 Non-supply of wheat

An analysis of allotment, lifting and supply of wheat during 2009-14 revealed the following:

- During 2009-14, no wheat was lifted and distributed in Yanam region, though all the 51 card holders who participated in the beneficiary survey at Yanam expressed their willingness to purchase wheat.

- While introducing (November 2013) the scheme of distribution of SBR as discussed in paragraph 2.1.7.4, the UT Government did not fix the rate at which wheat has to be distributed through FPS and hence wheat was not distributed from November 2013 (except for a small quantity in January/February 2014) in Puducherry and Karaikal regions. As a result, 71 MT of wheat valuing ₹ 4.97 lakh distributed to FPS upto February 2014 remained unsold. Besides 74.32 MT of wheat costing ₹ 5.20 lakh was lying in PAPSCO godowns at Puducherry and Karaikal since February 2014 which was found to be unfit for distribution under PDS.

When pointed out, Government replied that consumption pattern of population would be assessed and the ratio of rice and wheat would be determined accordingly and permits would be issued to FPS. It further stated that action is being taken to clear the old stock through auction sale.

2.1.10.2 Short supply of rice to AAY families

Government of India had fixed (April 2002) the quantity of food grains for AAY cards at 35 kg. Scrutiny of records revealed that though AAY card holders were supplied 35 kg upto December 2009, their entitlement was reduced to 25 Kg from January 2010 to December 2010 based on the orders issued by UT Government.

Similarly, in Puducherry region, during November 2013-March 2014, against the requirement of 3,150 MT rice for AAY cards, permits were issued only for 415.9 MT. Against this, 296 MT of rice alone was lifted and distributed to few cards resulting in non-distribution of rice to nearly 90 *per cent* of AAY cards.

When pointed out, Government replied that though the monthly quota of 35 kg was restored to AAY families from January 2011, permits were issued for lesser quantity from November 2013 due to financial constraint. But, fact remains that AAY families were deprived of their entitled quantity of food grains.

2.1.11 Discrepancies in sale of PDS Kerosene

As per PDS (Control) Order 2001, the authority or person engaged in distribution of essential commodities under PDS should not willfully indulge in diversion of stock from Godowns or from FPS. Out of 22 FPS in Yanam, two shops were selected for sample check. During verification of records in one of the sample shop (FPS No.13 Dommetipeta) the following discrepancies were noticed.

During cross verification of entries in Ration cards (R.C) of beneficiaries with that of entries in 'B' register[13], it was found that in respect of 25 R.Cs out of 31 R.Cs test checked, the entries relating to kerosene were missing in R.Cs for various months between August 2013 and March 2014, but corresponding entries were made in the "B" register to suggest kerosene was supplied to them. This indicates that though kerosene was not actually supplied, it was shown as distributed to beneficiaries.

During the check of records maintained at civil supply office at Yanam, 15.5 Kl. of kerosene meant for PDS was diverted and sold to Puducherry Tourism Development Corporation (PTDC) through YCSL for operating their tourist boats.

When the above discrepancies were pointed out, Government replied that action would be taken against the errant officials and instructions would be issued to Regional Administrator, Yanam to stop sale of kerosene to PTDC.

2.1.12 Operation of FPS

2.1.12.1 Delay in renewal of FPS license

Mention was made in paragraph 5.1.7.4 of Report of the C&AG for the year ended 31 March 2007 regarding non-renewal/delay in renewal of licenses of FPS every year as per Pondicherry Scheduled Commodities (Regulation of Distribution by Card System) Order, 1975 as amended in 1987 and Pondicherry Kerosene control order, 1969. The UT Government had assured (November 2007) that Department would take necessary action for renewal of licenses in time. Audit scrutiny, however, revealed that there were delays ranging from three to more than 12 months in renewing licenses in respect of all 39 sample FPS in Puducherry region during 2009-13 and none of the 39 sample FPS had licenses for the year 2014. Similarly, no licenses were issued to all the 22 FPS functioning under YCSL in Yanam region.

When pointed out, Government replied that approvals were not given due to shortage of manpower. It was further stated that there was no pending applications and as regards Yanam region, Regional Administrator would be instructed to renew the licenses of FPS.

2.1.13 Monitoring

2.1.13.1 Inspection of FPS

Mention was made in paragraph 5.1.7.5 of Report of the C&AG for the year ended 31 March 2007 that shortfall was noticed in respect of

[13] Register maintained at FPS in which the issue of PDS items were entered against the name of beneficiaries and on the relevant date

inspection of FPS twice a year as provided in PDS (Control) order 2001 and UT Government had assured to intensify the inspection. The Citizen charter also stated that every FPS would be inspected at least once in a month. However, shortfalls in inspection of FPS were noticed during the performance audit as detailed in **Table 1** below.

Table 1 - Number of inspections conducted

Year	Number of FPS	Target per year	Actually conducted	Shortfall (in percentage)
2009-10	499	998	2,239	Nil
2010-11	506	1,012	846	16
2011-12	514	1,028	287	72
2012-13	516	1,032	360	65
2013-14	516	1,032	1,645	Nil

(Source: Report by the Tahsildar, Squad section)

Though the target was achieved during the years 2009-10 and 2013-14 there was shortfall during the years 2010-13 ranging between 16 and 72 *per cent*. It was noticed in audit that 49 cases of diversion of PDS commodities were booked by the Food Cell during 2009-14 of which eight were disposed off and the remaining were under investigation/pending trial.

When pointed out, Government replied that month and year-wise targets have been fixed now for inspection of FPS.

2.1.13.2 Quality Control and Inspection system of food grains

As per PDS (Control) Order 2001, the representatives of the State Government or their nominees and FCI had to conduct joint inspection of food grains intended for issue to ensure that stocks conform to prescribed quality specifications for which sample of food grains shall also be collected from the FCI.

The Department stated that a Civil Supply Inspector was deputed for monitoring the quality of food grains whenever lifted from FCI godown and also the departmental officers were visiting FCI for verifying the quality of food grains. However, no records were furnished regarding joint inspection conducted and analysis of samples of food grains during the audit period as records were not maintained for this purpose. Further

49 *per cent* of beneficiaries stated that they were not satisfied with the quality of commodities supplied under PDS.

When pointed out, Government stated that goods were lifted after physical verification and in future necessary records would be maintained.

2.1.13.3 Constitution of Vigilance Committee

Mention was made in paragraph 5.1.8.2 of Report of the C&AG for the year ended 31 March 2007 regarding non-availability of Vigilance Committee at State, District, Block and FPS level to oversee the functioning of PDS as per PDS (Control) order, 2001 and UT Government had assured to take action to form them. During current audit it was noticed that no Vigilance Committee was formed. When pointed out, Government replied that proposal for nominating non-official members in Vigilance Committee is under consideration.

2.1.13.4 Non-availability of manual

Deployment of manpower and fixing of work norms was essential for effective implementation of various activities of the Department. The activities of the department *inter-alia* included administration of various Acts and Rule on implementation of PDS like procurement of essential commodities, issue of permits, distribution of items to FPS, issue of licenses, quality check, inspection of FPS, and accounting of transactions. However, a manual describing procedure and provisions to carry out the activities was not available in the department.

When pointed out, Government replied that neighbouring States and Union Territories would be addressed to obtain Civil Supplies Manual and the same would be formulated with Governments' approval.

2.1.14 Conclusion

Though GOI had prescribed limit of the number of BPL cards as per the norms specified, UT Government identified higher number of BPL beneficiaries and consequently scaled down their entitlement which was less than GOI norm. Streamlining of PDS through introduction of Smart Ration Card was not implemented successfully even after three years due to selection of a firm which was not technically qualified and inability of the Department to properly co-ordinate various stakeholders. Though the department identified ineligible families, follow up action to weed them out remained incomplete. Instances of diversion of PDS commodities were noticed and FPSs were allowed to run without license.

2.1.15 Recommendations

Government may consider:

- taking suitable action to ensure effective fund management to extend the benefits of the PDS only to eligible beneficiaries.
- conducting survey for weeding out ineligible and doubtful ration cards yearly for effective implementation of PDS.
- taking steps to complete the Smart Ration Card system to ensure transparency in implementation of PDS.

CHAPTER III

COMPLIANCE AUDIT

CHAPTER III

COMPLIANCE AUDIT

This chapter presents the results of Compliance Audit of various departments of the Government, their field formations, local and autonomous bodies. Instances of lapses in the management of resources and failures in observance of the norms of regularity, propriety and economy have been presented in the succeeding paragraphs.

3.1 Avoidable/Unfruitful Expenditure

HEALTH AND FAMILY WELFARE DEPARTMENT

PERUNTHALAIVAR KAMARAJ MEDICAL COLLEGE SOCIETY

3.1.1 Avoidable interest payment

Failure to provide sufficient funds to meet the expenditure of construction of Medical College buildings resulted in avoidable payment of interest of ₹ 2.35 crore to the contractor on belated payments

The Pondicherry Medical College Society[1] (Society) was set up (June 2005) to establish Medical College in Union Territory of Puducherry at a cost of ₹ 234 crore[2] which would be met from Grants released by UT Government. For creating infrastructure facilities, works of construction of service, college and hospital blocks were awarded (August 2006/March 2007) to a contractor through tender at a cost of ₹ 127.52 crore. The works, which were scheduled to be completed within 12 to 16 months (not later than March 2008), were completed only in August 2013 (Service block) and December 2013 (College block) while the work of construction of Hospital block was nearing completion as of May 2014. Scrutiny of the records relating to execution of these works revealed the following.

During 2008-09, against the proposed outlay of ₹ 79 crore for 2008-09 only an amount of ₹ five crore was released towards recurring expenditure and no amount was provided to meet the non-recurring expenditure. Due to non-provision of funds, the society could not settle the bills of contractor amounting to ₹ 10.07 crore, which were pending as of April 2008. The contractor stopped work in April 2008 and requested (July 2008) to

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1 Renamed as Perunthalaivar Kamaraj Medical College Society in September 2010

2 Towards Building component which was later revised to ₹ 351.44 crore

foreclose the works and demanded interest for delayed payments. However, society did not foreclose the works.

When UT Government instructed (December 2009) the contractor to resume work, he requested for compensation by way of price escalation. The society agreed and entered into a supplementary agreement for completion of balance works and the contractor resumed (December 2009) works and all outstanding dues were settled during January 2010. After resuming work, contractor among other claims, insisted (May 2010) upon his demand for interest on belated payments and the same was rejected (January 2011) by Society. The contractor sought for arbitration (February 2011) and an arbitrator was appointed (May 2011) who among other things awarded (May 2012) an amount of ₹ 2.35 crore in favour of contractor towards interest on belated payments which was paid (August 2012). Had the required funds were provided during 2008-09, the interest payment could have been avoided. Further, since the work was delayed, possibility of cost escalation cannot be ruled out.

When pointed out, Department stated (November 2013) that as Planning and Research Department reduced the proposed allocation of Health Department, only an amount of ₹ five crore could be allocated proportionately for setting up of Medical college during that year. But the fact remains that failure to allot sufficient funds led to non-completion of work within time besides resulting in avoidable interest payment of ₹ 2.35 crore.

The matter has been referred to Government in June 2014; reply has not been received (January 2015).

ADI DRAVIDAR WELFARE DEPARTMENT

3.1.2 Unfruitful expenditure on purchase of land

Purchase of land falling under Coastal Regulatory Zone for establishing a residential school resulted in unfruitful expenditure of ₹ 13.64 crore

Ministry of Environment and Forest, Government of India declared (February 1991) the coastal stretches as Coastal Regulation Zone (CRZ) imposing restrictions on industries, operation and processes and regulating activities in the CRZ. Based on this notification, Union Territory Government published (December 1993) the lands with survey numbers that fall under CRZ.

The UT Government proposed (2005-06) to establish a residential school for 1,500 students exclusively for Scheduled Caste (SC) students in Puducherry region who were unable to compete with students of other communities, to get admission in the professional colleges. At the first instance, it was proposed to admit 1,500 students from class VI to XII standard. Towards this purpose land measuring 11H-06A-04Ca[3] was identified (May 2008) by site selection committee and the same was purchased (February 2010) at a cost of ₹ 13.64 crore.

Scrutiny of records revealed that land purchased by Department was not contiguous and also fell in CRZ - No Development Zone, which the site selection committee had failed to notice during identification of land. As the land was not contiguous, Director, Adi-dravidar Welfare Department, proposed (February 2012) to buy the adjacent land measuring 3H-45A-50Ca to establish residential school. However, as this land was also covered under CRZ, the Senior Town Planner opined (August 2012) that necessary permission had to be obtained from Puducherry Coastal Regulatory Authority before taking up any development activities in these areas, no further action was taken to purchase the adjacent land and the land already purchased was kept idle.

Thus, the imprudent decision of UT Government to purchase land despite knowing that it fell under CRZ, in which developmental activities would be permitted only for the benefit of local inhabitants/fishermen folks, resulted in unfruitful expenditure of ₹ 13.64 crore besides defeating the social objective of establishing Residential school for SC students.

The matter has been referred to Government in August 2014; reply had not been received (January 2015).

TOWN AND COUNTRY PLANNING DEPARTMENT

PUDUCHERRY SLUM CLEARANCE BOARD

3.1.3 Unfruitful expenditure on construction of tenements

Failure of Slum Clearance Board in providing clear site, free access and to get revised structural design in time for construction of tenements resulted in unfruitful expenditure of ₹ 32.03 lakh.

Central Public Works Department (CPWD) works manual stipulates that availability of clear site is a desirable prerequisite before approval of Notice Inviting Tenders.

The UT Government, under Slum Upgradation Programme, released (July 2006) ₹ 25 lakh as grants-in-aid to Puducherry Slum Clearance Board (Board) for construction of 20 tenements (A3 block) at Mottai Thoppu,

[3] Hectare-Are-Centiare

Puducherry for accommodating slum dwellers. The work was awarded (August 2007) to a contractor for ₹ 38.48 lakh for completion within seven months (March 2008). As of May 2014, the work was not completed. Scrutiny of records revealed the following:

Though the work was awarded in August 2007, clear site for execution was given by the Board only in December 2007. As a result, contractor requested for cost escalation due to increased cost of materials. The Board declined his request and foreclosed (March 2008) the work.

In retender, the work was again awarded (February 2009) to the same contractor, being single tenderer for ₹ 51.75 lakh. However, the work could not be commenced immediately due to delay in finalization of structural design. It was noticed that though soil investigation was conducted in June 2006, Board requested Pondicherry Engineering College (PEC) only in April 2009 for suitable modification of the footing and other structural components and the same was made available by PEC in May 2009. Apart from this, it was also noticed that the site could not be accessed from July 2009 to April 2010 due to ongoing works in adjacent site. Hence, the work commenced only in June 2010. It was executed upto lintel level for a value of ₹ 32.59 lakh and payment of ₹ 32.03 lakh was made to the contractor. Meanwhile, the contractor stopped the work and requested (May 2012) revision of rates based on the latest Schedule of Rates owing to the above delay.

Based on this request, the Board prepared (December 2012) a revised estimate and the same was forwarded (January 2013) to Town and Country Planning Department for approval and the work was foreclosed (October 2013). The revised estimate was yet to be approved (March 2014). As such, the work which was planned to be completed by March 2008 remained incomplete even after expiry of almost seven years. Thus, failure of the Board in ensuring clear site, free access and to get revised structural design in time resulted in unfruitful expenditure of ₹ 32.03 lakh.

On this being pointed out, Government justified (August 2014) its inability to handover clear site, free access to site and to get revised structural design in time and stated that failure/lapses were not intentional.

REVENUE AND DISASTER MANAGEMENT AND TOWN AND COUNTRY PLANNING DEPARTMENTS

3.1.4 Unfruitful expenditure on release of funds to landless labourers for construction of house

Issue of pattas and release of assistance for construction of houses to landless labourers even before completion of land acquisition proceedings and subsequent termination of these proceedings resulted in unfruitful expenditure of ₹ 28.40 lakh.

The Land Acquisition Act, 1894 provides that Collector shall make an award under Section 11A within a period of two years from the date of publication of declaration and if no award is made within that period, the entire proceedings for the acquisition of the land shall lapse. The Puducherry Slum Clearance Board (PSCB) implements 'The Puducherry Perunthalivar Kamarajar Centenary Housing Scheme for Houseless Poor – 2003' (Scheme) to provide financial assistance of ₹ one lakh for construction of house to Below Poverty Line families in free sites allotted by UT Government. The financial assistance is provided in three instalments[4]. During 2010-11, 71 beneficiaries, who were released (February 2011) first instalment of ₹ 0.40 lakh under Phase V of the scheme, did not construct houses till date. Scrutiny of the records revealed the following:

In order to provide free house sites to landless labourers in Yanam region, the site selection committee identified (December 2009) land to an extent of 0H-51A-95Ca with structures owned by Pondicherry Industrial Promotion Development Investment Corporation (PIPDIC). Following this, Revenue Department proposed (April 2010) allotment of free house sites to landless labourers. Notification under Section 4(1) of Land Acquisition Act, 1894 was issued (May 2010) and declaration under Section 6 was issued in October 2010.

Based on the assurance given by the Deputy Collector (Revenue)-cum-Land Acquisition Officer that an amount of ₹ 2.25 crore would be given as compensation within 60 days, PIPDIC handed over (December 2010) the land to the Collector, Puducherry. The amount was drawn by Director of Survey and Land records (DS&LR) and was forwarded (May 2011) to Deputy Collector (Revenue) (LAO) who kept the amount under civil deposit (October 2011). Pending completion of land acquisition proceedings, 79 pattas[5] were issued (January 2011) to the beneficiaries by Deputy Collector, Yanam and PSCB released (February 2011) ₹ 28.40 lakh

[4] First instalment of ₹ 40,000 on approval, second instalment of ₹ 30,000 on completion up to lintel level and third instalment of ₹ 30,000 on completion of roof

[5] Legal document issued by Revenue department specifying the ownership of land

as first instalment to 71 beneficiaries. However, as the land was not subdivided, beneficiaries could not construct houses.

As there was dispute[6] regarding ownership of land, land acquisition proceedings which were initiated in October 2010 for passing award were delayed and LAO requested (September 2012) DS&LR to obtain administrative approval for demolition of existing structures and additional amount of ₹ 30.97 lakh for passing award. However, neither was administrative approval given nor was additional amount deposited till October 2012 and land acquisition proceedings lapsed.

Subsequently, though PIPDIC was addressed (November 2013) for re-notifying and restricting the acquisition to vacant portions available, the same was not agreed to by PIPDIC and it requested return of entire property. Accordingly, Revenue Department directed (January 2014) LAO to withdraw the entire land acquisition proceedings with UT Government's approval, which was awaited (August 2014) and the amount of ₹ 2.25 crore was not returned to DS&LR. Thus, issue of pattas and release of assistance to beneficiaries even before acquisition of land and subsequent termination of land acquisition proceedings led to unfruitful expenditure of ₹ 28.40 lakh as they could not construct houses.

When pointed out, Government accepted (November 2014) that award could not be passed due to procedural lapses. It further stated that notices cancelling pattas have been issued and PSCB has initiated action to recover the subsidy amount with interest from beneficiaries. However the fact remains that pattas were issued and assistance was provided to the beneficiaries even before passing the award and the objective of providing houses to landless labourers was not achieved.

HOME DEPARTMENT

3.2 Implementation of Coastal Security Scheme

3.2.1 Introduction

Government of India (GOI) approved Coastal Security Scheme in January 2005 with an objective of addressing the critical gap in policing of coast and close coastal waters by setting up Marine Police Force in all coastal States and Union Territories. Under Phase I of the scheme, one Coastal Police Station (CPS) was opened during November 2006 at Karaikal having

[6] The land was actually mortgaged to PIPDIC by an entrepreneur during 1989 which was later (August 1999) taken up by PIPDIC on default of repayment. However, the land owner who relinquished his rights in the land due to default claimed (July 2011) that he was also eligible for compensation

operational jurisdiction over entire coastal area[7] of UT. While GOI provided three[8] interceptor boats and necessary financial assistance for buildings, vehicles and computers, the manpower is provided by UT. The CPS is manned by an Inspector of Police and supporting police personnel functioning under the supervision and control of the Superintendent of Police (Security), Puducherry. Three more CPSs were sanctioned under Phase II during March 2012 with respective jurisdictions over Puducherry, Mahe and Yanam.

Audit on implementation of Coastal Security Scheme under Phase I was conducted during 2013-14 with main focus on utilisation of sophisticated interceptor boats and functioning of CPS, Karaikal covering the period 2009-14.

Audit Findings

3.2.2 Under-utilisation of boats due to non-provision of funds for fuel and maintenance

GOI had prescribed (September 2009) that interceptor boats were to be tasked for a minimum of 120 hours of coastal patrolling operation in a month with a yearly tasking of minimum 1,400 hours which was revised (October 2010) by GOI as 150 hours for daily tasking and 1,800 hours for yearly tasking.

Scrutiny of log books of the boats revealed that one 12 ton boat berthed at Karaikal[9] had run for 793 hours only against the prescribed norms of 3,870 hours[10]. Log books of the remaining two boats disclosed that the 12 ton boat berthed at Puducherry was tasked for 1,019 hours and the five ton boat at Karaikal was tasked for 1,119 hours only as of March 2014 against the prescribed norms of 7,830 hours[11] and 8,070 hours[12] respectively. The shortfall was 86.99 *per cent* and 86.13 *per cent* respectively which was due to non-availability of funds for fuel expenses and poor maintenance as discussed below:

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7 Five nautical miles in sea from shore and one kilometre in land (amended in March 2012 as 500 metres on land with concurrent jurisdiction with local police station)

8 Two 12 ton boats (Diesel) stationed at Puducherry and Karaikal and one 5 ton boat (Petrol) stationed at Karaikal

9 Met with an accident during December 2011 and awaiting condemnation as the boat was beyond the scope of economical repair

10 September 2009 to October 2010 @ 120 hours per month and November 2010 to December 2011 @ 150 hours per month

11 September 2009 to October 2010 @ 120 hours per month and November 2010 to March 2014 @ 150 hours per month

12 July 2009 to October 2010 @ 120 hours per month and November 2010 to March 2014 @ 150 hours per month

- GOI sanctioned (December 2009) ₹ 52 lakh as advance towards fuel expenses for boats for the financial year 2009-10 with instructions to provide funds for subsequent years through budget which would be reimbursed. Though this fund released was utilised to operate the boats during the years 2010-12, they were kept largely idle during 2012-14 as budget provision was not made for fuel.

- The expense for lifting the boat from water to carry out maintenance work was to be borne by UT. However, it was noticed that no provision was made in the budget to meet this expense and department faced difficulty in obtaining funds for hiring of crane to disembark and embark the boat and other related expenses.

- Due to non-provision of funds for fuel and maintenance, the boats were not taken for regular sea patrolling leading to excessive marine growth on under-water hull and they could not achieve the design speed of 30 knots.

When pointed out, Superintendent of Police replied (June 2014) that ₹ 52 lakh released by GOI was sufficient upto 2011-12 and necessary budget provisions were made during successive years. But, Audit found that no provisions were made in the budget for fuel expenses during 2012-14 and boats were tasked only to the extent of fund released by GOI. Regarding non-provision of funds for maintenance of boats it was replied that ₹ 10 lakh towards maintenance was included in the budget proposals for the year 2014-15.

3.2.3 Shortage of manpower and inadequacy in training

The men-in-position of CPS Karaikal, other than ministerial staff as of May 2014 is as follows (Table 1) :

Table 1 : Men-in-position at Karaikal CPS

Cadre	Sanctioned strength	Men-in-position
Inspector	1	1
Sub-Inspector (SI)/Asst. Sub-Inspector (ASI)	3	1
Head Constables (HC)/Police Constables (PC)	21	13
Lascar[13] PC	8	3
Coxswain Syranger[14]	3	3
Engine Driver	6	1
VHF Operator	3	Nil
Total	**45**	**22**

Against 45 sanctioned posts, only 22 were filled up as of May 2014, of which three HCs were at service placement to various other offices in

13 Deckhands
14 Personnel incharge of Navigation

Karaikal. Further, as recruitment of crew on regular basis was not done, the boats at Karaikal and Puducherry were being manned by three Coxswain Syrangers and an Engine Driver engaged on contract basis.

As per Para 16.1 of Standard Operating Procedures (SOP), no police personnel should be posted to a Coastal Police Station without being given basic training in coastal security. The details furnished by the department revealed that during 2006-14 four training courses[15] were conducted by Indian Coast Guard for 12 personnel[16] of CPS. It was noticed that the Inspector of Police, Head of CPS was not trained in Coastal security. Similarly, the Coxswain Syrangers and engine driver, who were responsible for navigation and maintenance of on board machinery were also not given 'on the job training' as provided in SOP.

Thus, Interceptor boats were not utilised optimally for sea patrolling due to lack of funds for fuel and maintenance and training of personnel had gaps.

The matter has been referred to Government in July 2014; reply had not been received (January 2015).

EDUCATION DEPARTMENT

3.3 Creation of infrastructure facilities in Government schools under Rashtriya Madhyamik Shiksha Abhiyan in Union Territory of Puducherry

3.3.1 Introduction

Government of India (GOI) launched Rashtriya Madhyamik Shiksha Abhiyan (RMSA), in March 2009 to universalize access to and improve quality of education at secondary stage. In order to improve the quality of education at secondary level and universal retention by 2020, schools were provided with funds under RMSA to improve their infrastructure facilities such as construction of class rooms, laboratories, libraries, toilet blocks and residential accommodation for Teachers in remote areas and providing safe drinking water facilities. Seventy five *per cent* of project cost would be borne by GOI and the remaining 25 *per cent* would be borne by the respective State/Union Territory (UT) Government. The scheme is implemented by Education Department with the assistance of State Project Director (SPD).

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15 One training on handling of fast interceptor boat, two basic marine training course and one on-job training by Indian Coast Guard

16 Sub-Inspector-1, Head Constables – 2, Police Constables – 6 and Lascar Police Constables - 3

An audit was conducted during April-June 2014 covering the period 2011-2014 to ascertain whether adequate infrastructure was created for schools under RMSA. Out of 129 schools covered under RMSA in UT, 67[17] schools were provided with non-recurring grants for developing infrastructure facilities of which 14 schools in Puducherry region and three schools in Karaikal region (25 *per cent*) were selected based on stratified sampling method.

3.3.2 Financial Management

As per the framework for implementation of RMSA, funds would be released by GOI in two instalments each year i.e., one in April for expenditure between April and September and the second in September for expenditure between October and March. Release of second instalment would be based on the progress in expenditure and quality of implementation. The UT Government has to apply for the second instalment after utilising at least 50 *per cent* of the funds earlier released and also subject to submission of certificate regarding the release and receipt of the UT share against the amount of the Central funds released till then.

During 2009-14, against sanctioned amount of ₹ 22.78 crore, an amount of ₹ 12.62 crore was released for creation of various infrastructure[18] in schools as the funds were not utilised within the financial years as discussed in succeeding paragraph. Even out of ₹ 12.62 crore released, only an amount of ₹ 4.17 crore (33 *per cent*) was utilised as of March 2014 which included ₹ 3.60 crore released to PWD for civil works. Audit observed that due to non-utilisation of available funds, UT Government could not get balance installments from GOI and needy schools were deprived of benefits of creation of infrastructure facilities.

3.3.3 Planning

3.3.3.1 Absence of School Improvement Plan (SIP)

The Framework for implementation of RMSA issued by GOI during 2010-11 stipulates that schools should prepare School Improvement Plan (SIP) to reflect the school needs with the assistance of civil engineers to evaluate and estimate the required work every year. However, no instruction was issued to the schools to prepare SIP and none of the schools furnished SIP until 2012-13 and only 40 schools had prepared SIP during 2013-14. When pointed out, it was stated that as only 129 schools come under RMSA purview, it would not be a difficult task to plan for the development of the school with the help of U-DISE[19] data and by personal

[17] 46 in Puducherry, 14 in Karaikal, four in Yanam and three in Mahe

[18] Additional classrooms, Headmaster room, office-cum-storeroom, lab equipments, science laboratory, toilets and drinking water facilities, etc

[19] Unified – District Information System for Education

visits. It was, however, observed that in absence of SIP the SPD would not be able to identify school needs. As a result, eleven works (construction of classrooms) awarded under RMSA in five schools were not taken up due to non-availability of site as discussed in paragraph 3.3.4.

Government while accepting the fact that SIP was not collected in all schools, replied (November 2014) that school needs would be identified with the help of SIP and U-DISE data in future.

3.3.3.2 Deficiencies in implementation

The Annual work plan for the year 2009-10 envisaged strengthening infrastructure of 24 schools at a cost of ₹ 7.04 crore which included construction of 16 class rooms in 12 schools. GOI approved (March 2010) the proposal and released an amount of ₹ 1.34 crore as first installment towards creation of infrastructure and UT Government released (March 2010) ₹ 1.15 crore. However no work was taken up during 2009-10 due to belated release (March 2010) of funds.

The Annual work plan for the year 2010-11 approved by GOI proposed to strengthen 33 schools at a cost of ₹ 8.18 crore and ₹ 1.87 crore was released (January 2011). The UT Government also released (March 2011) ₹ 2.18 crore. However no work was taken up during this year also due to belated release of funds. During 2011-12, though it was proposed to upgrade two schools[20] and to take up works like construction of classrooms, laboratories, libraries etc., for ₹ 4.82 crore, none of them were taken up as no funds were released.

Based on the availability of the above release of funds (₹ 6.54 crore), the UT Government issued (February 2012) administrative sanction for construction of 48 classrooms and 18 HM/Office-cum-store rooms in 25 schools at a cost of ₹ 5.56 crore after two years since the release of funds by GOI. The works were entrusted to Public Works Department (PWD) and an amount of ₹ 3.60 crore was released (March 2012) to it. No works were proposed for the years 2012-14 despite availability of fund.

When pointed out, Government accepted (November 2014) that execution of works could not be taken up due to non-release of state share during the years 2011-13. It was further stated that during August 2014, ₹ eight crore has been released to PWD with an instruction to take up the work on priority basis. But the fact remains that works as proposed in the annual work plans were taken up only after a delay of two years and were not completed as discussed in succeeding paragraph.

[20] Government middle schools at Adhingapet and Manalipet in Puducherry Region

3.3.4 Civil works

Out of 66 construction works (48 class rooms and 18 HM rooms/ office-cum-store rooms) taken up, 12 rooms in respect of five schools have been completed, while work in respect of 29 rooms is under progress. It was, however, noticed that construction in respect of 25 rooms was not yet taken up due to non-availability of site (15 rooms) and revision of estimates (10 rooms).

Scrutiny of the records revealed that in respect of 29 works under progress, the works were belatedly awarded by PWD only during January 2013-March 2014 even though fund was released to it in March 2012 after more than two years delay. As a result, an amount of ₹ 2.59 crore[21] released towards these works remained blocked with PWD for that period.

When pointed out, Government replied that (November 2014) a joint inspection with PWD officials was proposed to explore the possibility of constructing classrooms. Further, PWD officials were instructed to furnish the progress of work every month through monthly returns.

3.3.5 Monitoring and Evaluation

3.3.5.1 Central Plan Scheme Monitoring System Web Portal not updated

Ministry of Finance, GOI developed a web portal known as Central Plan Scheme Monitoring System (CPSMS) to monitor fund transaction and utilisation with utmost precision upto grass root level. Accurate and precise financial data are to be provided through the CPSMS portal by the beneficiary schools as all planning and monitoring relies on the data uploaded. It was, however, seen that no data was provided in the said portal by the schools concerned. In the absence of data in the web portal, GOI could not effectively monitor the implementation of program at grass root level. On being pointed out, Government replied (November 2014) that all schools have now been registered in CPSMS website and necessary training was given to all heads of institutions to update CPSMS website.

3.3.5.2 Internal Audit

Manual on Financial management and procurement for RMSA envisages that the state implementing society should introduce proper internal audit system to ensure proper utilisation of funds. In case where an in-house internal audit team is not available, qualified Chartered Accountant firm may be engaged for carrying out internal audit. It was noticed that separate Internal Audit wing was not formed and hence no internal audit was

21 ₹ 3.60 crore – ₹ 1.01 crore (cost of 12 class room/HM rooms completed)

conducted during 2009-14. On being pointed out, Government replied (November 2014) that an internal audit unit was formed which had commenced (August 2014) its work.

3.3.6 Conclusion

The amount released was not utilised effectively and delays were noticed in strengthening/upgradation of schools despite availability of fund. School Improvement Plan was not prepared by schools and hence proper assistance to needy schools could not be ensured. Civil works remained incomplete and were not monitored properly defeating the purpose of provision of fund under RMSA.

LOCAL ADMINISTRATION DEPARTMENT

3.4 Implementation of Integrated Communication Technology in Rural Panchayats

3.4.1 Introduction

The Union Territory Government of Puducherry (UT Government) forwarded (December 2006) a proposal seeking financial assistance from Government of India (GOI) to implement Integrated Communication Technology (ICT) at a cost of ₹ 1.53 crore with an objective of providing ICT infrastructure to all rural local bodies in the UT for establishing certain *e*-Governance applications[22] with proper networking. All the 10 Commune Panchayats (CPs) and 98 Village Panchayats (VPs) were to be provided with one computer (two in case of CPs) under phase I (December 2006-March 2007) at a cost of ₹ 87.21 lakh and one additional computer under phase II (April 2007-March 2008) at a cost of ₹ 65.76 lakh. GOI sanctioned (March 2007) ₹ 1.53 crore and released (April 2007) ₹ 87.21 lakh as first instalment.

Audit was conducted during March-June 2014 covering the period 2009-14 to evaluate the impact of ICT which revealed the following:

[22] Birth and Death information system, Birth and Death information system for extract of French records, Property Tax information system, Professional Tax, Trade licences, Rent monitoring system for Municipal Shopping Complexes, Payroll Accounting system, Letter and File monitoring system, Leave Monitoring system and standard packages for engineering section

Audit Findings

3.4.2 Non-provision of Network connectivity

Interconnectivity of VPs with respective CPs and Local Administration Department (LAD) was essential for successful implementation of ICT and it was proposed (December 2006) to achieve this by covering all the VPs under State Wide Area Network (SWAN). The UT Government purchased and distributed (May 2009) 123[23] computers (cost-₹ 51.42 lakh) to all CPs/VPs under phase I. It was, however, noticed that none of the VPs were connected with respective CPs till date. Only CPs was connected with LAD under SWAN and no action was taken to connect the VPs under SWAN.

When pointed out, it was replied (April 2014) that VPs would be connected under National Optical Fibre Network (NOFN) which was currently being implemented by GOI.

The reply is not acceptable as the Director, LAD stated that VPs would be connected under NOFN, a project approved by GOI in October 2011 to connect all the Panchayats in India, without taking any action to connect the VPs under SWAN as originally proposed. Further, it was noticed that NOFN is yet to be completed.

3.4.3 Non-operationalisation of software modules

Under ICT it was proposed to deploy software modules developed by NIC, Puducherry in 10 identified functional areas of all 108 Panchayats. The Department, however, could not furnish the details of software modules developed and deployed by NIC, Puducherry for VPs.

When pointed out, Director, LAD stated (April 2014) that NIC, Puducherry is co-ordinating the implementation of Panchayat Enterprise Suite (*e*-panchayat), an online application hosted by Ministry of Panchayat Raj (MoPR), GOI made available in phases. As VPs were not connected, the above software[24] is currently being implemented at CP level alone. As a result, the objective of providing ICT infrastructure upto grass root level was not achieved.

3.4.4 Unnecessary purchase of additional computers

The UT Government had purchased and supplied 118 computers under Phase I of the scheme to all the CPs/VPs during May 2009. However, due to non-provision of interconnectivity and necessary software as envisaged, the computers already supplied under Phase I were not put to the intended

[23] One each to 98 VPs, two each to 10 CPs and 5 for LAD

[24] Nine modules were taken up for implementation, of which user credentials were created only for six modules

purpose of creation of ICT. The UT Government, however, decided to utilise the amount released by GOI in full and purchased (March 2011) another set of 108 computers for ₹ 29.16 lakh and supplied them to all the CPs/VPs during May 2011.

It was further noticed that on expiry of elected term of VPs in July 2011, all the 196 computers distributed to 98 VPs have been returned to the respective CPs/LAD. As of April 2014, some of these computers were also deployed in Election department for other purposes defeating the objective of creation of ICT upto the level of CPs/VPs due to lack of software and network.

When pointed out LAD replied (June 2014) that though computers were procured and supplied to CPs/VPs, in absence of Net based application, the need for connectivity did not arise. Further, e-panchayat software which requires net connectivity was made available only during the year 2012 for which connectivity is proposed to be provided under NOFN. It was further stated that computers were provided to VPs under the Phase I to enable the functionaries to get themselves acquainted with computer operations and in absence of elected VPs after the year 2011, the computers have been returned to respective CPs and SWAN connectivity was not extended to VPs.

The reply is not acceptable, as computers were provided to all the VPs during 2009 itself with the objective of providing ICT infrastructure. However no action was taken to cover the VPs under SWAN and the computers were returned to respective CPs and were utilised for other works defeating the intended objective of creating ICT infrastructure upto VP level.

3.4.5 Conclusion

Though UT Government proposed to cover the VPs under SWAN to establish *e*-Governance and obtained (April 2007) funds from GOI, no action was taken to cover VPs under SWAN and to install software to establish e-Governance. In respect of CPs covered under SWAN, *e*-Governance software was only partially installed. Thus, the objective of providing ICT infrastructure to rural panchayats was not fulfilled. Further, purchase and distribution of additional computers to CPs/VPs was unnecessary as computers already purchased were not put to use due to lack of necessary software and network.

TRANSPORT DEPARTMENT

3.5 Repairs and Services to Government Vehicles by Government Automobile Workshop and Fleet Management in Selected Departments

3.5.1 Introduction

A Government Automobile Workshop (GAW) functions in Union Territory of Puducherry to carry out repairs, upkeep, maintenance, render technical advices and servicing of all Government vehicles other than vehicles of Agriculture department which were maintained by Government Agricultural Engineering Workshop (GAEW). In addition, a fuel station was functioning in GAW to supply Petrol, Oil and Lubricants (POL) to Government vehicles. Apart from this, a mini workshop also functioned in Karaikal for servicing Government vehicles operated in that region. As of May 2014, 1,552 vehicles were in operation in all Government departments and an expenditure of ₹ 30.41 crore was incurred by GAW during 2011-14 towards maintenance and POL expenses.

Audit on Repairs and Services to Government vehicles by GAW along with fleet management in four selected departments viz. Agriculture, Health, Police and Public works in Puducherry and Karaikal Regions was conducted during March 2014 to July 2014 covering the period 2011-14 to assess the effectiveness of services offered by GAW.

Audit findings

3.5.2 Excess expenditure on Purchase of POL

In order to supply fuel to Government vehicles, GAW earlier procured fuel from Indian Oil Corporation (IOC), Chennai at concessional Central Sales Tax (CST) rate up to 31 March 2007. Consequent to introduction of VAT, the concession was withdrawn and hence GAW supplied fuel at market rate from April 2007. When GAW addressed (April 2007) the Commercial Tax Department, Puducherry for concessional CST, it was replied (May 2007) that GAW was not eligible for it.

It was noticed that Co-operative societies in UT were permitted to operate retail outlets for sale of fuel and cost of fuel sold by them was much less than GAW, as they were eligible for concessional CST rate. While CST was levied at the rate of two *per cent* for Co-operative societies, the same was levied at the rate of 27 *per cent* (Petrol) and 21.43 *per cent* (Diesel) for GAW. However, Government continued to allow all departments to procure fuel from GAW at higher rates.

Only during September 2013, did the UT Government decide to stop procuring fuel through GAW and instructed all departments to procure fuel from co-operative retail outlets from November 2013. Had this decision been taken in May 2007 itself, excess expenditure on purchase of fuel from GAW could have been avoided. However, the injudicious decision to purchase 5,496 KL of diesel/petrol at higher rate from GAW during 2011-14 led to avoidable expenditure of ₹ 4.71 crore.

3.5.3 Non implementation of the Scheme "Modernization of GAW"

Scrutiny of records revealed that dependence on GAW for maintaining Government vehicles had been decreasing due to purchase of new model vehicles. GAW issued No Objection Certificates (NOCs) to nominated private workshops for carrying out repairs of these vehicles as they were not equipped to service new model vehicles with latest technology. It was noticed that the issue of number of NOCs increased from 273 in 2011-12 to 326 in 2013-14 showing that use of GAW was on a decline. Further, it was noticed that Planning Commission while finalising the outlays for tenth five year plan, had also recommended (2002) closure of GAW and entrusting the works to private firms.

Despite the above, UT Government proposed to modernise[25] GAW at an outlay of ₹ 1.50 crore during the twelfth Five Year Plan (2012-17) and provided an amount of ₹ 97 lakh during 2011-14. However, due to restricted activities and lack of technically qualified Head of Department, GAW was not in a position to implement the scheme and diverted ₹ 93.02 lakh to meet expenditure on salaries.

When pointed out, Government stated (November 2014) that proposal for closure of GAW as suggested by Planning Commission was under consideration and no funds would be provided for the scheme in future. However, the fact remains that UT Government had not implemented the recommendation of Planning Commission to close GAW for more than 12 years.

3.5.4 Failure to set up emission test centre

The Central Motor Vehicles Rules, 1989 specified Emission Test (ET) for all vehicles to comply with air pollution norms. For this purpose, Emission Testing Centre was proposed to be established in GAW so that vehicles, both private and Government, could be tested and two ET equipment[26] costing ₹ 8.31 lakh were purchased during September 2005. However, the equipment were not put to use and kept idle for want of trained officials resulting in idling of equipment.

Government replied (November 2014) that GAW would be instructed to install the equipment and conduct emission tests.

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[25] Purchase of computers, machinery and equipment, tools etc and imparting training

[26] Exhaust gas analyser, smoke meter, computer, video camera, printer and UPS

3.5.5 Non-utilisation of vehicles

3.5.5.1 Non-utilisation of farm machinery

The Agriculture Department issued farm machinery like Tractors, Trailers, Paddy Thrashers, Power Tillers, etc., during 2002-06 and handed them over to 11 registered Uzhavar Uthaviyagam[27] (UU) and six Pasumai Padai[28] (PP). The machinery so transferred had to be provided to farmers at reasonable rent in order to help them to carry out farming activities.

Test check of records revealed that out of 179 farm machinery purchased, 69 costing ₹ 21.28 lakh were not put to use and kept idle from the date of purchase.

When pointed out, Government replied (October 2014) that farm machinery were put to use to the maximum extent possible and action is being taken for condemnation of the unutilised machinery after getting opinion from GAEW. But the fact remains that machinery were not utilised from their date of purchase as revealed (November 2013) from the inspection report submitted by the Deputy Director (Agricultural Engineering) to Joint Director of Agriculture.

3.5.5.2 Delay in condemnation of old vehicles

Government had fixed norms/lives for various types of vehicles in terms of distance run (in kilometers) and length of use (in years). Based on this norm, old vehicles are identified for condemnation. After getting recommendations from condemnation committee constituted for this purpose, sanction of Government for disposal through tender-cum-public auction is obtained. The UT Government issued (March 2005) instructions that auctioning of condemned vehicles should be completed within three months from the date of receipt of requisition from the client department.

It was noticed that during 2011-14, 281 vehicles have been proposed for condemnation. Of this, condemnation proposals were approved by UT Government in respect of 150 vehicles[29], while approval was yet to be received in respect of remaining which were pending over a period ranging from one to five years. However, GAW did not take steps to auction the vehicles for which condemnation proposals were approved and any delay would only result in poor realizable value.

When pointed out, Government replied (November 2014) that auction sale was conducted for 139 vehicles during September 2014 and remaining vehicles would be auctioned after completing necessary formalities.

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27 Farmers Help Centres

28 Farm Advisory Committee

29 Motorcycles, cars and vans purchased during 1970-2004

3.5.6 Conclusion

Though Planning Commission had recommended closure of GAW, UT Government went ahead with attempting to modernise it and the amount provided for modernisation was diverted to meet salary expenditure. Dependence on GAW for carrying out repair works decreased over the years and as a result repair works were being carried out at nominated private workshops.

CHAPTER IV

REVENUE RECEIPTS

CHAPTER IV

REVENUE RECEIPTS

4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of the Union Territory of Puducherry and the grants-in-aid received from the Government of India during the year 2013-14 and the corresponding figures for the preceding four years are mentioned in Table 4.1.1.

Table: 4.1.1 - Trend of revenue receipts

(₹ in crore)

Sl. No.	Category	2009-10	2010-11	2011-12	2012-13	2013-14
I	**Revenue raised by the Government**					
	(a) Tax revenue	867.74	1,074.47	1,329.43	1,917.22	1,904.51
	(b) Non-tax revenue	642.93	742.78	153.31	118.15	1,192.59
	Total (I)	**1,510.67**	**1,817.25**	**1,482.74**	**2,035.37**	**3,097.10**
II	Receipts from the Government of India – Grants-in-aid	1,330.66	1,382.78	1,288.68	1,110.77	1,210.51
III	**Total receipts of the Government (I + II)**	**2,841.33**	**3,200.03**	**2,771.42**	**3,146.14**	**4,307.61**
IV	**Percentage of I to III**	**53**	**57**	**54**	**65**	**72**

(Source: Finance Accounts of the respective years)

The above table indicates that during the year 2013-14, the revenue raised (₹ 3,097.10 crore) by the Union Territory Government was 72 *per cent* of the total revenue receipts (₹ 4,307.61 crore) as against 65 *per cent* in the preceding year. The balance (₹ 1,210.51 crore) 28 *per cent* of the receipts during 2013-14 were obtained from the Government of India.

4.1.2 The details of tax revenue raised during the period from 2009-10 to 2013-14 are given in the following table.

Table: 4.1.2 - Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+)/ decrease (-) in 2013-14 over 2012-13
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Taxes on Sales, Trade, etc.	500.00	453.11	680.78	595.00	1,481.83	750.15	1,395.61	1,287.10	1,505.00	1,256.71	(-) 2.36
2	State Excise	300.00	329.06	475.00	378.55	778.00	447.27	688.49	503.98	620.00	511.72	(+) 1.54
3	Stamp Duty and Registration fees	60.00	50.15	102.00	51.93	113.96	77.43	121.29	72.67	98.00	82.79	(+) 13.93
4	Taxes on vehicles	45.00	34.75	58.00	48.27	89.86	53.55	87.66	52.64	66.00	51.95	(-) 1.31
5	Land Revenue	0.79	0.54	1.15	0.62	1.42	0.80	1.35	0.55	0.80	1.14	(+) 107.27
6	Others	0.21	0.13	0.22	0.10	0.93	0.23	0.29	0.28	0.20	0.20	(-) 28.57
	Total	**906.00**	**867.74**	**1,317.15**	**1,074.47**	**2,466.00**	**1,329.43**	**2,294.69**	**1,917.22**	**2,290.00**	**1,904.51**	

(Source : Finance Accounts of the respective years)

Reasons for variation in receipts in 2013-14 over 2012-13, as furnished by the Departments concerned, are mentioned below:

Stamp Duty and Registration Fees: The increase (13.93 *per cent*) was mainly due to increased sale of Stamps.

Land Revenue: The increase (107.27 *per cent*) was mainly due to increased collection of cesses.

4.1.3 The details of non-tax revenue raised during the period from 2009-10 to 2013-14 are given in the following table.

Table: 4.1.3 - Details of Non-tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) / decrease (-) in 2013-14 over 2012-13
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	945.15	549.39	889.61	662.71	Nil	58.73	Nil	29.58	1,200.00	1,055.15	(+) 3,467.11
2	Interest receipts, Dividends and Profits	31.43	56.98	53.44	42.15	71.91	38.72	39.87	35.64	36.29	68.44	(+) 92.03
3	Medical and Public Health	6.30	6.58	7.49	10.77	10.04	8.46	16.43	13.94	14.50	9.46	(-) 32.14
4	Education, Sports, Art and Culture	0.73	0.45	0.89	0.61	1.19	0.84	0.30	0.73	0.26	0.91	(+) 24.66
5	Crop Husbandry	0.42	0.39	0.36	0.41	0.48	0.48	0.52	0.51	0.46	0.38	(-) 25.49
6	Other receipts	23.12	29.14	34.47	26.13	46.38	46.08	63.88	37.75	58.49	58.25	(+) 54.30
	Total	**1,007.15**	**642.93**	**986.26**	**742.78**	**130.00**	**153.31**	**121.00**	**118.15**	**1,310.00**	**1,192.59**	

(Source : Finance Accounts of the respective years)

Reasons for variation in actual receipts in 2013-14 over 2012-13, as furnished by the Departments concerned, are mentioned below:

Power: The increase (3,467.11 *per cent*) was mainly due to revision of accounting procedure and revision of tariff.

Interest receipts, Dividends and Profits: The increase (92.03 *per cent*) was due to increase in receipt of interest.

Medical and Public Health: The decrease (32.14 *per cent*) was due to less receipts under Employees Insurance Scheme and other receipts.

Crop Husbandry: The decrease (25.49 *per cent*) was due to less receipts under other receipts.

4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 under the principal heads of revenue amounted to ₹ 501.22 crore, of which, ₹ 167.96 crore was outstanding for more than five years, as detailed in Table 4.2.

Table: 4.2- Arrears of revenue

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
(1)	(2)	(3)	(4)	(5)
1	Commercial Taxes	213.65	80.73	Arrears related to collection of tax under PGST/CST and VAT Acts and major portion was covered under court cases.
2	Electricity	233.86	71.34	Arrears were due to non-payment of electricity charges by Government departments/ institutions/ private companies.
3	State Excise	33.94	9.65	Arrears were mainly due to non payment of *kist* by the lessees of arrack and toddy shops.
4	Public Works	12.63	4.25	Arrears related to water charges due from consumers.
5	Government Automobile Workshop	3.99	Nil	Arrears were due from Government departments towards sale of petrol, oil and lubricants and work bills.
6	Port	0.59	0.57	Arrears were mainly due from Container Corporation of India Limited, Government of India undertaking, towards land rent.
7	Stationery and Printing	0.27	0.02	Arrears related to non recovery of printing charges from Government departments.
8	Town and Country Planning	0.12	0.12	Arrears related to final cost of plots due from the allottees of various housing schemes.
9	Tourism	0.15	0.06	Arrears were mainly due from guests/ other Government Officials towards room rent.
10	Co-operation	0.09	0.03	Arrears related to audit fees and other receipts due.
11	Judicial	0.05	0.03	In some cases, the accused were undergoing imprisonment and in some cases, appeals were pending in courts, etc.

(1)	(2)	(3)	(4)	(5)
12	Industries and Commerce	0.04	0.03	Arrears related to rent due from defunct industrial units.
13	Transport	0.43	0.36	Arrears were due to non-recovery of motor vehicles tax.
14	Agriculture	0.32	0.16	Arrears due from PASIC and local bodies towards rent, cost of seeds and other services.
15	Information and Publicity	0.12	0.11	Arrears of rent to be collected from PRTC.
16	Hindu Religious Institutions and Wakf Board	0.58	0.29	Arrears were due to shortfall in collection of temple audit fees.
17	Accounts and Treasuries	0.37	0.20	Arrears were due to non-remittance of audit fee by religious institutions at stipulated time.
18	Fisheries and Fishermen Welfare	0.02	0.01	Arrears of lease amount on diffused fish farm at Coringa river, Yanam.
	Total	**501.22**	**167.96**	

Other Departments did not furnish (December 2014) the details of arrears of revenue, if any.

4.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the Commercial Taxes Department (CTD), in respect of Value Added Tax, are shown below in Table: 4.3.

Table: 4.3 - Arrears in assessments

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessments due	Cases disposed of during 2013-14	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
VAT Scrutiny Assessments	9,197	1,977	11,174	2,721	8,453	24.35

The above table indicates that adequate measures need to be taken for speedy finalisation of cases which were selected for detailed scrutiny.

4.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Commercial Taxes Department, cases finalised and the demands for additional tax raised as reported by the Department are given in Table: 4.4.

Table: 4.4 - Evasion of Tax

(₹ in crore)

Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc., raised		Number of cases pending for finalisation on 31 March 2014
				Number of cases	Amount of demand	
Sales Tax/VAT	168	102	270	50	1.38	220

It would be seen from the above table that the number of cases pending at the end of the year had increased compared to the number pending at the beginning of the year. The Department may institute measures for finalisation of pending cases, so as to ensure early realisation of revenue.

4.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Transport Department is given in Table: 4.5.

Table: 4.5 - Details of pendency of refund cases

Sl.No.	Particulars	Taxes on vehicles	
		Number of cases	Amount (in ₹)
1	Claims outstanding at the beginning of the year	Nil	Nil
2	Claims received during the year	1	2,880
3	Refunds made during the year	1	2,880
4	Balance outstanding at the end of the year	Nil	Nil

4.6 Response of the Departments/Government towards audit

Accountant General (Economic and Revenue Sector Audit), Tamil Nadu arranges periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). Important irregularities are included in the IRs, issued to the heads of offices inspected with copies to the next higher authorities, for taking corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report compliance to the office of the Accountant General within one month from the date of issue of the IRs. Serious irregularities are also brought to the notice of the heads of Departments by the office of the Accountant General.

IRs issued upto 31 December 2013 disclosed that 678 paragraphs involving ₹ 290.26 crore relating to 180 IRs remained outstanding at the end of June 2014 as mentioned below alongwith the corresponding figures for the preceding two years in Table: 4.6.

Table: 4.6 - Details of pending IRs

	June 2012	June 2013	June 2014
Number of outstanding IRs	158	173	180
Number of outstanding audit observations	558	576	678
Amount involved (₹ in crore)	**236.48**	**209.63**	**290.26**

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

4.6.1 Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in Table: 4.6.1.

Table: 4.6.1 - Department-wise details of IRs

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	56	332	146.73
2	Stamp Duty and Registration fees	61	150	2.47
3	Taxes on vehicles	34	135	4.21
4	State Excise	29	61	136.85
	Total	**180**	**678**	**290.26**

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

4.6.2 Non-production of records to audit for scrutiny

The programme of local audit of commercial tax offices is prepared sufficiently in advance and intimated to the Department one month before the commencement of local audit to enable them to keep relevant records ready for audit scrutiny. During 2013-14, 130 sales tax assessment records relating to four offices were not made available for audit.

The delay in production of records for audit would render audit scrutiny ineffective, as rectification of underassessments, if any, might become barred by limitation, by the time these files are produced to audit.

The matter regarding non-production of records in each office and arrears in assessment is brought to the notice of the Department through the local audit reports of the respective offices.

4.6.3 Response of the Departments to draft Audit Paragraphs

Three draft paragraphs (clubbed into two paragraphs) proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2014 were forwarded to the Secretaries of the respective Departments during September-November 2014 through demi-official letters. The Secretaries of the Departments did not send replies to these paragraphs (December 2014). These paragraphs have been included in the Report without the response of the Secretaries of the Departments concerned.

4.6.4 Follow-up on Audit Reports

The internal working system of the Public Accounts Committee, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. Inspite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Nineteen paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Union Territory of Puducherry for the years ended 31 March 2008, 2009, 2010, 2011 and 2012 were placed before the Legislative Assembly of UT between 2009 and 2013. The action taken explanatory notes from the concerned Departments on these paragraphs were received late with average delay of more than 16 months in respect of these Audit Reports.

The PAC discussed nine selected paragraphs pertaining to the Audit Reports for the years from 2007-08 and 2008-09 and its recommendations on two paragraphs relating to Audit Report 2008-09 were incorporated in their 2012-13 Report. However, ATNs have not been received in respect of eight recommendations of the PAC from the Revenue (Excise) Department.

4.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the IRs/ Audit Reports by the Departments / Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 4.7.1 and 4.7.2 discuss the performance of the Transport Department under revenue head '0041' and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2003-04 to 2012-13.

4.7.1 Position of Inspection Reports

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated in Table: 4.7.1.

Table: 4.7.1 - Position of Inspection Reports

(₹ in lakh)

Year	Opening balance			Additions during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2004-05	23	145	222.88	1	10	39.18	0	4	2.27	24	151	259.79
2005-06	24	151	259.79	3	10	94.44	0	9	0.07	27	152	354.16
2006-07	27	152	354.16	1	7	12.65	0	0	0.00	28	159	366.81
2007-08	28	159	366.81	1	6	1.90	0	0	0.00	29	165	368.71
2008-09	29	165	368.71	3	18	74.16	3	13	32.22	29	170	410.65
2009-10	29	170	410.65	1	2	0.00	1	1	0.06	29	171	410.59
2010-11	29	171	410.59	2	7	4.54	0	10	0.65	31	168	414.48
2011-12	31	168	414.48	2	4	5.13	1	41	1.15	32	131	418.46
2012-13	32	131	418.46	1	4	1.67	0	0	0.00	33	135	420.13
2013-14	33	135	420.13	4	17	8.17	0	0	0.00	37	152	428.30

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

As would be evident from the above table, as against 23 IRs involving 145 paragraphs which were pending at the beginning of 2004-05, the number at the end of 2013-14 had increased to 37 IRs involving 152 paragraphs.

4.7.2 Recovery of accepted cases

Two draft paragraphs involving ₹ 6.14 lakh were included in the Report of the Comptroller and Auditor General of India for the year ended March 2012, Revenue Receipts, Government of Puducherry. The Department accepted the audit observation involving ₹ 1.68 lakh and recovered ₹ 0.42 lakh.

4.8 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations, nature/volume of transactions, etc. The annual audit plan is prepared on the basis of risk analysis which, *inter-alia*, includes statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years, etc.

During the year 2013-14, the audit universe comprised 33 auditable units. 22 units were planned for audit and 21 units were audited during the year 2013-14, i.e 63.63 *per cent* of the total auditable units.

4.9 Results of audit

Test check of the records of sales tax, state excise, stamp duty and registration fees and taxes on vehicles conducted during the year 2013-14 revealed underassessment/short levy/loss of revenue amounting to ₹ 35.09 crore in 105 audit observations. During the course of the year, the Commercial Taxes Department accepted and recovered ₹ 6.78 lakh in 17 audit observations, of which, ₹ 3.20 lakh pertaining to seven cases were pointed out during the year and the rest in earlier years.

This Chapter contains a paragraph on Audit of "Functioning of Transport Department" and one on "State Excise" involving money value of ₹ 50.92 lakh.

TRANSPORT DEPARTMENT

4.10 Audit of functioning of Transport Department

4.10.1 Introduction

The Audit of Transport Department of Union Territory of Puducherry was undertaken to study the effectiveness of the functioning of the Transport Department in terms of working of check posts, levy of tax and compliance with the various provisions of the Acts/Rules. The tax revenue of the Transport Department of the Union Territory of Puducherry accounts for two to five *per cent* of the total tax receipts.

The monitoring and control at the Government level is exercised by the Secretary to Government, Transport Department. The Transport Commissioner is the Head of the Department. He is assisted by two Regional Transport Officers (RTOs) at Puducherry and Karaikal. The RTOs are responsible for issue of permits, collection of taxes, issue of licences and enforcement activities. There are two Unit offices at Mahe and Yanam. The Unit offices are headed by a Motor Vehicle Inspector, who is responsible for collection of taxes and issue of licences. Permits are issued only in the Regional Transport Office, Puducherry. The functions also include issue of registration certificates, driving licences, permits, fitness certificates of vehicles, collection of taxes, fees and fines, issue of check reports and enforcement of various provisions of Motor Vehicles Acts and Rules. A check post was established in June 2001 at Gorimedu in Puducherry, to monitor the movement of the vehicles entering into the Union Territory and to collect the taxes. The computerisation of the Department commenced from the year 1998 (*Fox pro*). NIC had developed *Vahan* software (November 2005) based on the user requirement of the Department.

The audit was conducted between May and October 2014 covering the five year period from 2008-09 to 2012-13. The records relating to collection of taxes, fees, fines, permits in the two RTOs, the two Unit offices and one check post were scrutinised. The details in the "*Vahan*" dump data of the Department, made available to audit, were also analysed. The aspects of improving road safety, control of emissions from vehicles and fitness of the vehicles were also studied.

4.10.2 Trend of revenue

The receipts and expenditure of the Transport Department of Union Territory of Puducherry in the last five years were as follows:

(₹ in crore)

Year	Budget estimates	Actual Receipts	Expenditure	Percentage of expenditure on collection	All India average percentage cost for the previous year
2008-09	34.00	32.46	2.35	7.24	2.09
2009-10	36.00	34.75	2.77	7.97	2.93
2010-11	52.50	48.27	2.96	6.13	3.07
2011-12	58.00	53.55	2.86	5.34	3.71
2012-13	54.00	52.64	2.99	5.68	2.96

(Source: Figures furnished by Department and Finance Accounts of UT of Puducherry)

The above table indicates that the actual receipt was around 90 *per cent* of the budget estimates in all the years. The percentage of expenditure on collection in all the years was higher than the All India average cost of collection.

4.10.3 Audit findings

4.10.3.1 Non / Short collection of tax in respect of transport vehicles

As per the provisions of Section 6A of the Puducherry Motor Vehicle Taxation Act, tax in respect of a transport vehicle has to be paid within 30 days of the commencement of the respective quarter. Further, as per Section 9 of Puducherry Motor Vehicle Taxation Act, 1967, if the tax due under sub-section 1 of Section 4 of the Act in respect of Motor Vehicle has not been paid within the period specified in sub-section 1 of Section 6, the registered owner or person having control or possession thereof is liable to pay penalty varying from 25 *per cent* to 100 *per cent* on the amount of tax, depending on the period of delay.

Audit observed from *Vahan software* in the Office of the Transport Commissioner, Puducherry that owners of 37 transport vehicles did not pay tax of ₹ 5.46 lakh tax within due dates, the period of delay ranging from two years to three and half years. The authorities also did not initiate action and this resulted in non-collection of tax of ₹ 5.46 lakh. Besides, penalty amounting to ₹ 5.46 lakh was also leviable.

Audit pointed this out to the Department (May 2014). Reply was awaited (November 2014).

4.10.3.2 Non-renewal of Certificate of Fitness of transport vehicles

Section 56 of Motor Vehicles Act, 1988 (MV Act) provides that a transport vehicle shall not be deemed to be validly registered under the Act, unless it carries a certificate of fitness (FC) issued by the prescribed authority. Government of Puducherry issued orders[1] in May 2004 for levy of compounding fee of ₹ 500 for Auto/Light Motor Vehicle and ₹ 2,000 for other vehicles for use without fitness certificate. Under Section 190(2) of MV Act, any person who drives or causes or allows to be driven in any public place, a motor vehicle, which violates the standards prescribed in relation to road safety, control or noise and air pollution shall be punishable for the first offence with a fine of ₹ 1,000 and for any second or subsequent offence with a fine of ₹ 2,000.

Audit noticed from the *Vahan Software* maintained in the Office of the Transport Commissioner, Puducherry that in respect of 3,508 transport vehicles, relating to the period 2008-09 to 2012-13, details of renewal of

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[1] Order No.05/TD/RTO-PA/2004, dated 18th May 2004

fitness was not available in the above software, though vehicle owners paid taxes regularly.

While accepting tax, the authorities failed to verify the fitness of the vehicles. This led to plying of vehicles without FC, thereby endangering public safety. Besides, fine for non-renewal of FC, as stipulated in the Act, was also leviable.

After Audit pointed this out, the Department replied (December 2014) that ₹ 1.23 lakh was collected as compounding fee in respect of 265 light motor vehicles / auto-rickshaws. The Department further stated that the details were entered manually in a separate register from November 2012 onwards. However, no documents in support of collection of fee were furnished to audit for verification. Further, reply in respect of the remaining cases was awaited (November 2014).

4.10.3.3 Inadequate number of Pollution testing centres

According to sub-rule 7 of Rule 115 of Central Motor Vehicle Rules, 1989, after the expiry of one year from the date on which the motor vehicle was first registered, every such vehicle shall carry a valid "Pollution under control" certificate issued by an agency authorised for this purpose by the State Government. The validity of the certificate shall be for six months and the certificate shall always be carried in the vehicle and produced on demand by the officers referred to in sub-rule (1) of Rule 116.

During the period between 2008-09 and 2011-12, a total of 2,70,659 vehicles were registered and these vehicles were required to obtain "Pollution under control" certificates during the period from 2009-10 to 2012-13 (one year after the date of registration). Scrutiny of records revealed that there were only two authorised Pollution testing centres in Puducherry. Audit observed that only 37,200 authorisations were issued by the Transport Department to these centres for the period from 2009-10 to 2012-13, revealing that the exhaust emission check of vehicles had not been strictly enforced.

As per Annual Environment Status Report (2011-12) of Puducherry Pollution Committee, 75 *per cent* of urban air pollutant originated from vehicular emission. Thus, non-enforcement of exhaust emission check of vehicles had led to risk of further deterioration of air quality.

After Audit pointed this out (September 2014), the Department replied (October 2014) that action would be taken to increase the number of Pollution testing centres.

4.10.3.4 Working of check posts

As per the Order issued in the year 2001, six check posts were proposed to be established in the Union Territory of Puducherry. However, only one

Transport check post was established in June 2001 at Gorimedu in Puducherry. The functions of a Motor Vehicle Inspector at the check post *inter alia* included checking of motor vehicles for ensuring compliance of the provisions of the Act and Rules and to initiate action for irregularities, if any, noticed.

Audit noticed from scrutiny of check reports that no enforcement activities were carried out at the check post and the check post functioned only as a counter for issue of temporary/special permits. After Audit pointed this out (May 2014), it was replied (May 2014) that no enforcement activities were carried out due to shortage of manpower. Thus, the purpose of establishment of check post was not achieved.

4.10.3.5 Maintenance of data in dual system

According to Section 66 of the MV Act, no transport vehicle should operate on public roads without obtaining valid permit and payment of tax. Further, as per section 4 of the MV Act, road tax is levied based on the class of the vehicle as per permit.

Scrutiny of database of *Vahan software* in the Office of the Transport Commissioner, Puducherry revealed that the Department collected tax in respect of 460 vehicles; the permits of which were expired as per *Vahan* software. However, further scrutiny of manual records revealed that the permits of these vehicles were renewed periodically. The Department maintained details regarding issue/renewal of permit in the old *Fox Pro software* and collection of tax in *Vahan software*. This indicates that data maintained in manual system was not being migrated to *Vahan*. Thus, the details regarding issue/renewal of permit were not reflected in the *Vahan Software*.

After Audit pointed this out, it was replied (October 2014) that the Department was in the process of migrating to *Vahan software* from the existing *Fox Pro software*. The Department also stated that the permits were being renewed through *Fox Pro software* and the details were being gradually updated in the *Vahan software.*

Thus, usage of multiple systems resulting in data not being available in a centralised manner had led to the Department's inability to verify the validity of permits and fitness certificate (as observed in para 4.10.3.2) of the vehicles during tax collection.

4.10.3.6 Internal Audit

Internal audit is an important part of internal control mechanism for ensuring proper and effective functioning of a system and also for detection and prevention of control weaknesses. Internal audit is intended to examine and evaluate the level of compliance with the Rule and procedure so as to provide reasonable assurances on the adequacy of the internal control. Effective internal audit system, both in the manual as well as computerised environment are prerequisite for the efficient functioning of any department.

Audit noticed that there was no separate internal audit wing in the Department and that no internal audit had been conducted so far. After Audit pointed out the above (May 2014), it was replied (December 2014) that no internal audit was conducted from 2008-09 to 2012-13, since the internal audit wing was constituted only in September 2013 under the head of Senior Accounts officer of Transport department with supporting staff of one Superintendent, one Assistant and one store-keeper. The Department also stated that an audit on the accounts of Transport Unit, Karaikal had been conducted in March 2014.

4.10.3.7 Road Safety activities

A Road Safety Council for the Transport Department was constituted in March 2008, to advise the Government on all matters pertaining to planning and co-ordination of policies, practices and standards of safety in the Road Transport Sector. The Council was also assigned the function of formulation and recommendation of road safety programmes to the Government for implementation. The Council was ordinarily required to meet once in six months.

Further, the Road Safety Council was entrusted with the function to generally oversee and monitor, the Road Safety measures undertaken by the Road Safety Organisation/Agencies, through the Road Safety Cell.

Audit, however, observed that no Road Safety Council meetings were convened during the period from 2008-09 to 2013-14 and the Council was re-constituted in November 2014. Audit observed that ₹ 51.66 lakh (constituting 96.8 *per cent* of the expenditure) was spent by the Road Safety Cell towards payment of salary of staff and ₹ 1.72 lakh alone (constituting 3.2 *per cent*) was spent towards observation of road safety week and other miscellaneous activities like marking of roads, advertisement, etc. The number of accidents which was 1,047 during 2008-09 had increased to 1,495 during 2012-13.

4.10.4 Conclusion

The non-implementation of basic function of enforcement of check posts resulted in possibility of unauthorised operation of vehicles within the State and violations of other provisions of the MVT Act. The usage of dual software in running the day-to-day functions of the Department resulted in improper projection of data with consequent effect of Department not being able to determine the validity of permits or fitness of the transport vehicles during collection of tax. The number of authorised Pollution testing centres was meagre in comparison to the number of vehicles being registered. The functioning of Road Safety Council, as well as the Road Safety Cell in implementing and monitoring road safety activities needs to be strengthened as the number of accidents had shown an increasing trend. The absence of an internal audit wing, during the period of audit, indicates poor internal control mechanism to ensure effective functioning of the department.

HEALTH DEPARTMENT

STATE EXCISE

4.11 Short collection of excise duty and additional excise duty

4.11.1 According to Section 21(2) of the Puducherry Excise Act, 1970, the Government may levy countervailing duty on any excisable article manufactured or produced elsewhere in India and imported into the Union Territory under a license or permit granted under this Act. Government of Puducherry had revised[2] the Excise Duty (ED) and Additional Excise Duty (AED) payable on Indian Made Foreign Liquor (IMFL) and Beer with effect from 2 January 2012.

Audit noticed (March 2013) from import permit register and connected records in the office of the Deputy Commissioner (Excise), Mahe that six licensees had imported IMFL between 2 January 2012 and 18 January 2012 after the dates of revision of ED and AED, under permits issued prior to such revision. Similarly, Audit noticed from the Beer transport permit register that a licensee imported Beer into the Union Territory on 12 January 2012. The ED and AED of ₹ 61.48 lakh was levied and collected at old rates against ₹ 89.56 lakh which was required to be collected. This resulted in short collection of ED and AED of ₹ 28.08 lakh.

After Audit pointed this out to the Department (April 2014), the Deputy Commissioner (Excise), Mahe replied (July 2014) that a sum of ₹ 16.59 lakh had since been collected. Further report was awaited (November 2014).

Audit reported the matter to the Government (July 2014). Reply was awaited (November 2014).

4.11.2 According to Section 21(1) of the Puducherry Excise Act, 1970, the Government may levy countervailing duty on any excisable article manufactured or produced in the Union Territory under any license or

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[2] Notification No. 4764/DCE/SI/2011(1) dated 02.01.2012, issued by the Department of Revenue and Disaster Management, Government of Puducherry

permit granted under this Act at such rates as may be specified in the Notification. Government of Puducherry had revised[3] rates of Excise Duty (ED) and Additional Excise Duty (AED), payable on Indian Made Foreign Liquor (IMFL), with effect from 2 January 2012.

Audit noticed (April 2013 and February 2014) from the records relating to permit issued for transport of intoxicants in two offices of the Excise Supervisory Officer/Excise Superintendent of two distilleries in Puducherry that 6,560 cases of IMFL were despatched through 12 transport passes issued between 02 January 2012 and 05 January 2012 i.e. on or after the dates of revision of ED and AED under permits issued prior to such revision. ED and AED of ₹ 42.60 lakh was levied and collected at old rates against ₹ 54.52 lakh, which was required to be collected. This resulted in short collection of ED and AED of ₹ 11.92 lakh.

After Audit pointed this out to the Department (April 2013 and February 2014), the Excise Supervisory Officer, Puducherry stated that action would be taken to collect the differential duty after verification of facts. Reply in respect of the other case was awaited (November 2014).

Audit reported the matter to the Government during June and September 2014. Reply was awaited (November 2014).

[3] Notification No. 4764/DCE/SI/2011(1) dt. 02.01.2012, issued by the Department of Revenue and Disaster Management, Government of Puducherry

CHAPTER V

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER V

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

5.1 Overview of Union Territory of Puducherry Public Sector Undertakings

Introduction

5.1.1 The Union Territory Public Sector Undertakings (PSUs) were established to carry out commercial activities keeping in view the welfare of people. As on 31 March 2014, there were 13 working Government companies and none of them was listed on the stock exchange(s). These PSUs registered a turnover of ₹ 378.86 crore[1] as per their latest finalised accounts (September 2014). This turnover was equal to 1.80 *per cent* of Gross State Domestic Product (GSDP) of ₹ 21,061 crore for 2013-14. Major activities of PSUs are concentrated in the manufacturing and financing sectors. The PSUs incurred an aggregate loss of ₹ 32.17 crore as per their latest finalised accounts (September 2014). They had employed 5,765 employees as on 31 March 2014.

5.1.2 No PSU was either established or closed during 2013-14.

5.1.3 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company also includes its subsidiaries.

5.1.4 The accounts of the Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by statutory auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956.

[1] During 2013-14, only three companies finalised their accounts pertaining to earlier years and none of the companies finalised their account for 2013-14

Investments in State PSUs

5.1.5 As on 31 March 2014, investment (capital and long-term loans) in 13 PSUs was ₹ 714.98 crore as per details given below:

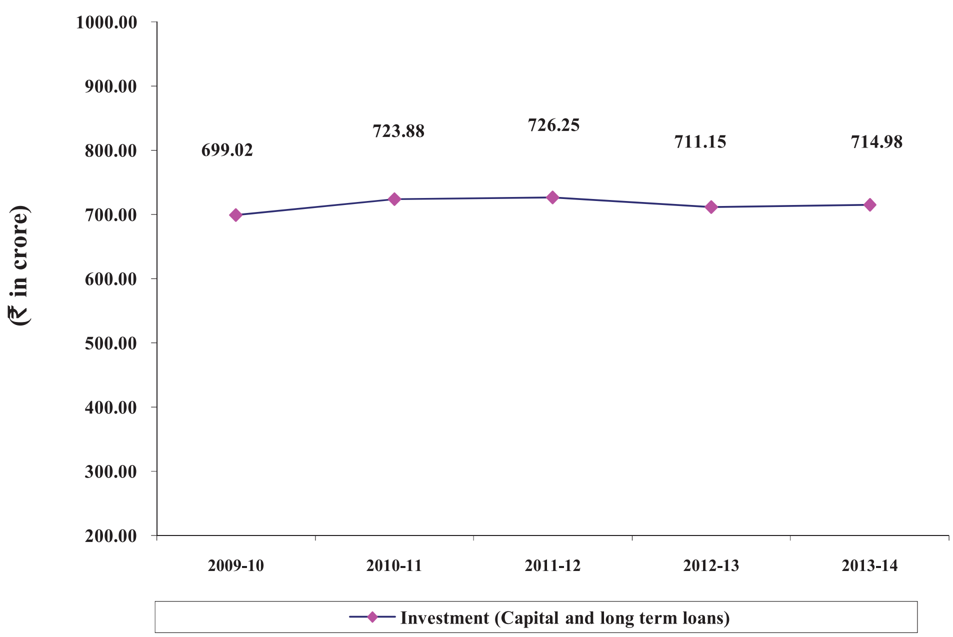
(₹ in crore)

Type of PSUs	Capital	Long Term Loans	Total
Working PSUs	714.98	Nil	714.98

(Source: Details furnished by the companies)

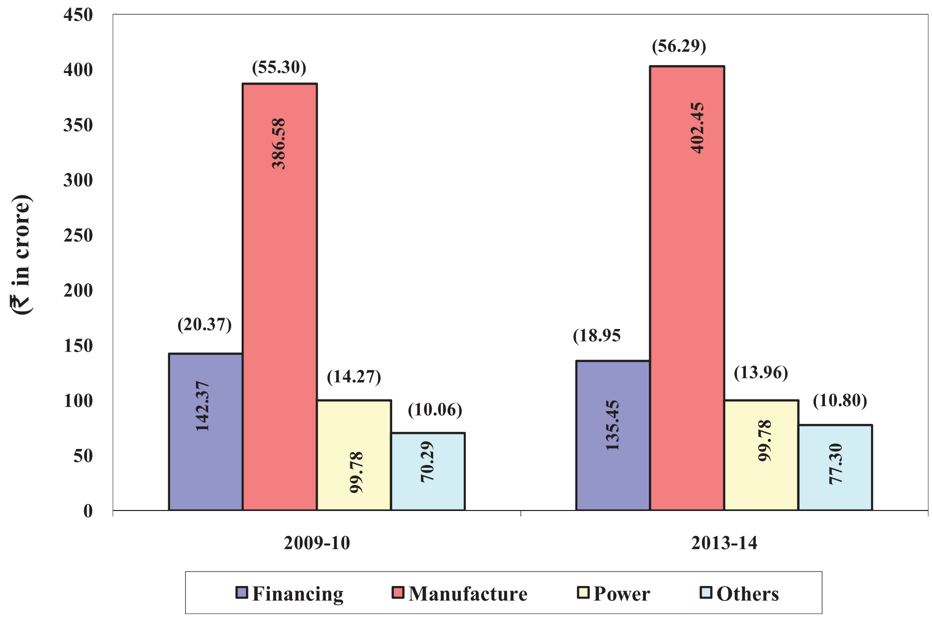
A summarised position of Government investment in PSUs of UT of Puducherry is detailed in **Appendix 5.1.**

5.1.6 As on 31 March 2014, the total investment in 13 PSUs was towards capital only. The investment has grown by 2.28 *per cent* from ₹ 699.02 crore in 2009-10 to ₹ 714.98 crore in 2013-14.



(Source : Details furnished by the Companies)

5.1.7 Investments in various important sectors and percentage thereof at the end of 31 March 2010 and 31 March 2014 are indicated below:



(Figures in brackets show the sector percentage to total investment)
(Source : Details furnished by the Companies)

Budgetary outgo, grants/subsidies, guarantees and loans

5.1.8 Details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of PSUs are given in **Appendix 5.2**. Summarised details of budgetary support from Government of UT of Puducherry are given below for three years ended 31 March 2014.

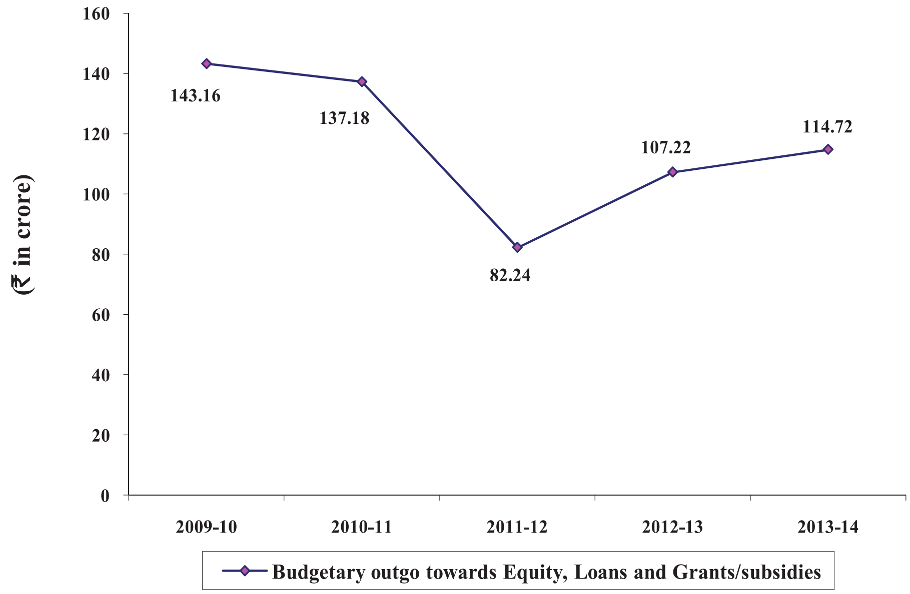
(Amount – ₹ in crore)

Sl.No	Particulars	2011-12		2012-13		2013-14	
		No.of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1	Equity capital outgo from budget	5	6.73	1	0.25	3	3.83
2	Loans given from budget	Nil	Nil	Nil	Nil	Nil	Nil
3	Grants/Subsidy received	6	75.51	9	106.97	7	110.89
4	Total outgo (1+2+3)	8[2]	82.24	9[2]	107.22	8[2]	114.72
5	Loan converted into equity	Nil	Nil	Nil	Nil	Nil	Nil
6	Guarantee commitment	1	3.64	1	3.61	1	3.30

(Source: Details furnished by the companies)

[2] These are the actual number of Companies which have received budgetary support in the form of equity, loans and grants/subsidies from the UT Government during the respective years

5.1.9 Details regarding budgetary outgo towards equity, loans and grants/subsidies for the past five years are given in the graph below:



(Source : Details furnished by the Companies)

5.1.10 As regards guarantee commitment, only Puducherry Adi-dravidar Development Corporation Limited availed the guarantee from Government of India against which ₹ 3.30 crore was outstanding as on 31 March 2014. No guarantee commission was payable to the UT Government by any UT PSU.

Absence of accurate figure for investment in PSUs

5.1.11 Figures in respect of equity and loans outstanding as per records of UT PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of UT of Puducherry. In case the figures do not agree, the concerned PSUs and the Finance Department should reconcile the differences. The position in this regard as at 31 March 2014 is stated below:

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts 2013-14	Amount as per records of PSUs	Difference
Equity	707.14	704.61	2.53
Loans	0.94	Nil	0.94
Guarantees	3.30	3.30	Nil

(Source: Finance Accounts for 2013-14 and details furnished by the companies)

5.1.12 Audit observed that differences occurred in two PSUs and were pending reconciliation for over seven years up to 2013-14. The UT Government and PSUs may take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

5.1.13 Financial results of PSUs are detailed in **Appendix 5.3**. The ratio of PSUs' turnover to State GDP shows the extent of PSUs activities in the State economy. The table below provides details of PSUs' turnover vis-a-vis UT GSDP for the period 2009-10 to 2013-14.

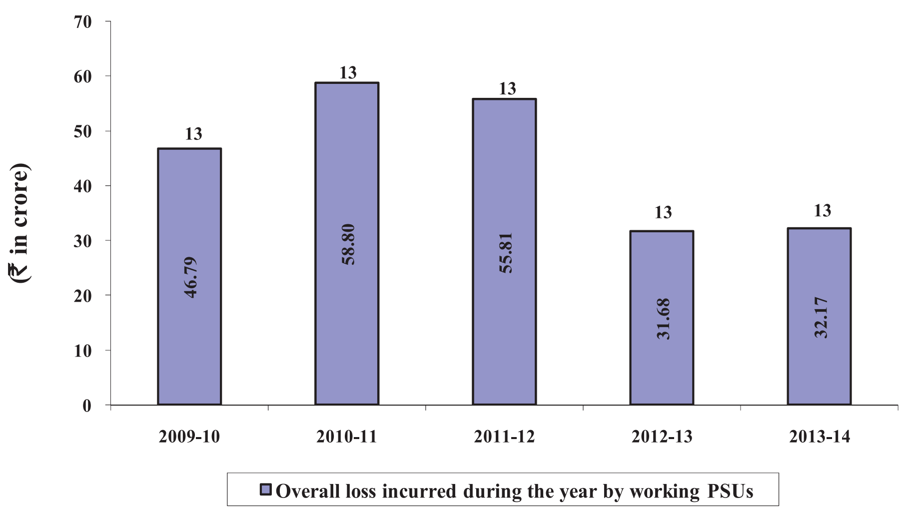
(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover	308.53	338.35	336.68	373.92	378.86[3]
GSDP	12,304	13,092	14,661	16,768	21,061
Percentage of Turnover to state GDP	2.51	2.58	2.30	2.23	1.80

(Source: Details furnished by the companies and GSDP furnished by the UT Government)

Compared to 2009-10, the percentage of turnover to GSDP showed a decreasing trend from 2010-11 onwards indicating the decline in contribution of PSUs of UT to GSDP.

5.1.14 Losses incurred by UT PSUs during the period 2009-14 are given below:



(Source : As per latest finalised accounts of the Companies)

[3] Turnover as per latest finalised accounts as on 30 September 2014

During the year 2013-14, out of 13 PSUs, three PSUs earned profit of ₹ 14.30 crore while nine PSUs incurred loss of ₹ 46.47 crore leading to overall loss. One PSU, *viz*., Puducherry Backward Classes and Minorities Development Company prepared its accounts on 'no profit no loss' basis. The contributors to profit were Puducherry Power Corporation Limited (₹ 6.93 crore), Puducherry Distilleries Limited (₹ 5.16 crore) and Pondicherry Industrial Promotion, Development and Investment Corporation Limited (₹ 2.21 crore). Heavy losses were incurred by Pondicherry Textiles Corporation Limited (₹ 16.85 crore) and Swadeshee-Bharathee Textile Mills Limited (₹ 11.36 crore).

5.1.15 Losses of PSUs were mainly attributable to deficiencies in financial management, planning, implementation of projects, operational management and monitoring. The Audit Reports of the CAG for the three years ending March 2014 reflect avoidable expenditure/loss to the extent of ₹ 5.22 crore and idle investment of ₹ 3.48 crore. This could have been controlled with better management. Year-wise details from Audit Reports are stated below:

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net Profit (loss)	(55.81)	(31.68)	(32.17)	119.66
Controllable losses as per CAG's Audit Report	1.99	Nil	3.23	5.22
Idle investment	Nil	3.48	Nil	3.48

(Source: Latest finalised accounts of companies and CAG's Audit Report)

5.1.16 The above losses pointed out by Audit Reports of the CAG were based on test check of records of PSUs. Therefore, the actual controllable losses could be much more than this. The PSUs can discharge their role efficiently only if they are financially prudent. The above situation points towards a need for greater professionalism and accountability in the functioning of PSUs.

5.1.17 Some other key parameters pertaining to UT PSUs are given below:

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Captial Employed *(per cent)*	Nil	Nil	Nil	Nil	Nil
Debt	16.46	19.59	15.35	Nil	Nil
Turnover	308.53	338.35	336.68	373.92	378.86
Debt/Turnover Ratio	0.05:1	0.06:1	0.05:1	Nil	Nil
Interest Payments	10.49	10.56	15.15	12.88	12.98
Accumulated Losses	268.60	378.51	449.45	496.38	490.12

(Source: Details furnished by the companies and latest finalised accounts of companies)

5.1.18 As per the latest finalised accounts of PSUs as on 30 September 2014, the capital employed worked out to ₹ 638.40 crore in comparison to capital employed of ₹ 561.28 crore in 2009-10. During the last five years, overall return on capital employed remained "NIL".

5.1.19 The State Government had not formulated any policy for payment of minimum dividend on the share capital contributed by it. As per the latest finalised accounts, three PSUs[4] earned an aggregate profit of ₹ 14.30 crore and declared a dividend of ₹ 4.24 crore.

Arrears in finalisation of accounts

5.1.20 Annual accounts of companies are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230 and 619 of the Companies Act, 1956. The table below provides details of progress made by PSUs in finalisation of accounts by September 2014.

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	Number of PSUs	13	13	13	13	13
2	Number of accounts finalised during the year	13	8	17	10	3
3	Number of accounts in arrears	20	25	21	24	34
4	Number of PSUs with arrears in accounts	13	13	12	12	13
5	Extent of arrears	1 to 3 years	1 to 3 years	1 to 3 years	1 to 4 years	1 to 5 years

(Source: Details compiled by audit)

5.1.21 It could be seen from the table that all the 13 companies have arrears in finalisation of accounts ranging from one to five years as on 30 September 2014. The companies should take efforts to reduce the arrears in finalisation of accounts.

5.1.22 As of September 2014, the UT Government has invested ₹ 297.63 crore (Equity: ₹ 9.38 crore, Grants/Subsidies: ₹ 288.25 crore) in eight PSUs during the years for which accounts have not been finalised as detailed in **Appendix 5.4.** In the absence of accounts and their audit, investments and expenditure incurred cannot be vouchsafed.

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[4] Puducherry Power Corporation Limited, Puducherry Distilleries Limited and Pondicherry Industrial Promotion Development and Investment Corporation Limited

5.1.23 Administrative departments overseeing the activities of these PSUs have also to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed periodically by Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this, the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (August/October 2014) with the Secretary to UT Government, Finance Department to expedite the finalisation of accounts in arrears.

5.1.24 It is therefore, recommended that the UT Government should monitor and ensure timely finalisation of accounts with special focus on arrears and comply with the provisions of the Companies Act, 1956.

Adverse comments on the accounts and Internal Audit of PSUs

5.1.25 Three companies forwarded their accounts to Accountant General (AG) during the year 2013-14. Of these, accounts of two companies were selected for supplementary audit. The audit reports of statutory auditors and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved. The details of aggregate money value of comments of statutory auditors and CAG are given below:

(Amount ₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Increase in loss	2	10.23	3	33.22	Nil	Nil
2	Decrease in loss	Nil	Nil	1	17.78	Nil	Nil
3	Errors of classification	Nil	Nil	Nil	Nil	Nil	Nil
	Total	**2**	**10.23**	**4**	**51.00**	**Nil**	**Nil**

(Source: Annual accounts of the companies)

5.1.26 During the year, the statutory auditors had given qualified certificates for two accounts and unqualified certificate for one account.

5.1.27 The qualification in respect of two accounts of companies was due to:

Puducherry Backward Classes and Minorities Development Corporation Limited (2010-11)

(i) Non-reconciliation of loan ledgers with general ledger.

(ii) Non-provision of Bad and Doubtful advances in respect of overdue principal, interest and other dues from beneficiaries.

(iii) Non-provision of accrued gratuity liability in terms of Accounting Standard-15.

Puducherry Distilleries Limited (2011-12)

Non-reconciliation of interest accrued on the advances paid to staff with their personal data statements, the effect of which on the financial statements was not ascertainable.

5.1.28 Statutory auditors are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the statutory auditors on possible improvement in the internal audit/internal control system during the year 2013-14 is given below:

Sl.No	Nature of comments made by statutory auditors	Number of companies where recommend-dations were made	Reference to serial number of the companies as per Appendix 5.3
1	There was no system of preparing short term/long term business plans and to review the same with actuals	1	6
2	Internal audit requires strengthening	1	7
3	Internal audit manual not prescribed	3	6,7 &11
4	Delineated fraud policy not available	3	6,7 &11
5	Non-formation/non-convening of Audit Committee in compliance with Section 292-A of the Companies Act, 1956	1	6

(Source: Reports furnished by statutory auditors under Section 619(3) (a) of the Companies Act, 1956)

The companies concerned should address the issues commented upon by the statutory auditors and take effective remedial action.

Pondicherry Textiles Corporation Limited

5.2 Avoidable payment

The Company's failure to contribute employer's contribution at concessional rate under employees' provident fund scheme resulted in extra payment of ₹ 2.72 crore.

As per the amendment (with effect from 22 September 1997) to Section 6 of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 (Act), the employers were required to contribute to the fund at the rate of 12 *per cent* of the monthly wages of the employees. However, as laid down in the Act, the rate of contribution was only 10 *per cent,* in case the companies satisfied any one of the following conditions:

- The Company which had been declared as sick industrial Company by the Board for Industrial and Financial Reconstruction.
- Any establishment, which at the end of any financial year had accumulated losses exceeding its entire net worth.

Audit noticed (April 2014) that Pondicherry Textiles Corporation Limited (Company), had been incurring losses from 1993-94 and had its accumulated losses exceeding its entire networth from 2007-08 to 2012-13, as detailed below:

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Paid-up capital	269.22	294.22	343.27	356.35	361.35	361.35
Net worth	(-)56.91	(-)79.28	(-)86.11	(-)102.62	(-)114.06	(-)125.15
Accumulated losses	324.15	372.04	428.43	458.56	475.41	486.50

(Source : Details furnished by the Company)

The Company fulfilled the criteria for making contribution to the provident fund at the concessional rate of 10 *per cent* from 2007-08 onwards. However, Audit scrutiny revealed that the Company made employers contribution at 12 *per cent* to the provident fund amounting to ₹ 17.98 crore for the period from April 2007 to June 2011 and stopped contributing to the provident fund from July 2011 onwards in view of its unfavourable financial position.

In this connection, Audit observed that the Company failed to avail the benefit of the concessional rate even after having negative networth. The avoidable contribution made in excess of the concessional rate during the said period worked out to ₹ 2.72 crore **(Appendix 5.5),** which resulted in the Company foregoing the opportunity of reducing the other liabilities to that extent.

The Company replied (December 2014) that it was considering various options of restructuring and hence it was considered prudent to maintain *status quo* in respect of the pay matters. It added that based on the observations of Audit, steps would be taken to apply the concessional rate of 10 *per cent* of the employer's contribution to the provident fund.

The matter was reported to Government in October 2014; their reply was awaited (January 2015).

Chennai
The 25 March 2015

(K. SRINIVASAN)
Principal Accountant General
(General and Social Sector Audit)
Tamil Nadu and Puducherry

Countersigned

New Delhi
The 30 March 2015

(SHASHI KANT SHARMA)
Comptroller and Auditor General of India

Appendices

Appendix 1.1
(Reference: Paragraph 1.6; Page 8)

Details of IRs issued upto December 2013 and paragraphs pending as on June 2014

Sl.No	Name of the Department/ Directorate/Societies	Inspection Reports	Paragraphs
(1)	(2)	(3)	(4)
1	Accounts and Treasuries	11	43
2	Adi-dravidar Welfare	12	42
3	Agriculture	50	226
4	Animal Husbandry and Animal Welfare	9	49
5	Arts and Culture	9	35
6	Civil Supplies and Consumer Affairs	12	47
7	Collegiate and Technical Education	43	182
8	Commercial Taxes	1	2
9	Cooperation	15	91
10	Economics and Statistics	3	7
11	Election	6	18
12	Electricity	33	121
13	Fire Service	1	5
14	Fisheries and Fishermen Welfare	24	100
15	Forest and Wild Life	3	13
16	Heads of State	8	14
17	Health and Family Welfare	54	192
18	Hindu Religious Institution	4	15
19	Industries and Commerce	40	135
20	Information and Publicity	3	14
21	Information Technology	4	9
22	Jails	6	27
23	Labour and Employment	21	83
24	Law/Judicial	11	35
25	Local Administration	70	345
26	Planning and Research	2	4
27	Police	4	11

(1)	(2)	(3)	(4)
28	Port	6	23
29	Public Works	60	184
30	Revenue and Disaster Management	33	79
31	Rural Development	21	96
32	Sainik Welfare	2	8
33	Sales tax	57	338
34	School Education	69	247
35	Science, Technology and Environment	5	20
36	Social Welfare	26	76
37	Stamp duty and registration fees	64	160
38	State excise	34	76
39	Stationery and Printing	3	10
40	Tourism	14	63
41	Town and Country Planning	21	114
42	Transport	47	179
43	Women and Child Development	13	48
	Total	**934**	**3,586**

Appendix 5.1
(Reference: Paragraph 5.1.5; Page 62)
Statement showing particulars of up-to-date paid-up capital, loans outstanding and manpower as on 31 March 2014 in respect of Government companies

(Figures in column 5 (a) to 6 (d) are ₹ in crore)

Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorpo-ration	Paid-up Capital[1]				Loans outstanding at the close of 2013-14				Debt equity ratio 2013-14 (Previous year)	Manpower (No. of employees as on 31.3.14)
				Union Territory Govern-ment	Central Govern-ment	Others	Total	Union Territory Govern-ment	Central Govern-ment	Others	Total		
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
Working Government Companies													
AGRICULTURE & ALLIED													
1	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Agriculture	26 March 1986	15.00	---	---	15.00	---	---	---	---	---	360
2.	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	Civil Supplies and Consumer Affairs	27 September 1990	9.88	---	0.05	9.93	---	---	---	---	---	302
	Sector wise total			**24.88**	**---**	**0.05**	**24.93**	**---**	**---**	**---**	**---**	**---**	**662**
FINANCE													
3.	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	Industries	17 April 1974	104.04 (72.18)	---	8.54	112.58 (72.18)	---	---	---	---	---	124
4.	Puducherry Adi dravidar Development Corporation Limited (PADCO)	Welfare	26 September 1986	13.18	1.68	---	14.86	---	---	---	---	---	66
5.	Pondicherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	Welfare	31 March 1993	3.82	---	---	3.82	---	---	---	---	---	1,203

'---' represent 'Nil figure'

[1] Paid-up capital includes share application money

(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	6(a)	6(b)	6(c)	6(d)	(7)	(8)
6.	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	Welfare	31 March 1999	4.19	---	---	4.19	---	---	---	---	---	8
	Sector wise total			**125.23 (72.18)**	**1.68**	**8.54**	**135.45 (72.18)**						**1,401**
MANUFACTURING													
7.	Puducherry Distilleries Limited (PDL)	Industries	8 December 1971	8.45	---	---	8.45	---	---	---	---	---	98
8.	Pondicherry Electronics Limited (Subsidiary of PIPDIC) (PELECON)	Industries	7 December 1982	---	---	0.10	0.10	---	---	---	---	---	9
9.	Pondicherry Textile Corporation Limited (PONTEX)	Industries	25 November 1985	361.35	---	---	361.35	---	---	---	---	---	2,109
10.	Swadeshee-Bharathee Textile Mills Limited (SBTML)	Industries	4 July 2005	32.55	---	---	32.55	---	---	---	---	---	562
	Sector wise total			**402.35**	**---**	**0.10**	**402.45**	**---**	**---**	**---**	**---**	**---**	**2,778**
POWER													
11.	Puducherry Power Corporation Limited (PPCL)	Electricity	30 March 1993	99.78	---	---	99.78	---	---	---	---	---	122
	Sector wise total			**99.78**	**---**	**---**	**99.78**	**---**	**---**	**---**	**---**	**---**	**122**
SERVICE													
12.	Puducherry Tourism Development Corporation Limited (PTDC)	Tourism	1 April 2005	17.59	---	---	17.59	---	---	---	---	---	265
13.	Puducherry Road Transport Corporation Limited (PRTC)	Transport	19 February 1986	34.78	---	---	34.78	---	---	---	---	---	537
	Sector wise total			**52.37**	**---**	**---**	**52.37**	**---**	**---**	**---**	**---**	**---**	**802**
	Grand total			**704.61 (72.18)**	**1.68**	**8.69**	**714.98 (72.18)**	**---**	**---**	**---**	**---**	**---**	**5,765**

'---' represent 'Nil figure'

Appendix 5.2

(Reference: Paragraph 5.1.8; Page 63)

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2014

(Figures in column 3 (a) to 6 (d) are ₹ in crore)

Sl.No.	Sector & Name of the Company	Equity/loans received out of budget during the year		Grants and subsidy received during the year				Guarantees received during the year and commitment at the end of the year		Waiver of dues during the year			
		Equity	Loans	Central Govern-ment	State Govern-ment	Others	Total	Received	Commit-ment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
Working Government Companies													
AGRICULTURE & ALLIED													
1.	PASIC	1.17	---	---	4.00 (G)	---	4.00 (G)	---	---	---	---	---	---
2.	PAPSCO	---	---	---	3.18 (G) 57.27 (S)	---	3.18 (G) 57.27 (S)	---	---	---	---	---	---
	Sector wise total	**1.17**	---	---	**7.18 (G) 57.27 (S)**	---	**7.18 (G) 57.27 (S)**	---	---	---	---	---	---

'---' represent 'Nil figure'

(1)	(2)	3(a)	3(b)	4(a)	4(b)	4(c)	4(d)	5(a)	5(b)	6(a)	6(b)	6(c)	6(d)
FINANCE													
3.	PADCO	---	---	---	3.00 (G) 1.00 (S)	---	3.00 (G) 1.00 (S)	---	3.30	---	---	---	---
4.	PCDWDAP	---	---	---	32.88 (G)	---	32.88 (G)	---	---	---	---	---	---
5.	PBCMDCL	0.32	---	---	2.06 (G)	---	2.06 (G)	---	---	---	---	---	---
	Sector wise total	**0.32**	**---**	**---**	**37.94 (G) 1.00 (S)**	**---**	**37.94 (G) 1.00 (S)**	**---**	**3.30**	**---**	**---**	**---**	**---**
MANUFACTURING													
6.	SBTML	2.34	---	---	---	3.00 (G)	3.00 (G)	---	---	---	---	---	---
	Sector wise total	**2.34**	**---**	**---**	**---**	**3.00 (G)**	**3.00 (G)**	**---**	**---**	**---**	**---**	**---**	**---**
SERVICE													
7.	PTDC	---	---	---	3.00 (G)	---	3.00 (G)	---	---	---	---	---	---
8.	PRTC	---	---	---	4.50 (G)	---	4.50 (G)	---	---	---	---	---	---
Sector wise total		**---**	**---**	**---**	**7.50 (G)**	**---**	**7.50 (G)**	**---**	**---**	**---**	**---**	**---**	**---**
Grand total		**3.83**	**---**	**---**	**52.62 (G) 58.27 (S)**	**3.00 (G)**	**55.62 (G) 58.27 (S)**	**---**	**3.30**	**---**	**---**	**---**	**---**

'---' represent 'Nil figure'

(G) represents 'Grants'
(S) represents 'Subsidy'

Appendix 5.3

(Reference: Paragraph 5.1.13; Page 65)

Summarised financial results of Government companies for the latest year for which accounts were finalised

(Figures in columns 5(a) to 6 and 8 to 10 are ₹ in crore)

Sl. No.	Sector and name of the company	Period of accounts	Year in which finalised	Net Profit (+)/Loss (-)				Turnover	Impact of Accounts Comments	Paid-up capital	Accumu-lated profit/ loss (-)	Capital employed[2]	Return on capital employed	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ Loss							
(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
Working Government Companies														
AGRICULTURE & ALLIED														
1	PASIC	2008-09	2011-12	(-)6.76	0.02	0.37	(-)7.15	39.87	---	10.83	(-)5.17	9.36	(-)7.13	---
2.	PAPSCO	2010-11	2013-14	(-)4.69	0.20	0.22	(-)5.11	129.11	---	9.93	(-)10.92	3.67	(-)4.91	---
	Sector wise total			**(-)11.45**	**0.22**	**0.59**	**(-)12.26**	**168.98**	**---**	**20.76**	**(-)16.09**	**13.03**	**(-)12.04**	**---**
FINANCING														
3.	PIPDIC	2012-13	2013-14	2.67	---	0.46	2.21	11.66	---	112.58	28.61	140.50	2.21	1.57
4.	PADCO	2010-11	2013-14	0.04	0.17	0.14	(-)0.27	6.21	---	14.86	(-)7.88	20.58	(-)0.10	---
5.	PCDWDAP	2011-12	2012-13	(-)0.21	---	0.02	(-)0.23	26.44	---	3.82	(-)0.29	7.29	(-)0.23	---
6.	PBCMDCL	2010-11	2014-15	0.25	0.20	0.05	---	1.34	---	3.57	---	14.14	0.20	1.41
	Sector wise total			**2.75**	**0.37**	**0.67**	**1.71**	**45.65**	**---**	**134.83**	**20.44**	**182.51**	**2.08**	**1.41**

'---' represent 'Nil figure'

[2] Capital employed represents share holders funds *plus* long-term borrowings in respect of accounts finalised during the year *viz*., Sl.No.6, 7 and 11. In respect of others, net fixed assets (including capital work- in -progress) PLUS working capital except in case of finance companies, where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance)

(1)	(2)	(3)	(4)	5(a)	5(b)	5(c)	5(d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
MANUFACTURING														
7.	PDL	2011-12	2014-15	5.82	0.05	0.61	5.16	30.36	---	8.45	35.59	44.42	5.21	11.73
8.	PELECON	2010-11	2012-13	(-) 0.24	0.01	---	(-) 0.25	0.17	---	0.10	(-)0.66	(-)0.17	(-) 0.24	---
9.	PONTEX	2011-12	2012-13	(-)5.19	10.55	1.11	(-)16.85	16.45	---	361.35	(-)475.41	192.12	(-)6.30	---
10.	SBTML	2009-10	2012-13	(-)9.08	1.77	0.51	(-)11.36	10.52	---	28.21	(-)42.79	16.49	(-)9.59	---
	Sector wise total			**(-)8.69**	**12.38**	**2.23**	**(-)23.30**	**57.50**	**---**	**398.11**	**(-)483.27**	**252.86**	**(-)10.92**	**---**
POWER														
11.	**PPCL**	2012-13	2013-14	10.73	---	3.80	6.93	80.19	---	99.78	42.94	186.76	6.93	3.71
	Sector wise total			**10.73**	**---**	**3.80**	**6.93**	**80.19**	**---**	**99.78**	**42.94**	**186.76**	**6.93**	**3.71**
SERVICE														
12.	PTDC	2011-12	2013-14	(-)1.79	0.01	0.29	(-)2.09	9.35	---	17.34	(-)17.40	1.94	(-)2.08	---
13.	PRTC	2010-11	2012-13	(-)2.66	---	0.50	(-)3.16	17.19	---	34.78	(-)36.74	1.30	(-)3.16	---
	Sector wise total			**(-)4.45**	**0.01**	**0.79**	**(-)5.25**	**26.54**	**---**	**52.12**	**(-)54.14**	**3.24**	**(-)5.24**	**---**
	Grand total			**(-)11.11**	**12.98**	**8.08**	**(-)32.17**	**378.86**	**---**	**705.60**	**(-)490.12**	**638.40**	**(-)19.19**	**---**

'---' represent 'Nil figure'

Appendix 5.4

(Reference: Paragraph 5.1.22; Page 67)

Statement showing investments made by the Government of the Union Territory of Puducherry in PSUs whose accounts are in arrear

(₹ in crore)

Sl.No.	Name of the Company	Year up to which accounts finalised	Paid-up capital as per latest finalised accounts	Investment made by UT Government during the years for which accounts were in arrears			
				Equity	Loan	Grants/Subsidy	Others
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Working Government companies							
AGRICULTURE & ALLIED							
1.	PASIC	2008-09	10.83	3.00 (2009-10) 1.17 (2013-14)	---	8.00 (2012-13) 4.00 (2013-14)	---
2.	PAPSCO	2010-11	9.93	---	---	46.76 (2011-12) 2.73 39.53 (2012-13) 3.18 57.27 (2013-14)	---
FINANCING							
3.	PIPDIC	2012-13	112.58	---	---	---	---
4.	PADCO	2010-11	14.86	---	---	2.00 (2012-13) 3.00 1.00 (2013-14)	---
5.	PCDWDAP	2011-12	3.82	---	---	28.65 (2012-13) 32.88 (2013-14)	---

'---' represent 'Nil figure'

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
6.	PBCMDCL	2010-11	3.57	0.30 (2011-12) 0.32 (2013-14)	---	2.06 (2011-12) 1.85 (2012-13) 2.06 (2013-14)	---
MANUFACTURING							
7.	PDL	2011-12	8.45	---	---	---	---
8.	PELECON	2010-11	0.10	---	---	---	---
9.	PONTEX	2011-12	361.35	---	---	---	---
10.	SBTML	2009-10	28.21	1.79 (2010-11) 0.21 (2011-12) 2.34 (2013-14)	---	7.00 (2010-11) 12.00 (2011-12) 10.00 (2012-13)	---
POWER							
11.	PPCL	2012-13	99.78	---	---	---	---
SERVICE							
12.	PTDC	2011-12	17.34	0.25 (2012-13)	---	2.00 (2012-13) 3.00 (2013-14)	---
13.	PRTC	2010-11	34.78	---	---	7.68 (2011-12) 7.10 (2012-13) 4.50 (2013-14)	---
	TOTAL		**----**	**3.00 (2009-10) 1.79 (2010-11) 0.51 (2011-12) 0.25 (2012-13) 3.83 (2013-14)**	**----**	**7.00 (2010-11) 68.50 (2011-12) 101.86 (2012-13) 110.89 (2013-14)**	---

'---' represent 'Nil figure'

Appendix 5.5

(Reference: Paragraph 5.2; Page 70)

Details of excess remittance of employer's contribution

(₹ in crore)

Year	Employee share at 12 *per cent*	Employer share already paid at 12 *per cent*	Employer's concessional share at 10 *per cent*	Excess Contribution
2007-08	3.43	3.43	2.86	0.57
2008-09	3.45	3.45	2.88	0.57
2009-10	4.14	4.14	3.45	0.69
2010-11	4.25	4.25	3.54	0.71
April to June 2011	1.08	1.08	0.90	0.18
Total		**16.35**	**13.63**	**2.72**

Glossary of abbreviations

AAY	:	Antyodaya Anna Yojana
AED	:	Additional Excise Duty
AG	:	Accountant General
APL	:	Above Poverty Line
ATN	:	Action Taken Notes
BPL	:	Below Poverty Line
C&AG	:	Comptroller and Auditor General of India
CIP	:	Central Issue Price
CP	:	Commune Panchayat
CPS	:	Coastal Police Station
CPSMS	:	Central Plan Scheme Monitoring System
CPWD	:	Central Public Works Department
CRZ	:	Coastal Regulation Zone
CST	:	Central Sales Tax
CTD	:	Commercial Taxes Department
DCP	:	Decentralised Procurement System
DCS	:	Director of Civil Supplies and Consumer Affairs
DS & LR	:	Director of Survey and Land Records
ED	:	Excise Duty
ET	:	Emission Test
FC	:	Certificate of Fitness
FCI	:	Food Corporation of India
FPS	:	Fair Price Shop
GAEW	:	Government Agricultural Engineering Workshop
GAW	:	Government Automobile Workshop
GOI	:	Government of India
GSDP	:	Gross State Domestic Product
ICT	:	Integrated Communication Technology
IMFL	:	Indian Made Foreign Liquor
IOC	:	Indian Oil Corporation
IRs	:	Inspection Reports

KG	:	Kilogram
KL	:	Kilo Litre
KYR	:	Know Your Resident
LAD	:	Local Administration Department
LAO	:	Land Acquisition Officer
MT	:	Metric Tonne
MVI	:	Motor Vehicle Inspector
NIC	:	National Informatics Centre
NOC	:	No Objection Certificate
NOFN	:	National Optical Fibre Network
PA	:	Performance Audit
PAC	:	Committee on Public Accounts
PAG	:	Principal Accountant General
PAPSCO	:	Puducherry Agro Products, Food And Civil Supplies Corporation Limited
PDS	:	Public Distribution System
PEC	:	Pondicherry Engineering College
PGST	:	Pondicherry General Sales Tax
PIPDIC	:	Pondicherry Industrial Promotion Development Investment Corporation
POL	:	Petrol, Oil and Lubricant
POS	:	Point of Sale
PP	:	Pasumai Padai
PSCB	:	Puducherry Slum Clearance Board
PSU	:	Public Sector Undertaking
PTDC	:	Puducherry Tourism Development Corporation
PVAT	:	Puducherry Value Added Tax
PWD	:	Public Works Department
RC	:	Ration Card
RFP	:	Request for Proposal
RMSA	:	Rashtriya Madhyamik Shiksha Abhiyan
RTO	:	Regional Transport Officer
SBR	:	Single Boiled Rice
SC	:	Scheduled Caste

SIP	:	School Improvement Plan
SOP	:	Standard Operating Procedure
SP	:	Superintendent of Police
SPD	:	State Project Director
SRC	:	Smart Ration Card
SWAN	:	State Wide Area Network
TPD	:	Targeted Public Distribution System
UIDAI	:	Unique Identification Authority of India
UPDS	:	Universal Public Distribution System
UT	:	Union Territory
UU	:	Uzhavar Uthaviyagam
VAT	:	Value Added Tax
VP	:	Village Panchayat
YCSL	:	Yanam Co-operative Stores Limited