सत्यमेव जयते

Report of the Comptroller and Auditor General of India

for the year ended March 2019

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of the Union Territory of Puducherry

Report No. 2 of 2020

Report of the
Comptroller and Auditor General of India

for the year ended March 2019

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PREFACE

This Report for the year ended March 2019 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 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 Commercial Taxes, Food Safety, Industries, Public Works, Registration, Revenue and Disaster Management and Transport.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2018-19 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 2018-19 are also included, wherever necessary.

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

OVERVIEW

OVERVIEW

This Report contains two Compliance Audits, one on 'Implementation of Food Safety and Standards Act, 2006' and other on 'Collection of Tax, Fees and Delivery of Citizen's Services by Transport Department, Puducherry' and six compliance audit paragraphs.

The overall receipts and expenditure of Union Territory of Puducherry for the year 2018-19 was ₹ 8,186 crore[1] and ₹ 8,677 crore[2] respectively.

As on 31 March 2019, there were 12 working Government Companies (Public Sector Undertakings - PSUs) and one non-functional Government Company in the Union Territory of Puducherry. The working PSUs registered a turnover of ₹ 376.43 crore, as per their latest finalised accounts received upto 31 March 2020, which was equal to 1.03 *per cent* of Gross State Domestic Product of the Union Territory for 2018-19. As on March 2019, the total investment in these PSUs was ₹ 759.90 crore consisting of equity of ₹ 716.84 crore and long-term loans of ₹ 43.06 crore. The investment grew by 3.29 *per cent* from ₹ 735.68 crore in 2014-15 to ₹ 759.90 crore in 2018-19.

There were arrears in finalisation of accounts in 12 working PSUs upto 2018-19. The net worth of these PSUs was ₹ 19.66 crore. As per the latest finalised accounts, out of 12 working PSUs, four PSUs earned a profit of ₹ 9.35 crore and eight PSUs incurred a loss of ₹ 67.11 crore, leading to overall loss of ₹ 57.76 crore.

Audit observations on Compliance Audit

We observed several deficiencies in critical areas, which had adverse impact on effective functioning of Government departments/organisations. Key audit findings of compliance issues are as under:

Compliance Audit on 'Implementation of Food Safety and Standards Act, 2006'

The audit revealed that even after nine years of the implementation of the Food Safety and Standards Act, 2006, the registration and obtaining of licences by all Food Business Operators (FBOs) could not be ensured by the Department. FBOs continued operation even after expiry of the validity of registration/licence in the absence of any system to track the periodical renewal of licences.

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[1] Revenue receipts - ₹ 6,400 crore; Recovery of Loans and Advances - ₹ One crore; Public Debt receipts – ₹ 1,007 crore and Public Account receipts - ₹ 778 crore.

[2] Revenue expenditure - ₹ 6,387 crore and Capital expenditure (inclusive of Public Account Disbursements) - ₹ 2,290 crore.

The Department could not deploy adequate number of Designated Officers and Food Safety Officers and had been functioning with significant shortage of manpower. This resulted in inadequate number of inspections and food samples being collected for testing. The failure to do so, carried the risk of the public consuming unsafe food products.

Only one Food Testing Laboratory was available and that too with shortage of equipment and chemicals. Non-strengthening of infrastructure facilities in the laboratory had resulted in issue of test reports without analysing all the required safety parameters.

Proper monitoring of the analysis report of the Food Analyst was not in place and follow-up action on the report also was not taken. No awareness campaigns were undertaken and Information, Education and Communication activities were not given adequate importance.

The gaps in implementation of the Act clearly indicate that food safety was not prioritised and given the importance it deserved. The adverse implications on health of the populace are thus a matter of serious concern.

The implementation of the Act was poor, largely due to inadequate human resources.

(Paragraph 2.3)

Compliance Audit on 'Collection of Tax, Fees and Delivery of Citizen's Services by Transport Department, Puducherry'

Audit on "Collection of Tax, Fees and Delivery of Citizen Services by Transport Department, Puducherry" revealed the following:

Owners of 117 vehicles from other States opted to register their vehicles in Puducherry. They enclosed affidavits in proof of their current addresses in Puducherry and availed the benefit of lower tax structure prevailing in the Union Territory. Audit noticed that only five addresses were involved in the registration of these 117 vehicles. Owners of 45,095 vehicles did not renew their registration after the lapse of 15 years from the date of registration. The Department data showed these vehicles were live and plying. The potential revenue loss due to non-registration was ₹ 0.47 crore.

Tax and penalty amounting to ₹ 0.29 crore was not collected from 32 vehicles which were plying with valid permits. Absence of Motor Vehicle Inspectors/Assistant Motor Vehicle Inspectors in all the check posts resulted in non-checking of inter-state vehicles and potential loss of revenue due to non-collection of taxes and penalties.

The Department did not monitor fitting of Speed Limiting Devices and High Security Registration Plates to ensure road safety. There was considerable delay in commencing of work relating to setting up of Institute of Driver Training,

Research and Regional Driver Training Centre and Inspection and Certification Centre. Drivers and travelling public therefore could not realise timely benefit of these projects.

(Paragraph 3.11)

Compliance Audit Paragraphs

Awarding of construction of high level bridge work without ensuring availability of requisite lands for approach roads led to unfruitful expenditure of ₹ 24.84 crore as newly constructed bridge remained unused and inaccessible in absence of approach roads.

(Paragraph 2.1.1)

Non-availability of the site equipped with requisite infrastructure for Level II+ Laboratory resulted in idling of equipment for more than five years leading to unfruitful expenditure of ₹ 85.61 lakh.

(Paragraph 2.1.2)

Foreclosure of the coastal construction project due to delay in obtaining mandatory environmental clearances and non-inclusion of Littoral Drift Management using Rainbow Technique in scope by Public Works Department resulted in infructuous expenditure of ₹ 4.03 crore. Additionally, ₹ 5.05 crore was paid to the contractor towards arbitration award and interest due to late settlement of payment.

(Paragraph 2.2.1)

Awarding the work for Flood Control Project by PWD, Yanam Division without ensuring site free from encumbrances and proper plan for execution coupled with inordinate delays resulted in the Project not taking off for over eight years, despite an expenditure of ₹ 23.11 crore. Further, a liability of ₹ 10.32 crore was also due to the contractor.

(Paragraph 2.2.2)

Failure of Registering Officers of the Registration Department in implementing the orders of UT Government has resulted in non-withdrawal of concession of stamp duty and transfer duty surcharge amounting to ₹ 1.52 crore granted to women property purchasers.

(Paragraph 3.12)

Injudicious decision of downward revision of sub-lease charges of industrial plots resulted in undue benefit to the allottees and loss of revenue of ₹ 2.59 crore to the Company during January 2016 to January 2019.

(Paragraph 4.4.1)

CHAPTER I

INTRODUCTION

CHAPTER I

INTRODUCTION

1.1 About this Report

This Report of the Comptroller and Auditor General of India (CAG) on Government of the Union Territory of Puducherry relates to matters arising from Compliance Audit of selected programmes and activities of Government Departments, Government Companies and Autonomous Bodies.

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

This Chapter presents the profile of audited entities, authority for audit besides the planning and extent of audit and follow-up on the previous Audit Reports. Chapter II of this Report contains findings arising out of Compliance Audit in Government Departments and Autonomous Bodies. Chapter III contains audit observations arising out of audit of Revenue Receipts and Chapter IV contains audit observations arising out of audit of Government Commercial and Trading Activities.

The cases mentioned in this Report are among those, which came to notice in the course of test audit of accounts during the year 2018-19, as well as those which came to notice in earlier years but could not be included in the previous Reports.

1.2 Profile of audited entities

There are 30 Departments in the Union Territory at the Secretariat level, headed by Development Commissioners/Secretaries, who are assisted by Directors and

Abbreviations used in this Report are listed in the Glossary at Page No. 120.

subordinate officers. There are 13 Government Companies and 73 Autonomous Bodies.

The entities in Puducherry falling under General and Social Sectors are audited by the Principal Accountant General (General and Social Sector Audit), Tamil Nadu and Puducherry (Principal Accountant General (Audit-I), Tamil Nadu with effect from 15 May 2020) and those falling under Economic and Revenue (both PSUs and non-PSUs) Sectors are audited by the Accountant General (Economic and Revenue Sector Audit), Tamil Nadu (Accountant General (Audit-II), Tamil Nadu and Puducherry with effect from 15 May 2020).

The comparative position of receipts of the Union Territory Government and expenditure incurred by the Union Territory Government during the year 2018-19 and in the preceding two years is given in **Tables 1.1** and **1.2** below:

Table 1.1: Comparative position of receipts

(₹ in crore)

Receipts	2016-17	2017-18	2018-19
Revenue receipts	**5,383**	**6,003**	**6,400**
Tax revenue	2,401	2,806	3,188
Non-tax revenue	1,245	1,374	1,584
Grants-in-aid and contributions	1,737	1,823	1,628
Capital receipts	**Nil**	**Nil**	**Nil**
Recovery of loans and advances	2	1	1
Public Debt receipts	**820**	**1,061**	**1,007**
Public Account receipts	**845**	**717**	**778**
Total receipts	**7,050**	**7,782**	**8,186**

(Source: Finance Accounts of respective years)

Table 1.2: Comparative position of expenditure

(₹ in crore)

Expenditure	2016-17	2017-18	2018-19
Revenue expenditure			
General services	1,639	1,874	2,154
Social services	2,129	2,235	2,401
Economic services	1,684	1,694	1,832
Grants-in-aid and contributions	6	4	Nil
Total	**5,458**	**5,807**	**6,387**

Expenditure	2016-17	2017-18	2018-19
Capital expenditure			
Capital expenditure	447	394	313
Loans and Advances disbursed	Nil	*	3
Repayment of Public Debt	224	570	639
Contingency Fund	Nil	Nil	Nil
Public Account disbursements	800	269	1,335
Total	**1,471**	**1,233**	**2,290**
Grand total	**6,929**	**7,040**	**8,677**

* ₹ 21 lakh for the year 2017-18

(Source: Finance Accounts of respective years)

1.3 Authority for audit

The authority for audit by the Comptroller and Auditor General of India is derived from Article 149 of the Constitution of India and the CAG's (Duties, Powers and Conditions of Service) Act, 1971. CAG conducts audit of expenditure and receipts of the Departments in UT of Puducherry under Sections 13[1] and 16[2] of CAG's (DPC) Act. CAG is the sole auditor in respect of three Autonomous Bodies, which are audited under Sections 15[3] and 19(2)[4] of CAG's (DPC) Act. In addition, CAG conducts audit of 70 other Autonomous Bodies, under Section 14[5] of CAG's (DPC) Act, which are substantially funded by the Government.

The financial statements of the Government Companies (as defined in Section 2 (45) of the Companies Act, 2013) are audited by Statutory Auditors, who are appointed by CAG as per the provisions of Section 139 (5) or (7) of the Act. The Statutory Auditors are required to submit a copy of the Audit Report to CAG, which among other things, include financial statements of the Company as per Section 143 (5) of the Act. These financial statements are subject to

1 Audit of (a) all expenditure from the Consolidated Fund of Union Territory having a Legislative Assembly, (b) all transactions relating to the Contingency Fund and Public Accounts and (c) all trading, manufacturing, profit and 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 Union Territory having a Legislative Assembly.

3 Audit of accounts of a body or authority to which grant or loan is given from Consolidated Fund of Union Territory for any specific purpose.

4 Audit of the accounts of Corporations (not being companies) established by or under law made by Parliament.

5 Audit of all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of Union Territory having a Legislative Assembly.

supplementary audit to be conducted by CAG within 60 days from the date of receipt of the Audit Report under the provisions of Section 143 (6) of the Companies Act, 2013.

1.4 Planning and conduct of audit

Audit process starts with the assessment of risks faced by various Departments, Corporations and 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 observations 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 (IRs) containing audit observations are issued to the Heads of the Departments, Corporations and Companies. The Departments, Corporations and Companies are requested to furnish replies to the audit observations within one month of receipt of IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. Important audit observations arising out of these IRs are processed for inclusion in the Audit Report of CAG of India, which is submitted to the Lieutenant Governor of Union Territory of Puducherry under Article 151 of the Constitution of India and Section 49 of the Union Territories Act, 1963.

1.5 Response to Audit

1.5.1 Inspection Reports

A review of Inspection Reports issued up to 31 March 2019 revealed that 5,751 paragraphs relating to 1,285 IRs remained outstanding at the end of September 2019 (**Appendix 1.1**).

Large pendency of IRs was indicative of the fact that Heads of Offices and Heads of Departments did not initiate appropriate and adequate action to rectify the defects, omissions and irregularities pointed out in the IRs.

1.5.2 Audit Paragraphs

Eight Audit Paragraphs were forwarded demi-officially to the Secretaries of the Departments concerned between April 2019 and June 2020 to send their responses within six weeks. Government replies were received in respect of three Audit Paragraphs. The replies, wherever received, were suitably incorporated in the Report. Replies of Heads of Department and the views expressed by the representatives of the Government during Exit Conferences/Exit meetings were also considered while finalising the Report.

1.5.3 Recommendations

This Report contains specific recommendations on a number of issues involving non-observance of the prescribed internal procedure and systems, compliance with which would help in promoting good governance and better oversight on implementation of departmental programmes and objectives at large. The UT Government is requested to take cognizance of these recommendations and take appropriate action in a time bound manner.

1.6 Follow-up on the Audit Reports

The Public Accounts Committee (PAC) of the Union Territory Legislature of Puducherry, prescribed a time limit of three months, from the date of placement of the Audit Reports in Legislature, to the Departments for furnishing replies on the audit observations included in the Audit Reports indicating the corrective action taken or proposed to be taken by them and for submission of Action Taken Notes (ATNs) on the recommendations of PAC by the Departments. The position of pendency of paragraphs/ recommendations, for which replies and ATNs were not received is shown in **Table 1.3**.

Table 1.3: Explanatory notes not received (as of March 2020)

Year of the Audit Report	Date of placement of Audit Report in the UT Legislature	Number of paragraphs in Audit Report			Number of paragraphs for which explanatory notes were not received		
		G&SSA	Revenue	Commercial	G&SSA	Revenue	Commercial
2010-11	30.07.2012	11	3	2	Paragraphs discussed by PAC and recommendations yet to be received		
2011-12	29.07.2013	11	4	2			
2012-13	23.09.2014	10	3	1			
2013-14	06.05.2015	9	2	1			
2014-15	08.09.2016	8	6	1	5	5	1
2015-16	15.06.2017	8	2	1	8	1	1
2016-17	18.07.2018	7	1	1	7	1	1
2017-18	30.03.2020	8	3	1	8	3	1
Total		**72**	**24**	**10**	**28**	**10**	**4**
Grand Total		**106**			**42**		

From **Table 1.3**, it could be seen that out of 106 paragraphs, explanatory notes to 42 paragraphs were awaited (March 2020).

The status of PAC discussion in respect of Reviews/Paragraphs appeared in Audit Reports is shown in **Table 1.4**.

Table 1.4: Reviews/Paragraphs appeared in Audit Reports *vis-a-vis* discussed (as on March 2020)

Period of the Audit Report	Number of paragraphs appeared in Audit Report				Number of paragraphs discussed/yet to be discussed
	G&SSA	Revenue	Commercial	Total	
2010-11	11	3	2	16	59 paragraphs discussed
2011-12	11	4	2	17	
2012-13	10	3	1	14	
2013-14	9	2	1	12	
2014-15	8	6	1	15	47 paragraphs are yet to be discussed
2015-16	8	2	1	11	
2016-17	7	1	1	9	
2017-18	8	3	1	12	
Total	**72**	**24**	**10**	**106**	

From **Table 1.4**, it may be seen that 47 paragraphs, appeared in the Audit Reports for the period from 2014-15 to 2017-18, are yet to be discussed by PAC. The compliance position of various Departments to PAC recommendations is shown in **Table 1.5**.

Table 1.5: Compliance to PAC Reports

Year of the PAC Report	Total number of PAC Reports	Total number of recommendations in PAC Report			Number of recommendations where ATNs not received		
		G&SSA	Revenue	Commercial	G&SSA	Revenue	Commercial
Up to 2010-11	15	984	50	101	210	12	30
2011-12	Nil	Nil	Nil	Nil	Nil	Nil	Nil
2012-13	1	119	14	21	48	11	15
2013-14	2	84	18	25	65	10	22
2014-15	2	76	31	36	39	17	18
Action Taken Notes on PAC recommendations not received during 2015-16 to 2018-19							
Total	**20**	**1,263**	**113**	**183**	**362**	**50**	**85**
Grand Total		**1,559**			**497**		

As of December 2019, Government Departments did not furnish ATNs on 497 recommendations made by PAC in respect of Audit Reports pertaining to the period 1988-89 to 2014-15.

1.7 Scope of this Report

This part of the Report of the CAG relates to matters arising from the Audit of six Government Departments. The findings include two Compliance Audits on "Implementation of Food Safety and Standards Act, 2006" and "Collection of Tax, Fees and Delivery of Citizen's Services by Transport Department, Puducherry". Apart from the above, there are also six paragraphs. These are discussed in Chapters II, III and IV. The audit observations discussed in the paragraphs in the subsequent chapters are observed from the test check of records in the selected offices.

CHAPTER II

GENERAL AND SOCIAL SECTOR

CHAPTER II

COMPLIANCE AUDIT

This Chapter contains results of Compliance Audit of various Departments of the Government, their field formations and Autonomous Bodies. Instances of lapses in the management of resources and deficiencies in observance of the norms of regularity, propriety and economy were presented in the succeeding paragraphs.

2.1 Unfruitful expenditure

PUBLIC WORKS DEPARTMENT

2.1.1 Unfruitful expenditure of ₹ 24.84 crore

Awarding of construction of High Level Bridge work without ensuring availability of requisite lands for approach roads not only violated Section 15.1 (2) of the CPWD Works Manual, 2014 but also led to unfruitful expenditure of ₹ 24.84 crore as newly constructed bridge remained unused and inaccessible in absence of approach roads.

As per section 15.1(2) of the Central Public Works Department (CPWD) Works Manual, 2014, availability of clear site, funds and structural drawings for the foundation are pre-requisite before approval of Notice Inviting Tender.

The work of "Construction of High Level Bridge across the river Sankaraparani at Thirukanji near IOC Bottling Plant, Villianur Commune, Puducherry along with approach roads" at the estimated cost of ₹ 31.56 crore was proposed by the Irrigation Division, Public Works Department (PWD) in January 2012. The aim was to provide an important link road connecting NH 45A which would also be the shortest route from Villianur to Cuddalore. It was also emphasised that the temporary pathway became unusable during rainy season (September to December) and the connected villages would be cut off from the main towns of Puducherry and Villianur. The bridge would also serve to improve the agricultural economy of the surrounding villages.

The administrative approval and expenditure sanction of ₹ 31.56 crore[1] for the work was obtained in January 2014. PWD awarded (August 2014) the above work to a firm (M/s K.S. Company, Madurai) at a cost of ₹ 27.30 crore after due tender process. The bridge work was scheduled for completion in

[1] ₹ 25.25 crore loan assistance from NABARD under Rural Infrastructure Development Fund sanctioned in January 2012 and the balance of ₹ 6.31 crore from State share.

36 months. The work commenced in October 2014 and the construction of the bridge, except approach roads on either side of the bridge, was completed in December 2017 at an expenditure of ₹ 24.84 crore.

Audit noticed that the administrative approval and technical sanction of the work was accorded before the land acquisition proposal for approach road was initiated. The work was also awarded without the availability of land for approach roads. The work of construction of bridge except approach roads on either side of the bridge was completed in December 2017. However, the land for approach roads was not made available to the contractor by the departments as of March 2020. The award of work without availability of site for approach road was in violation of the Section 15.1 (2) of the CPWD Works Manual, 2014.

The process of acquisition of land for approach road on both banks of the Sankaraparani river at Odiampet and Thirukanji was delayed as the Executive Engineer (EE), PWD submitted the proposal only in July 2016 which was further compounded by the Chief Engineer (CE) submitting it to the Government in May 2017, two and half years after the award of work. Reasons for delayed submission of the proposal of land acquisition was not found on record. The UT Government returned (May 2017) the proposal with a direction to submit the same under a new Act named "The Right to Fair Compensation and Transparency in Land Acquisition, Rehabilitation and Resettlement Act, 2013" and Rules 2015 made thereunder.



Picture 1: Google maps showing both sides where approach roads were incomplete

Accordingly, a Site Selection Committee headed by the Secretary to Government, Public Works Department visited (August 2017) the location of the bridge under construction and decided to acquire private lands including a plot with buildings at Thirukanji Revenue Village and temple lands in Odiampet Revenue Village on both sides of the bridge. Thereafter, a revised proposal for land acquisition was forwarded (January 2018) by the CE, PWD to the UT Government of Puducherry incorporating a tentative value (₹ 61.93 lakh) for the private lands alone at Thirukanji, for which, the administrative approval was accorded in April 2018.

The Commissioner, Hindu Religious Institutions accorded (July 2018) approval for acquisition of temple lands subject to compensation as per the above Act and Rules. The tentative cost (₹ 1.88 crore) for lands, which excluded the value of structures, trees, rehabilitation and settlement cost and cost of social impact study as applicable, was intimated by the District Collector to CE, PWD in May 2019.

When pointed out in Audit (October 2019), the Department replied (February 2020) that the cost towards land acquisition had been remitted to Revenue Department and notification are under process. No Objection Certificate (NOC) from the Hindu Religious Institutions for the temple land and the consent letter from the private party obtained and the road formation work restarted. The bridge and the approach roads should have been constructed simultaneously, however, in the instant case, the bridge was completed in December 2017 and the land acquisition process for the approach roads was delayed by three years making the bridge inaccessible.

Thus, the award of work without ensuring the availability of land for the approach roads on either side of the bridge was in violation of the Section 15.1 (2) of the CPWD Works Manual, 2014 and it had resulted in an unfruitful expenditure of ₹ 24.84 crore as newly constructed bridge remained unused and inaccessible in the absence of the approach road. Besides, the objective of providing all weather and short route road connectivity between Villianur and Cuddalore and the aim of construction of the bridge to serve to improve agricultural economy of surrounding villages, were not achieved as the bridge was lying unused in the absence of the approach road for more than three years since 2017.

Audit recommends that the Government should ensure availability of clear site for approach roads before commencement of the project thereby avoiding consequential delay in achieving the objective of providing all weather road to the public.

2.1.2 Unfruitful expenditure of ₹ 85.61 lakh

Non-availability of the site equipped with requisite infrastructure required for major equipment of the Level II + laboratory had resulted in idling of equipment for more than five years leading to unfruitful expenditure of ₹ 85.61 lakh.

The UT Government of Puducherry formed (May 2010) the Union Territory of Puducherry Hydrology Organisation (UTOPHO) with the objective of having all water related data on surface water, ground water, water quality and climatological data, for future planning and management of water resources in Puducherry. The UTOPHO was renamed as Puducherry Water Resources Organisation (PWRO) in December 2012.

Towards this objective, a Level II +[2] water testing laboratory was constructed (January 2012) by PWRO to conduct bacteriological tests, to analyse the presence of heavy metals, pesticides and to perform other physical and chemical tests.

Scrutiny of records in PWRO revealed that various lab equipment for conducting physical and chemical analysis, microbiological and pesticide

[2] Laboratory with facilities to tests presence of pesticides, heavy/trace metals by using GC and ICP equipment to analyse 75 parameters in water.

analysis and trace metal analysis were procured for the laboratory. Two major equipment *viz.,* Gas Chromatograph (GC) and Inductively Coupled Plasma Spectrometer (ICP) were purchased (September 2014) at a cost of ₹ 27.75 lakh and ₹ 57.86 lakh respectively. The primary intention of procurement of GC was to detect the presence and measure pesticide content in water and ICP was to conduct analysis to trace the presence of heavy metals in water.

The GC and ICP were installed only in February 2015 as the site was not ready. The infrastructure required for installation of the major equipment included requisite power supply, air-conditioners etc. The equipment required dust and moisture free environment to operate. However, air-conditioners were not functioning since July 2016. Supply of gas and water connection to the laboratory was also suspended from February 2019 due to on-going construction activity in the laboratory. In addition, the laboratory was damaged in rain, and thus the site and environment was not conducive for operations.

Though the ICP was used for testing from March 2016 to October 2017, GC was not put to use for more than five years since procurement and no samples were collected/received for testing the pesticide content in water. Incidentally, the guarantee period of five years for the GC also expired in September 2019.

Thus, the non-availability of the site equipped with requisite infrastructure required for major equipment of the Level II + laboratory had resulted in idling of procured equipment for more than five years leading to unfruitful expenditure of ₹ 85.61 lakh. Incidentally, the drinking water supplied to the public in Puducherry was tested in another water quality testing laboratory functioning under PWD, wherein the facility for testing the presence of heavy metals and pesticides in drinking water were not available. Non-utilisation of procured advanced equipment with specialisation for testing pesticides and heavy metal contents due to lack of proper infrastructure, in testing water quality has deprived the public of intended benefits of these equipment for more than five years. There is also no assurance of these equipment being used productively in the future.

The matter has been referred to the UT Government of Puducherry in August 2019; reply is awaited as of October 2020.

Audit recommends that the Government should ensure availability of clear site before commencement of the project avoiding idling of equipment.

2.2 Infructuous expenditure

PUBLIC WORKS DEPARTMENT

2.2.1 Infructuous expenditure of ₹ 4.03 crore

The foreclosure of the coastal construction project due to delay in obtaining mandatory environmental clearances and non-inclusion of Littoral Drift Management using Rainbow Technique in the scope of work by Public Works Department, Puducherry resulted in infructuous expenditure of ₹ 4.03 crore. Additionally, ₹ 5.05 crore was paid to the contractor towards arbitration award and interest due to late settlement of payment.

As per the Coastal Regulation Zone (CRZ) Notification, 1991, if the cost of the construction Project in coastal area is more than ₹ five crore, environmental clearance was to be obtained before the scheduled date of commencement of work from the Ministry of Environment and Forests (MoEF), Government of India (GoI).

Public Works Department (PWD), Puducherry awarded (February 2008) the work titled "Cut opening the sea mouth to connect Mullodai back water at Moorthikuppam village to land fishing boats"[3], at a cost of ₹ 9.87 crore to a firm (contractor) after following due tendering process. The scheduled dates of commencement was 3 March 2008 with a completion period of 12 months. Since the project cost was more than ₹ five crore, PWD and Pondicherry Coastal Zone Management Authority (PCZMA) approached the MoEF in June - July 2008 *i.e.,* after the scheduled date of commencement of work, for environment clearance for the Project. The MoEF, GoI granted clearance (July 2008), subject to effective implementation of certain specific and general conditions which includes Littoral Drift Management using Rainbow Technique[4]; No Objection Certificate (NOC) from the Pondicherry Pollution Control Committee (PPCC) before initiating the project; no destruction of mangroves and sand dunes during construction and operation period, etc. The PPCC accorded (August 2009) NOC for the project subject to strict compliance to conditions of the MoEF.

Audit noticed that the NOC which was a pre-requisite for commencing the work (3 March 2008), was applied for only in February 2009 and obtained in August 2009. The contractor started the work in September 2009 after a delay of 18 months since the award of work.

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[3] **Components** - Construction of North and South Training wall, Dredging the backwater portion, Construction of piled jetty.

[4] **Rainbow Technique** is the process in which a dredging ship propels sand that has been claimed from the ocean floor in a high arc to a particular location. This is used for multiple purposes, ranging from building up a beach to prevent erosion to constructing new islands. The name is derived from the appearance of the arc, which closely resembles a brown-coloured rainbow.

The contractor had completed works to the tune of ₹ 4.03 crore as of October 2010. The work was stopped (December 2010) and kept in abeyance as per instructions of PCZMA based on a petition (October 2010) from a non-governmental organisation alleging that if the sand dunes in the coastal area were broken, the villages there would be more prone to cyclonic storm, tsunami, sea water intrusion and destruction of the crop lands. Further, in response to the petition, MoEF, GoI also undertook joint field visit (November 2010) with PCZMA.

PCZMA after field visit observed (December 2010) non-adoption of Littoral Drift Management using Rainbow Technique for beach nourishment to combat coastal erosion as specified by the MoEF, GoI and construction of two training walls[5] would affect the littoral drift and cause coastal erosion. Despite the clear directions from MoEF to manage the Littoral Drift using Rainbow Technique, PWD did not include the same in the scope of work by either revising the contract or as additional item of work. As a consequence of non-adherence to MoEF stipulations, the work was stopped (December 2010) and PWD foreclosed the contract in March 2012. Following this, the contractor went for arbitration and the sole arbitrator, appointed by the Chief Engineer, PWD awarded (March 2014) an amount of ₹ 2.79 crore as compensation and payment of simple interest thereon at 12 *per cent* till the date of payment of award.

As the award of arbitration had some variation in calculation, PWD preferred an appeal before Hon'ble Principal District Court, Puducherry in December 2014 belatedly, which was dismissed (August 2015) on the grounds that the appeal was beyond 120 days and was inordinately delayed. Copy of the above court order was also received (February 2017) after a lapse of one and a half years. Further, the possibility of an appeal in The High Court of Madras was also ruled out (February 2017) by the Government Pleader on the same grounds. The lackadaisical approach of the PWD deprived it of an opportunity to appeal in the High Court of Madras. PWD had to honour the award of arbitration along with interest and payment of ₹ 5.05 crore was made on this account (November 2018).

Incidentally, the Finance Department of the UT Government instructed (October 2015) all the Heads of the Departments to observe financial prudence by way of settlement of payment towards arbitration awards passed by courts and arbitrators expeditiously, so that the Government money being paid towards interest on the above compensation could be saved. It was also stated that if there is delay in settling the award/claims resulting into the payment of huge amount towards interest, necessary action may be taken against the erring officials who are responsible.

The failure of PWD and PCZMA to obtain requisite environmental clearances for the project before the scheduled date of commencement of work and NOC

[5] Training wall is a structure extending into a body of water and designed to prevent closing of a channel by littoral materials. Actually it is a retaining wall.

from PPCC resulted in delay of 18 months in commencement of the work. More importantly, the action of PWD in proceeding with the work, without adopting Rainbow Technique to manage the littoral drift, as specified by the MoEF, GoI resulted in infructuous expenditure of ₹ 4.03 crore due to foreclosure of the work. Further, the lackadaisical approach of the PWD in dealing with the arbitration award (₹ 2.79 crore) despite clear instructions from the Finance Department on this matter, resulted in payment of ₹ 2.26 crore as interest. Despite this, no action was taken against the erring officials who were responsible for the lapses.

The matter has been referred to Government in July 2019. The Department replied (February 2020) that there is no further progress in the above work.

Audit recommends that the Department should ensure that all requisite environmental clearances are obtained before the commencement of any project. Any changes in scope, should be suitably incorporated in the contract. Arbitration awards and disputes should be settled expeditiously in order to avoid payment of penalty.

2.2.2 Infructuous expenditure of ₹ 23.11 crore

Awarding the work for Flood Control Project by Public Works Department, Yanam Division without ensuring site free from encumbrances and proper plan for execution coupled with inordinate delays in the finalisation of the revised Detailed Project Report resulted in the project not taking off for over eight years, despite an expenditure of ₹ 23.11 crore. Further, a liability of ₹ 10.32 crore was also due to the contractor.

Section 15.1(2) of the Central Public Works Department Works Manual, 2007 provides that availability of clear site, funds, approval of building plans from local bodies, lay out plan and structural drawings for the foundation are prerequisites before approval of Notice Inviting Tender.

The flood protection works in Yanam were required to be taken up to avoid erosion/sliding of land/flood bank whereby valuable human lives and cattle etc., would be safeguarded.

The Public Works Department (PWD), Yanam Division prepared (February 2009) a Detailed Project Report (DPR) for flood protection works in Yanam in eight reaches[6] of the river Korangi and Gautami at an estimated cost of ₹ 139.67 crore. The techno-economic clearance (November 2009) and investment clearance (July 2010) with 75 *per cent* Central share for the work was given by GoI. Union Territory of Puducherry accorded administrative approval and expenditure sanction (February 2011) for ₹ 143.59 crore for the work 'Flood protection works in Yanam under Flood Management

[6] Project divided into eight reaches or sub projects called project I to VIII involving works - construction of flood walls, stabilisation of area by gabions, geogrids, geo-textile fabrics, formation of inspection track, protection works in various reaches along the Gowthami-Godhawari river.

Programme'. After due tender process, the work was awarded (February 2011) to a firm[7] for ₹132.88 crore for completion in 30 months.

Mention regarding the delay in achievement of physical and financial targets of the project (Paragraphs 2.2 and 3.2.1), the delay in settlement of claims of the contractor to the tune of ₹ 85 lakh (Paragraph 3.5.12) and non-completion of the project (Paragraph 7.3) was included in the Report of CAG of India on **"Schemes for Flood Control and Flood Forecasting – Report No 10 of 2017".** Further scrutiny of records relating to the project by Audit has shown that the project remained incomplete even after eight years (September 2020).

PWD paid (February 2011) ₹ 7.43 crore from the first instalment of GoI share of ₹ 7.50 crore to the contractor as mobilisation advance. It was noticed that the PWD officials permitted (July 2011) procurement of geo-synthetic materials[8] for ₹ 19.91 crore even though the site availability was uncertain. These were stacked in an open area due to non-availability of PWD land. The contractor executed civil and other incidental works for ₹ 3.20 crore and stopped the work (October 2011) due to non-payment for the work carried out. Thereafter, the contractor approached the Madras High Court claiming payment of ₹ 23.11 crore[9] towards value of materials procured and works executed which was admitted (June 2014) by the Court and PWD was directed to make the payment. GoI released (September 2014) the second instalment of ₹ 13.26 crore and the whole amount was paid (October 2014) to the contractor. An amount of ₹ 10.32 crore[10] remained an outstanding liability for UT.

Government of India, in August 2012, called for a revised DPR reducing the scope from eight reaches to six reaches, along with reassessed flood damage data. PWD submitted (January 2014) the revised DPR after a delay of 16 months. After attending to the suggestions / alterations / recommendations suggested by GoI during its monitoring review conducted in September and November 2016, PWD finally submitted (January 2018) an updated revised DPR for ₹ 137.28 crore. The revised project cost included ₹ 23.11 crore for the value of materials procured and work done as per old DPR and a provision for the outstanding liability of ₹ 10.32 crore payable to the contractor.

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7 M/s GVR Infra Projects Limited (Contractor).

8 **Geosynthetic materials** are synthetic products used to stabilise terrain. They are generally polymeric products used to solve civil engineering problems. This includes eight main product categories: geotextiles, bi-axial geogrids, geonets, geomembranes, geosynthetic clay liners, geofoam, geocells, geocomposites, polypropylene rope and geotextile fabric.

9 Amount claimed by the contractor = ₹ 23.11 crore (₹19.91 crore for material+ ₹ 3.20 crore for work done).
Amount paid to the contractor = ₹ 23.11 crore (₹ 7.43 crore from the first instalment of GoI + ₹ 13.26 crore from 2nd instalment of GoI + ₹ 2.42 crore adjusted from contractor account as interest deducted on mobilisation advance initially paid to the contractor).

10 Liability of ₹ 10.32 crore payable to the contractor towards interest on belated payment of work bill, godown rent, excess recovery of interest on mobilisation advance.

While considering the revised DPR, GoI intimated PWD to obtain No Objection Certificate (NOC) from Government of Andhra Pradesh[11] and State Finance concurrence from UT Government, subject to which, the revised DPR (July 2018) was approved. It is pertinent to mention that the NOC was not a requirement envisaged in the earlier DPR.

Repeated requests were made by the UT Government between May 2017 to September 2020 to the Engineer-in-Chief, Water Resources Department, Andhra Pradesh to issue necessary NOC for carrying out the Flood Management Project. The Government of Andhra Pradesh had directed its Engineering Department in its Memo (September 2020) to issue NOC subject to conditions that the works would be carried out conforming to river Conservancy Act and directed the Executive Engineer (EE), Godavari HW Division to ensure that there is no adverse impact on the banks/lands in the Andhra Pradesh territory. The NOC from Government of Andhra Pradesh is yet to be received.

GoI had also requested PWD in January, September, November 2019 and May 2020 to send proposal along with all necessary documents for investment clearance for obtaining central assistance. This was still awaited.

Audit noticed enormous delays and lethargy on part of the PWD, as it dragged its feet in making changes in the revised DPR, which resulted in inordinate delay in the progress of the project which was stopped way back in October 2011.

Thus, the failure of the PWD to ensure availability of a site free from encumbrances hampered the execution of the project at the outset. The delay was further compounded by delays in the finalisation of the revised DPR, receipt of financial concurrence from UT Government of Puducherry and NOC from Government of Andhra Pradesh. The failure of PWD on account of the above has resulted in the project not taking off despite an expenditure of ₹ 23.11 crore. A further liability of ₹ 10.32 crore towards the contractor remains to be discharged.

Moreover, the usage of geo-synthetic materials procured for ₹ 19.91 crore way back in July 2011 in the revised project is also uncertain and no action has been taken against the PWD officials who permitted procurement of materials when the site availability was uncertain. Damages caused by floods continued as Yanam had witnessed heavy rains and consequential floods during August 2019 and August 2020.

The matter has been referred to UT Government for which the Chief Engineer, PWD replied (September 2020) that a proposal for foreclosure of the existing contract/agreement for the project has been sent to the UT Government of Puducherry.

[11] Yanam is situated in the territory of Andhra Pradesh and the project will affect Andhra Pradesh also.

It is recommended that the UT Government must ensure availability of clear site, required approvals and funds before award of work to avoid unwarranted delays in completion of the project as per revised DPR. Responsibility may also be fixed on officials who permitted procurement of materials when the site availability was uncertain.

2.3 Implementation of Food Safety and Standards Act, 2006

DEPARTMENT OF FOOD SAFETY

2.3.1 Introduction

Government of India enacted Food Safety and Standards Act, 2006 (Act) which lays down scientific standards for food, its production, storage, distribution and sale, to ensure safe and wholesome food for human consumption. As required under Section 4 of the Act, the Central Government established (September 2008), the Food Safety and Standards Authority of India (FSSAI) for exercising the powers conferred on and to perform the functions assigned to it under the Act. Food Safety and Standards Rules, 2011 (Rules) was framed as per provisions of the Act.

The Union Territory of Puducherry established (February 2011) Department of Food Safety (DFS) and Department of Food and Drug Testing (DFDT) for implementation of the Act. The Secretary to the Government (Health & Family Welfare (H&FW)) is the Commissioner of Food Safety (Commissioner) and nodal officer for implementation of the Act in the UT of Puducherry. The DFS is headed by Deputy Commissioner of Food Safety, who is assisted by Designated Officer (DO) and Food Safety Officers (FSOs) for administrative purposes. DO is empowered to issue licences and FSOs are responsible to issue registration certificates and inspections of premises of Food Business Operators (FBOs) for drawing food samples. The DFDT is headed by the Senior Public Analyst for testing and analysing the food samples as required under the Act.

For assessing the efficacy of the vigilance and enforcement mechanism, an audit of implementation of the Food Safety and Standards Act, 2006 covering the period 2016-17 to 2018-19 was conducted from April 2019 to August 2019 to derive an assurance that:

i. Adequate human resources and infrastructure were in place for efficient implementation of the Act;

ii. Regularity mechanism/processes in grant/renewal of licence to FBOs were in accordance with the provisions of the Act; and

iii. Effective process for enforcement and monitoring were in place.

As this was the first audit after formation of Department of Food Safety, specifically for implementation of the Act, all the districts were covered. A joint inspection and survey of FBO units were also conducted. Scrutiny encompassed the records in the office of the Secretary to the Government (H&FW), DFS and DFDT of UT of Puducherry.

The entry conference with the Secretary to UT Government of Puducherry, Department of Health and Family Welfare was held on 19 July 2019 and the exit conference was held on 30 June 2020. Audit acknowledges the co-operation extended by the Department in providing documents / files and dump data available with them for the period up to 31 March 2019.

As per the data available in the online portal on FSSAI *viz*., Food Licensing and Registration System (FLRS), 2,482 and 5,999 Licences and Registrations respectively, were issued for the period from January 2014 to March 2019.

2.3.2 Audit findings

2.3.2.1 Adequacy in Human Resources and Infrastructure

(i) Human Resources

As per Section 29 of the Act, State Food Safety Authorities as specified in Sections 30(1), 36(1) and 37(1) *viz.,* Commissioner of Food Safety, DO and FSOs respectively, shall be responsible for the enforcement of the provisions of the Act at UT level. It empowers these authorities to monitor and verify that the relevant requirements are fulfilled by FBOs, maintain a system of control, public communication on food safety and risk, food safety surveillance and other monitoring activities covering all stages of food business.

(a) Absence of dedicated District Level Functionary

Though the Rules mandated appointment of full time DO in each district within five years, Audit observed that only one DO was entrusted with the charge of all four districts. Three posts of DOs were vacant.

(b) Shortage of officers for Regulatory Authority

Apart from registration of food business, FSOs are empowered to draw food samples and to send them for analysis. As per norms laid down in the Central Advisory Committee (CAC), it was recommended that the UT should have one FSO for every 1,000 FBOs. It was noticed that there were 8,481 registered/licensed FBOs in UT and thus there was a requirement of nine FSOs. The position of normative requirement, sanctioned strength and men -in-position of DOs and FSOs was as given in **Table 2.1**:

Table 2.1: Position of requirement and availability of DOs and FSOs

Area	Post	Norms	Sanctioned Strength	Men-in-Position
UT of Puducherry	DOs	One DO for each district	4	1
	FSOs	One FSO for every 1,000 FBOs	7	1

Scrutiny of records revealed that against the sanctioned strength of seven, only one FSO is in position and the remaining posts were lying vacant. Similarly, as against the sanctioned post of four DOs, only one person was in position.

The UT Government may authorise any officer having the required qualifications of FSO to perform the functions of FSO, within a specified jurisdiction as per Section 37(2) of the Act. Further, FSSAI clarified (July 2011) that the services of the Food Inspector serving in Municipal Corporations could be utilised as FSO, provided the officer fulfils the required qualifications. However, the Department had not initiated any proposal to fill up the existing vacancies with any officer having the required qualifications in other departments or local bodies. Not filling up of the vacancies since enactment of the Act, was indicative of lack of prioritisation of the Government on the aspect of food safety, as it led to deficient inspections and sampling compromising the enforcement of the Act.

The Commissioner of Food Safety stated that the proposal for filling up the vacancies would be submitted to Government of Puducherry for approval.

(c) Training for Departmental officers and FBOs

Section 30(2)(c) of the Act stipulates that the Commissioner is to conduct training programme for the personnel of the DFS, for different segments of food chain for generating awareness on food safety. Further, CAC, in January 2010 intimated that the UT should undertake capacity building and training programmes not only for the employees of the Department, but also to food manufacturers, handlers, FBOs, etc.

It was observed that only the mandatory induction training was conducted for the DO and FSOs.

To create awareness on food safety among manufacturers, packers, wholesalers, distributors and sellers, a training programme was to be organised by DFS. However, no such training was conducted in this regard.

In October 2017, FSSAI designed a large scale Food Safety Training and Certification Programme for food business across the value chain to steer and manage by UT with an action plan to mobilise food businesses and other training partners to undertake the training. The UT was required to designate a Senior Officer as a Nodal Officer for the programme to implement the programme. However, it was noticed that though the training programme was designed but no training was conducted by the Department.

Thus, the training programme to sensitise the FBOs on the standards and specification to be followed in the food manufactured, stored, sold etc., for consumption as envisaged in the Act was not achieved.

(ii) Infrastructure for food testing

Food testing is an integral part of food safety regulation and enforcement. Accordingly, laboratories are an inseparable part of the food safety system. FSSAI notifies laboratories accredited by National Accreditation Board for Testing and Calibration Laboratories (NABL), which undertakes the assessment and accreditation of laboratories in accordance with the international standards. An NABL accreditation is a benchmark of quality of tests carried out by a laboratory.

As per Section 43 of the Act, the FSSAI may notify food laboratories and research institutions accredited by NABL or any other accredited agency for the purposes of carrying out analysis of samples by the Food Analysts under this Act.

In August 2011, it was clarified by FSSAI that the existing Public Food Laboratories in UTs which were testing food samples under previous Prevention of Food Adulteration (PFA) Act, 1954 would continue to perform their function of food testing under Section 98 of Act, as those laboratories would not be able to get accreditation before the Act came into force. The analysis done in the laboratory with reference to food is for chemical and microbiological parameters.

(a) Lack of requisite infrastructure facilities for food testing

In UT of Puducherry, Public Laboratory (renamed as Department of Food and Drug Testing) was functioning as food analysing laboratory under PFA Act, 1954 which had not been accredited by NABL.

Though FSSAI permitted the State Laboratory to function as food testing laboratory under Act, the need for accreditation of State Food Laboratories by NABL and notification of these food laboratories by them was a statutory requirement under the Act. To get accreditation, the laboratory had to be upgraded in terms of structural infrastructure to house sophisticated instruments, calibration work for measuring and analytical equipment has to be carried out by an accredited calibration laboratory specialised for this purpose. The laboratory has not obtained accreditation from NABL.

The department in its reply stated that in view of lack of requisite infrastructure in the existing laboratory, the DFDT had not initiated any action to obtain NABL accreditation till date. It further stated that the FSSAI has provided funds and works will be initiated shortly.

2.3.2.2 Regularity mechanism in grant/renewal of licence to FBOs

(i) Deficiencies in regularity mechanism

As per Section 31 (1) of the Act, licences are mandatory for FBOs having annual turnover of more than ₹ 12 lakh. Further, as per Regulation 1.2.1 (4) of

Food Safety and Standards (Licensing and Registration of Food Business), 2011 (FSS Regulations, 2011), all petty[12] FBOs or FBOs with annual turnover up to ₹ 12 lakh and/or production capacity of food not exceeding 100 Kgs/litre per day or procurement, handling and collection of milk up to 500 litre per day, are required to register with the DFS. The DO is empowered to issue licences and the FSOs are authorised to issue registration certificates, to draw food samples and to send it for analysis in Food Testing Laboratories to see whether the food articles conform to the standards set. The licences and registration certificates are issued to the FBOs, through the FLRS online portal from January 2014. Audit noticed the following deficiencies in the processes of issue of licenses and registration:

(a) Absence of survey for identification of FBOs operating without licence/registration

The Act and the Rules[13] mandated the UT Government of Puducherry to conduct a survey and prepare a data base of FBOs indicating their nature/ category. Under the Act, operation of food business without a licence was punishable with imprisonment and fine extendable up to ₹ five lakh.

It was observed that DFS issued Licence/Registration certificates through FLRS to those FBOs who applied for Licence/Registration to run their business. The Commissioner of Food Safety, however, did not conduct any such survey and as a result, reliable information on the FBOs operating in the State was not available. Consequently, the unlicensed/ unregistered FBOs were not identifiable and many FBOs in the State remained unmonitored outside the ambit of the Act.

Further, audit noticed that the data available in the online portal (FLRS) was not updated on a regular basis and included expired Licences/Registrations, renewed licences with new licence number.

To ascertain whether the FBOs were functioning with valid licences, a joint survey was conducted by Audit in FBOs such as restaurants, canteens, manufacturers, wholesalers, distributors etc., in main market areas of Puducherry by manual selection at random. This exercise revealed that 97 out of 212 FBOs[14] were functioning without Licence/ Registration. Non-adherence to the provisions in relation to survey, enrolment of FBO operators for licensing and registration as mandated in the Act was also noticed. The risk of supply and consumption of substandard quality of food which could lead to deleterious consequences on public health would be high if a mechanism to enforce monitoring was not put in place on priority.

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[12] 1. Manufacturer or seller of any article of food; 2. Petty retailer; 3. Hawker; 4. Itinerant vendor; 5. Temporary stall holders; 6. Distributors of food for any social or religious gatherings (except a caterer) and 7. Any small scale/cottage/other tiny food industries whose capacity and annual turnover qualify for registration.

[13] Section 30(2) (b) of the Act read with Rule 2.1.3 of the Food Safety and Standard Rules, 2011.

[14] 212 units in main market areas were covered. (Puducherry - 157, Karaikal - 20, Mahe - 16 and Yanam - 19).

(b) Non-coverage of FBOs under the Act

FSSAI launched (July 2018) 'The Eat Right Movement' with three initiatives *viz.,* Safe and Nutritious Food, Eat healthy campaign and Food fortification at home, school, workplace, hospital, places of worship, restaurants and clean street food. In this regard, FSSAI required (June-October 2018) that various FBOs, *viz*., departmental canteens, food providers under e-commerce, Mid-day Meal Scheme, Anganwadis should be brought under Registration/Licence for ensuring the safety and hygiene of the food served by them.

It was noticed that the DFS had not taken up this issue with other departments concerned, for registering the FBOs functioning under those departments to ensure compliance of the provisions of the Act.

Further, FSSAI initiated (January 2018) a project called BHOG (Blissful Hygienic Offering to God) to encourage all places of worship to adopt and maintain food safety and hygiene in the preparation and serving of *Prasad.* Accordingly, all places of worship that distribute *Prasad*, including vendors who sell *Prasad* in the vicinity of the place of worship are required to obtain FSSAI Licence/Registration and they also need to follow sanitary and hygiene practices as per the Act.

In UT of Puducherry, there were 240 temples wherein *Prasad* was prepared, sold and distributed. The DFS had not taken any action under BHOG to bring them under the Act. Hence, the standards to be followed for the sanitary and hygiene practices as per FSS regulations for the foods supplied by the temples could not be ensured.

When pointed out, the DFS accepted and stated that there was no separate manpower notified as Nodal Officers for the programme and the FSOs were instructed to issue licences in these cases also. However, the fact remains that despite being taken up as a separate project to ensure hygienic offering of *Prasad* given in temples, the standard of sanitary and hygienic practices could not be ensured.

(c) Lack of synergy between the food safety authorities and local urban bodies/other departments

As per Section 355 of 'The Pondicherry Municipalities Act, 1973', Municipalities are empowered to issue Trade Licence for manufacturing, selling, storing of any article/commodity etc., within its area of jurisdiction. The FBOs were required to obtain Trade Licence from the Municipalities concerned according to their place of business.

In respect of FBOs, such trade licences could have been linked to the food licences/registration. However, there was no such mechanism in the local bodies to ensure every FBO applying for trade licence, obtained food licence/ registration as a pre-requisite. Audit carried out a test check of 686 trade licences issued by Puducherry Municipality during 2017-18, which revealed

that 197 FBOs did not obtain Licence/Registration under Act even though they possessed trade licences.

Similarly, as per Section 22 (1) of Central Goods and Services Tax Act, 2017 (CGST Act), every supplier, whose aggregate turnover in a financial year exceeds ₹ 20 lakh shall be liable to be registered under the CGST Act in the Union Territory, with Department of Commercial Taxes.

To ascertain whether the FBOs who fulfilled the above criteria had obtained mandatory licences under Act, Audit checked 116 (out of 1,041) commercial tax returns filed by FBOs, with the licences issued by DFS. It was found that 26 out of 116 cases, did not obtain the mandatory licence under Act.

It is recommended that a suitable mechanism must be put in place to collate the details of registration of FBOs from other departments with the data available with the DFS.

2.3.2.3 Enforcement, Sample Testing and Monitoring

(i) Enforcement Mechanism

Food Safety Officers (FSOs) are responsible for drawing samples of food from the premises of FBOs. These samples are then sent to the Food Testing Laboratories (FTLs) for testing. The DO, after scrutiny of the report from FTL, shall decide as to whether the contravention is punishable with imprisonment or fine only. In case contravention is punishable with imprisonment, he shall send his recommendations within 14 days**,** to the Commissioner of Food Safety for sanctioning prosecution. If punishable by fine, he will authorise FSO to file an application for adjudication of the offence with the Adjudicating Officer (AO). The decisions of the AO can be challenged at the Appellate Tribunal notified by the State Government. In case, the offence is punishable with imprisonment, the Commissioner of Food Safety will decide to refer the case to an ordinary court of jurisdiction or a special court[15].

Audit observed that the effectiveness of the enforcement mechanism was compromised by significant shortfall in inspection, drawal and testing of food samples as detailed in the succeeding paragraphs:

(a) Non-adherence to general hygienic and sanitary practices by FBOs

The FSS Regulations, 2011, 2.1.2 read with Schedule 4 stipulates that establishment in which food is being handled, processed, manufactured, stored and distributed by the FBOs should conform to sanitary and hygienic requirement. Further, raw meat/poultry should be stored separately from other foods.

[15] A court of ordinary jurisdiction in case of offences punishable with imprisonment for a term up to three years or to a special court (if such court is established), if punishable with imprisonment for a term more than three years.

Audit conducted a joint inspection of 89 FBOs to assess the conformity of the above standards in the food business. Out of 89 units, 40 units (45 *per cent*) were operating in unhygienic conditions and were not as per the standards specified in the regulations.

The FBOs where good hygienic practices were not followed are shown in **Pictures 2** and **3**.



Pictures 2 and 3 : High risk food on road side and near drainage in Puducherry

It was also found that the foods classified under high risk[16] categories were being cooked and displayed in open outside the restaurants/hotels on the road side without any safety norms as shown in **Pictures 2** and **3**.

Besides, the general hygienic and sanitary practices noticed in the storage of food items was unhygienic and unfit as shown in **Pictures 4** and **5**.



Pictures 4 and 5 : Unhygienic Storage in Restaurants

It could be seen from the above that nearly 45 *per cent* of the test checked FBOs did not follow the hygiene norms and sanitary practices in preparation, handling, storing and distribution of food. The food outlets were functioning near the drainage. The food was cooked in an open unhygienic area in these outlets and the stored food was found to be infested with worms. The consumers were exposed to risk of food poisoning and other gastro intestinal problems.

[16] High risk foods are ready to eat under unfavourable conditions support multiplication of harmful bacteria which causes food poisoning.

(b) Shortfall in inspection of Food Business Operators

Rule 2.1.1(6) of the Food Safety and Standards (Licensing & Registration of Food Business) Regulations, 2011 mandates at least one inspection of each registered establishment every year. Again, Rule 2.1.3 (4) (iii) of the Food Safety and Standards Rules, 2011 requires the designated Food Safety Officer to conduct inspections as frequently as may be prescribed by the DO.

However, neither the UT Government of Puducherry nor the DOs prescribed any frequency of inspections. Available data indicated that FSOs did not inspect FBOs even once in a year.

Audit scrutiny revealed that only 525 out of 8,481 FBOs (six *per cent*) were inspected by FSOs. Thus, the shortfall in conduct of the inspection indicated that food safety, general hygienic and sanitary practices in FBOs was not monitored as required under the regulations.

(c) Inspection of central licence FBOs

As per orders issued by FSSAI (June 2014), entire authority of enforcement of the Act for Central Licence Units[17] rest with the UT Government. From the details available in FLRS, it was seen that there were 58 central licensed units functioning in UT of Puducherry. It was noticed that the Department had not inspected those units during the audit period.

On being pointed out about the shortfall in inspection, the Department stated that it would require more manpower and funds from GoI as the UT of Puducherry has not been able to provide funds.

(d) Absence of system of inspection even while issuing /renewing licences / registrations

It was seen that inspections were conducted rarely even at the time of issue of licence/ registration**.** As seen in preceding paragraphs, only six *per cent* of FBOs were inspected during the period 2015-16 to 2018-19, which indicates absence of system of inspection even while issuing/renewing licences/registrations.

(ii) Sample Testing

(a) Shortfall in testing samples

As per Section 38(1) (a) of the Act, FSOs may take a sample of any food or any substance intended for sale, for human consumption, required as evidence in proceedings under any of the provisions of the Act or of the regulations or orders made thereunder. Surveillance sample is done to monitor the safety and quality of food manufactured, sold or imported in the country. Legal samples are those samples, where after analysis, if an adverse result is received, legal action shall be initiated along with relevant enforcement action for quick relief.

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[17] Food business operators of large scale, in the Central Government agencies, airports, seaports etc. with the licence under Central Food Licence Authority doing business across States all over India.

The Act and Rules on Food Safety and Standards have not prescribed any criteria for fixing the number of inspections of FBOs for food inspectors to be carried out during a period of time. Further, the department has also not devised any mechanism or system for fixing the number of inspections of FBOs to be carried out by the food inspectors during a period of time. Further, there was no priority accorded to testing of food items which could be a potential health hazard affecting the high risk population like infants, etc.

During 2016-19, 10,690 samples were tested in DFDT and the details of samples tested are given in the **Table 2.2**.

Table 2.2: Samples lifted and supplied by FBOs

Year	Samples lifted		Samples supplied by FBOs		Total
	Surveillance samples[18]	Legal samples[19]	Miscellaneous	Alcohol	
2016-17	439	4	362	1,772	2,577
2017-18	420	-	583	2,226	3,229
2018-19	2,037	8	447	2,392	4,884
Total	**2,896**	**12**	**1,392**	**6,390**	**10,690**

(Source: Records of FSSAI)

Audit scrutiny revealed that the sampling procedure as laid down in the Act was not followed. Instead, samples were collected on random basis. The details of samples collected during 2016-19 are given in **Table 2.3**.

Table 2.3: Details of samples collected during the period 2016-17 to 2018-19

Year	Licences	Registrations	Total	No. of FBOs covered	Samples lifted	Percentage of coverage of FBOs
2016-17	994	2,199	3,193	152	443	4.76
2017-18	1,715	3,980	5,695	112	420	1.96
2018-19	2,482	5,999	8,481	70	2,045	0.83
Total					**2,908**	

(Source: Records of online FLRS)

Audit noticed that the coverage of FBOs for collection of samples ranged from 0.83 to 4.76 *per cent* of the total number of FBO units registered/licensed (inclusive of multiple samples from one FBO) during the period 2016-19. Thus, limited number of FBOs selected for collection of samples for quality checking indicated that the system of selection of samples was not transparent and did not provide adequate assurance about the safety and quality of food items being manufactured/sold to common public.

[18] Surveillance sample is done to monitor the safety and quality of food manufactured, sold or imported in the country. The samples drawn for purpose of surveillance/survey and research cannot be used for prosecution. There are no norms fixed. The samples are lifted at random by the FSOs.

[19] Legal samples are those samples, where after analysis, if an adverse result is received, legal action shall be initiated along with relevant enforcement action for quick relief.

The Department replied (December 2019) that inadequate coverage of samples from all type of FBOs were mainly due to want of funds to meet out the sample charges. It was also stated that action was being taken to get expenditure sanction.

(b) Fit for consumption certificate issued without analysing safety parameters

Section 20 of the Act, emphasised that no article of food shall contain any contaminant, toxins or hormone or heavy metals in excess of such quantities as may be specified by regulations. Further, as per Section 21, no article of food shall contain insecticides or residues of pesticides, veterinary drugs, solvents, pharmacological active substances as may be specified.

As per Rule 2.4.2(7) of FSS Rules, 2011, the manuals indicating the method of analysis as amended/adopted by the Authority from time to time, shall be used for analysing the samples of food articles.

FSSAI has observed in "National milk safety and quality survey 2018" that safety and quality of milk were maintained and milk was largely safe, contamination due to Aflatoxin M1 and antibiotic residues was a more serious problem than milk adulteration and the quality concerns persisted.

It was noticed that a total of 1,462 samples of rice, 292 samples of weaning food and 116 samples of milk items were tested during the year 2018-19 in DFDT to determine the various characteristics of the food article conforming to the standards required by FSSAI. The number of parameters to be analysed for determining the quality of test checked rice, weaning food and milk items and the actual number of parameters analysed in DFDT are given in **Table 2.4**.

Table 2.4: Details of parameters/characteristics tested/analysed during 2018-19

Name of the article	To be analysed		Analysed		Not tested	
	Para-meters[20]	Characteristics	Para-meters	Characteristics	Para-meters	Characteristics
Rice	5	85	2	6	3*	79
Weaning food	5	64	3	7	2**	53
Milk	5	29	3	19	2*	10

* Micro-biological, contaminants and pesticides

** Contaminants and pesticides

(Source: Records of FSSAI)

From **Table 2.4**, it could be seen that the safety parameters were not tested as per the requirement and the shortfall in testing of required parameters in rice samples was 60 *per cent* (2 out of 5 parameters) and 40 *per cent* (3 out of 5 parameters) in weaning food and milk samples, which was inadequate.

[20] General parameters, Quality parameters, Microbiological parameters, Contaminants and Pesticides.

It was also noticed that certificate for *fit for consumption* were issued to FBOs and in respect of milk, a *satisfactory report* conforming to the FSSAI standards on quality was issued by DFDT, despite the fact that all the parameters and characteristics were not tested.

On being pointed out, the Department replied (December 2019) that the clause '*fit for consumption'* would not be included in the opinion of the certificate and safety parameters tests *viz*., pesticides, heavy metals and vitamins would be conducted on procurement of sophisticated instruments.

(c) No follow up action based on the result of analysis of samples

As per Rule 3.1.1 (1) and (2) of FSS Rules, on receipt of the copy of the Report of Food Analyst, the DO shall examine the case as to whether the contravention is punishable with imprisonment or the same is punishable with fine only under the Act. However, if no contravention is established and the sample conforms to the requirement of FSS regulations, the same has to be communicated to the FBO immediately. The details of sample lifted and analysed during the period 2016-19 are detailed in **Table 2.5**:

Table 2.5: Details of sample lifted and analysed during the period 2016-19

Period	No. of FBOs from where sample lifted and analysed	No. of FBOs whose samples found unsafe/substandard
2016-17	439	15
2017-18	420	12
2018-19	2,037	6

Analysis report of Food Analyst indicates that out of the above FBOs whose samples lifted for testing during 2016-19, samples of 33 FBOs were found to be unsafe/sub-standard and the samples of remaining FBOs were found to be in conformity with the requirement of FSS regulations.

However, it was noticed that the Department had not initiated any action against the 33 defaulting FBOs based on the analysis report so as to prevent the FBOs from selling sub-standard/unsafe products. Further, declaration regarding conformity of samples was also not communicated to the FBOs as required under the Act. Audit also observed that considering the quality and efficacy of testing on different parameters and characteristics as observed in paragraph 2.3.2.2, the unfit samples may be on a higher side than actually recorded. This makes it incumbent on the Department to ensure proper infrastructure for testing samples to minimise public hazard of consumption of unsafe samples.

(iii) Monitoring

(a) Non-submission of mandatory return by the FBOs

As per Regulations[21] every licensee should on or before 31st May of each year, submit a return, in Form[22] D-1' in respect of each class of food products

[21] Regulation 2.1.13 (1) of the Food Safety and Standards Regulations, 2011.

handled by him during the previous financial year. This return will indicate the quantity and value of food products handled by him. Any delay in filing return beyond 31st May of each year would attract a penalty of ₹ 100 per day of delay.

As per data available in the FLRS portal, the total number of manufacturers were 351 for the period from January 2014 to March 2019.

Scrutiny of records revealed that none of the FBOs, engaged in manufacture of food articles, had submitted their mandatory half-yearly/annual returns in any of the years since the formation of the Department. The food safety authorities also, did not impose any penalty against such licensees as of March 2019. Due to non-submission of the return, the DO could not ascertain the volume of business so as to watch whether an FBO operating with registration needed to be brought under licence. This had financial implications in view of the differential charges for registration and licence (Registration fee: ₹ 100 per year; Licence: ₹ 2,000 per year).

Further, audit observed that 102 FBOs had renewed their licence during audit period. In case of default in filing the returns as stated above, the Department could have levied a penalty of ₹ 37 lakh[23] when the licence was renewed in respect of 102 FBOs to ensure compliance of the provisions of the Act. The details of either renewal or otherwise in respect of 249 FBOs were not on record.

The DFS replied (December 2019) that due to non-availability of sufficient ministerial staff in the Department, filing of mandatory returns could not be watched.

(b) Short-collection of revenue due to non-revision of testing charges

As per 2.3.1 (3) of the Regulations for Laboratory and Sample Analysis 2011, a sum of ₹ 1,000 should be payable for analysing food samples and providing certificate of analysis in the format specified. Further, FSSAI introduced (June 2016) packaged rates for complete testing for analysis of food samples. The above sample testing was done as per the requirement of the manufacturers concerned to prove whether their products meet the standards of FSSAI.

Audit observed that the DFDT was charging ₹ 50 per food sample (received from both consumer and FBOs) during 2016-19 as against the prescribed fee of ₹ 1,000 per sample and issued certificate for the analysis done. The non-revision of testing charges for samples tested during 2016-19 led to revenue loss of ₹ 0.73 crore **(Appendix 2.1)**. Besides, the certificate of analysis was also not issued in the format as specified in the regulations.

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22 **Form D1:** Annual Return to be submitted by the FBOs (other than milk and milk products) on or before 31st May of each year.

23 ₹ 100 per day for 102 FBOs for 365 days.

The Department accepted the observation and stated that a proposal is under consideration on the lines of the testing charges collected by Tamil Nadu Government.

(c) Information, Education and Communication activities

Neither the UT of Puducherry nor Food Safety Authority undertook any Information, Education and Communication activities for the awareness of consumer/ FBOs on effective implementation of the Act. There was no awareness campaign among general public or FBOs through print or electronic media on ensuring food safety.

2.3.3 Conclusion

Even after nine years of the implementation of the Act, the Department could not make all the FBOs register or obtain licences under the Act. FBOs continued operation even after expiry of the validity of registration/ licence in the absence of any system to track the periodical renewal of licences.

Though envisaged in the Act, the Department could not deploy adequate number of Designated Officers and Food Safety Officers and had been functioning with significant shortage of man-power. Such shortage of man-power, coupled with the absence of any target for the collection of food samples, resulted in grossly inadequate number of inspections and food samples being collected. Given the fact that the test reports showed "sub-standard" results, the shortfalls in inspection and sample collection have the potential to expose the consumers to severe risks from unsafe food products. Implementation of the Act was poor, largely due to inadequate human resources.

Only one Food Testing Laboratory was available for food testing and that too with shortage of equipment and chemicals. Non-strengthening of infrastructure facilities in the laboratory had resulted in issue of test reports without analysing all the required safety parameters. Consumers remained exposed to unsafe food-stuff as some vital tests are not conducted in those laboratories. Even the accuracy of the test results was questionable as the functional laboratory was also deficient in infrastructure.

Proper monitoring of food safety on the analysis report of the Food Analyst was not in place. Further, follow-up action on the report also was not taken. No awareness campaigns were undertaken and scant regard was given to Information, Education and Communication activities.

The gaps in implementation of the Act clearly indicate that food safety was not prioritised and given the importance it deserved. The adverse implications on health of the populace are thus a matter of serious concern.

The matter has been referred to Government in January 2020; reply has not been received (September 2020).

2.3.4 Recommendations

i. The Department may augment the human resources to ensure effective implementation of the Act. Further, adequate infrastructure may be provided for food testing laboratory at the earliest so that all parameters may be checked.

ii. Regularity mechanism in grant/renewal of licenses to FBOs should be streamlined and enforcement mechanism should be strengthened to implement the Act effectively.

iii. Awareness campaign may be undertaken to highlight the need for consumption of safe food in public places.

iv. Effective monitoring of Food Safety in all sectors of the business may be ensured by updating data of licenses in real time and inspections may be made on a regular basis.

CHAPTER III

REVENUE RECEIPTS

CHAPTER-III

REVENUE RECEIPTS

3.1 Trend of revenue receipts

3.1.1 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 (GoI) during the year 2018-19 and the corresponding figures for the preceding four years are mentioned in **Table 3.1**.

Table 3.1: Trend of revenue receipts

(₹ in crore)

Sl. No.	Category	2014-15	2015-16	2016-17	2017-18	2018-19
I	Revenue raised by the Government					
	(a) Tax revenue	1,992.74	2,260.34	2,401.21	2,805.55	3,188.75
	(b) Non-tax revenue	1,300.36	1,137.75	1,245.37	1,373.73	1,583.89
	Total (I)	**3,293.10**	**3,398.09**	**3,646.58**	**4,179.28**	**4,772.64**
II	Receipts from GoI – Grants-in-aid	1,464.80	1,689.86	1,736.37	1,823.39	1,627.77
III	Total receipts of the Government (I + II)	4,757.90	5,087.95	5,382.95	6,002.67	6,400.41
IV	Percentage of I to III	69	67	68	70	75

(Source: Finance Accounts of the respective years)

During the year 2018-19, the revenue raised (₹ 4,772.64 crore) by the Union Territory Government was 75 *per cent* of the total revenue receipts (₹ 6,400.41 crore), as against 70 *per cent* in the preceding year. The balance (₹ 1,627.77 crore) 25 *per cent* of the receipts during 2018-19 were obtained from the GoI as grants-in-aid and contributions.

3.1.2 The details of tax revenue raised during the period from 2014-15 to 2018-19 are given in **Table 3.2**.

Table 3.2: Details of Tax Revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2014-15		2015-16		2016-17		2017-18		2018-19		Percentage of increase (+)/decrease (-) in 2018-19 over 2017-18
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Goods and Services Tax	Nil	Nil	Nil	Nil	Nil	Nil	Nil	851.31	925.00	1,499.04	(+) 76.09
2	Taxes on Sales, Trade, etc.	1,380.00	1,313.13	1,510.00	1,438.89	1,600.00	1,576.48	1,725.00	1,008.45	1,100.00	632.01	(-) 37.33
3	State Excise	560.00	544.67	630.00	673.75	775.00	671.27	700.00	769.92	800.00	850.81	(+) 10.51
4	Stamp Duty and Registration Fees	96.00	74.96	115.00	76.37	100.00	65.50	80.00	70.50	100.00	91.89	(+) 30.34
5	Taxes on Vehicles	63.00	58.46	83.00	69.34	83.00	86.94	92.00	104.29	115.00	114.17	(+) 9.47
6	Land Revenue	0.80	1.30	1.75	1.93	1.75	1.02	2.62	1.08	2.62	0.83	(-) 23.15
7	Others	0.20	0.22	0.25	0.06	0.25	Nil	0.38	Nil	0.38[1]	Nil	--
Total		**2,100.00**	**1,992.74**	**2,340.00**	**2,260.34**	**2,560.00**	**2,401.21**	**2,600.00**	**2,805.55**	**3,043.00**	**3,188.75**	

(Source: Finance Accounts of the respective years)

The tax revenue increased from ₹ 2,806 crore in 2017-18 to ₹ 3,188 crore in 2018-19 by ₹ 382 crore (13.61 *per cent*) over the previous year. It was mainly due to increase in collection under Goods and Services Tax (₹ 647 crore), State Excise (₹ 80 crore), Taxes on Vehicles (₹ 10 crore). However, taxes on Sales, Trade decreased by ₹ 376 crore (37.33 *per cent*) in 2018-19.

3.1.3 The details of Non-tax revenue raised during the period from 2014-15 to 2018-19 are given in **Table 3.3**.

Table 3.3: Details of Non-tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2014-15		2015-16		2016-17		2017-18		2018-19		Percentage of increase (+) / decrease (-) in 2018-19 over 2017-18
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	1,220.00	1,159.92	1,300.00	990.60	1,200.00	1,116.21	1,253.00	1,197.17	1,310.00	1,352.96	(+) 13.01
2	Interest Receipts, Dividends and Profits	81.62	93.28	93.28	91.88	97.10	66.45	72.10	98.90	92.58	95.05	(-) 3.89
3	Medical and Public Health	10.97	9.15	12.54	16.58	19.01	13.51	14.01	16.64	22.63	26.48	(+) 59.13
4	Education, Sports, Art and Culture	1.00	0.99	1.14	2.22	2.44	1.07	2.44	1.25	2.44	6.72	(+) 437.60
5	Crop Husbandry	0.41	0.43	0.47	0.66	0.72	1.23	1.32	1.13	1.32	0.93	(-) 17.70
6	Other receipts[2]	46.00	36.59	52.57	35.81	50.73	46.90	57.13	58.64	98.03	101.75	(+) 73.52
Total		**1,360.00**	**1,300.36**	**1,460.00**	**1,137.75**	**1,370.00**	**1,245.37**	**1,400.00**	**1,373.73**	**1,527.00**	**1,583.89**	

(Source: Finance Accounts of the respective years)

[1] Under the head "Other Taxes and Duties on Commodities and Services".

[2] Other receipts includes receipts under head "Other Administrative Services", "Water Supply & Sanitation", "Ports & Light Houses", "Housing" and "Miscellaneous General Services" etc.

The non-tax revenue receipts increased from ₹ 1,374 crore in 2017-18 to ₹ 1,584 crore in 2018-19. The increase was mainly on account of increase of receipts under Education, Sports, Art and Culture and in other non-tax receipts.

3.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2019 under the principal heads of revenue amounted to ₹ 929.26 crore, of which, ₹ 433.84 crore were outstanding for more than five years as detailed in **Table 3.4**.

Table 3.4: Arrears of revenue

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
1	Accounts and Treasury	2.86	0.05	Arrears related to audit fee from Religious Institutions.
2	Agriculture	0.27	0.27	Arrears due from PASIC and local bodies towards rent, cost of seeds and other services.
3	Commercial Taxes	289.00	195.60	Arrears related to collection of tax under PGST/ CST and VAT Acts, major portion is sub-judice.
4	Co-operative	0.30	0.07	Arrears being Audit fees due from societies under dormant or liquidation conditions.
5	Electricity	541.33	198.73	Arrears were due to non-payment of electricity charges.
6	Excise	60.00	27.35	Arrears were mainly due to non-payment of kist by the lessees of arrack and toddy shops.
7	Fisheries and Fishermen Welfare	0.03	0.03	Arrears of lease amount on fish farm at Coringa river at Yanam.
8	Government Automobile Workshop	1.14	0.78	Arrears were due from Government Departments towards sale of petrol, oil, lubricants and work bills.
9	Hindu Religious Institutions and Wakf Board	0.81	0.48	Arrears were due to shortfall in collection of dues from temples.
10	Industries and Commerce	0.10	0.10	Arrears related to rent due from defunct industrial units.
11	Information and Publicity	0.12	0.12	Rent due from Government Guest House and Guest House Canteen rent. Concerned Department has been requested to send write-off proposal to the Government.
12	Judicial	0.06	0.04	Arrears in payment of fines and also forfeitures were due to accused undergoing imprisonment in some cases and pendency of appeal in Courts.
13	Public Works	32.39	9.98	Details not furnished by the Department.

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
14	Stationery and Printing	0.67	0.17	Pendency related to non-recovery of dues from Government Departments for stationery and printing, sale of Gazettes, press receipts etc.
15	Tourism	0.17	0.06	Arrears being rent due from Guests / Government officials towards room rent. Proposal for waiver of ₹ 0.68 lakh being rent due from expired individuals is under progress.
16	Town and Country Planning	0.01	0.01	Arrears related to final cost of plots due from the allottees of LAD housing scheme. Action initiated by Department for recovery of dues.
Total		**929.26**	**433.84**	

(Source: Details furnished by respective Departments)

Adi-Dravidar Welfare Department, District Rural Development Agency, Local Administration Department, Revenue and Disaster Management Department and Transport Department did not furnish (April 2020) the details of arrears of revenue.

The table further indicates that the amount of uncollected revenue as on 31 March 2019 was about 29 *per cent* of the total revenue raised by the Government during the year 2018-19. Necessary arrangements are required to be taken to collect the arrears in a time bound manner.

3.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed off 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 (VAT), are shown in **Table 3.5**.

Table 3.5: Arrears in assessments

Head of revenue	Opening balance	New cases selected during 2018-19	Total assessments due	Cases disposed off during 2018-19	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
(1)	**(2)**	**(3)**	**(4) = (2)+(3)**	**(5)**	**(6)= (4)-(5)**	**(7)**
VAT Scrutiny Assessment	24,025	Nil	24,025	1,965	22,060	8.18

(Source: Details furnished by Commercial Taxes Department)

As the percentage of disposal was very low, the Department should take adequate steps for speedy finalisation of cases, which were selected for detailed scrutiny.

3.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by Commercial Taxes Department, cases finalised and the demands for additional tax raised as reported by the Department are given in **Table 3.6**.

Table 3.6: Evasion of Tax

(₹ in lakh)

Head of revenue	Cases pending as on 31 March 2018	Cases detected during 2018-19	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 2019
				Number of cases	Amount of demand	
Sales Tax/VAT	285	Nil	285	13	46.97	272

(Source: Details furnished by respective Department)

It would be seen from the above table that finalisation of cases is very low when compared to the total pendency. The Department may institute appropriate measures for finalisation of pending cases, so as to ensure early realisation of revenue.

3.5 Pendency of refund cases relating to Commercial Taxes Department (Goods and Services Tax (GST) and VAT)

The number of refund cases pending at the beginning of the year 2018-19, claims received during the year, refunds allowed during the year and cases pending at the close of the year 2018-19 relating to Commercial Taxes Department (Goods and Services Tax and Value Added Tax) is given in **Table 3.7**.

Table 3.7: Details of pendency of refund cases

Sl. No.	Particulars	Goods and Services Tax		Value Added Tax	
		No. of cases	Amount (₹ in crore)	No. of cases	Amount (₹ in lakh)
1.	Claims outstanding at the beginning of the year (as on 1 April 2018)	13	0.10	Nil	Nil
2.	Claims received during the year 2018-19	208	28.55	1	0.50
3.	Total	221	28.65	1	0.50
4.	Refunds made during the year 2018-19	196	26.33	1	0.50
5.	Balance outstanding at the end of the year (as on 31 March 2019)	25	2.32	Nil	Nil

(Source: Replies of concerned Departments)

The PGST Act provides for payment of interest, at the rate of half *per cent* per month, if the excess amount is not refunded to the dealer within 60 days from the date of receipt of refund applications. In case of delay in disposal of refund cases, Government may have to bear liability for payment of interest.

3.6 Response of the Departments/Government towards audit

3.6.1 Inspection Reports

Accountant General (Economic and Revenue Sector Audit), Tamil Nadu (Now Accountant General (Audit-II), Tamil Nadu & Puducherry) 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) incorporating irregularities detected during the inspection and not settled on the spot, which are, 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 dates of issue of the IRs. Serious financial irregularities are also brought to the notice of the Heads of Departments and the Government by the office of the Accountant General.

Inspection Reports issued up to 31 December 2018 disclosed that 807 paragraphs involving ₹ 259.13 crore relating to 217 IRs remained outstanding at the end of June 2019, along with the corresponding figures for the preceding two years, as mentioned in **Table 3.8**.

Table 3.8: Details of pending IRs

Inspection reports	June 2017	June 2018	June 2019
Number of outstanding IRs	214	204	217
Number of outstanding audit observations	940	772	807
Amount involved (₹ in crore)	307.86	253.76	259.13

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

Department-wise details of IRs and audit observations outstanding as on 30 June 2019 and the amounts involved are mentioned in **Table 3.9**.

Table 3.9: Department-wise details of IRs

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	48	292	109.03
2	Stamp Duty and Registration Fee	76	221	6.24
3	Taxes on Vehicles	51	201	4.43
4	State Excise	42	93	139.43
Total		**217**	**807**	**259.13**

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

The large pendency of the IRs due to non-receipt of the replies is indicative of the failure by Heads of Offices and Department to initiate action to rectify defects, omissions and irregularities pointed out by the AG through the IRs.

3.6.2 Response of the departments to draft Audit Paragraphs

The draft audit paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India are forwarded by AG to the Secretaries of the concerned Department, drawing their attention to audit findings and requesting them to send their response within six weeks. The fact of non-receipt of replies from the Departments is indicated at the end of each such paragraph included in the Audit Report.

Two draft paragraphs proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2019 was forwarded to the Secretaries of Revenue and Transport Departments in August 2019 and March 2020 through demi-official letters. Specific reply had not been received from the Government in respect of one case and the same has been included in the Report without the response of the Secretary of the Departments concerned.

3.7 Response of the Registration Department to the issues raised by Audit

To analyse the system of addressing the issues highlighted in 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 has been evaluated and included in this Audit Report.

The succeeding paragraphs 3.7.1 to 3.7.3 discuss the performance of the Registration Department under revenue head '0030' and cases detected in the course of local audit and also the cases included in the Audit Reports during the last 10 years.

3.7.1 Position of Inspection Reports

The summarised position of IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2019 are tabulated in **Table 3.10.**

Table 3.10: Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Additions			Total			Clearance			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2009-10	57	150	1.73	7	16	0.21	64	166	1.94	2	8	0.02	62	158	1.92
2010-11	62	158	1.92	8	38	1.14	70	196	3.06	3	9	0.03	67	187	3.03
2011-12	67	187	3.03	1	5	0.04	68	192	3.07	9	36	0.36	59	156	2.71
2012-13	59	156	2.71	5	15	0.09	64	171	2.80	0	7	0.29	64	164	2.51
2013-14	64	164	2.51	7	14	0.06	71	178	2.57	4	13	0.03	67	165	2.54
2014-15	67	165	2.54	5	28	1.92	72	193	4.46	2	5	0.01	70	188	4.45
2015-16	70	188	4.45	5	18	0.26	75	206	4.71	4	8	0.34	71	198	4.37
2016-17	71	198	4.37	5	21	0.74	76	219	5.11	4	8	0.02	72	211	5.09
2017-18	72	211	5.09	3	11	0.97	75	222	6.06	0	2	0.03	75	220	6.03
2018-19	75	220	6.03	3	19	3.03	78	239	9.06	0	0	0.00	78	239	9.06

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

As against 57 IRs involving 150 paragraphs, which were pending at the beginning of 2009-10, the number at the end of 2018-19 had increased to 78 IRs involving 239 paragraphs. This indicates that response to the local audit reports was poor and adequate steps needed to be taken by the Department to clear the outstanding IRs and paragraphs.

3.7.2 Recovery of accepted cases

During the last 10 years, nine draft paragraphs and one Performance Audit involving ₹ 10.88 crore were included in the Revenue Receipts Chapter of the Report of the Comptroller and Auditor General of India, Government of the Union Territory of Puducherry. Department accepted audit observations involving ₹ 2.16 crore and recovered ₹ seven lakh.

3.7.3 Action taken on the recommendations accepted by the Department/Government

The draft Performance Audit was forwarded to the concerned Department/Government for their information with a request to furnish their replies. These reviews are also discussed in Exit Conference. The Department's/Government's views are considered while finalising the Performance Audit for the Audit Reports.

One Performance Audit on Stamp Duty and Registration Fees was included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2011. The recommendations contained therein, *viz.*, (i) maintaining a consolidated data of revenue earned and revenue foregone for effective control; (ii) introducing internal control system/internal audit wing for effective monitoring of the functions of the Department through periodical inspections; and (iii) issuing instructions to other Departments concerned for ensuring registration of documents requiring compulsory registration were accepted by the Government. These issues were discussed in the meeting of the Public Accounts Committee held in February 2020. Further action taken by the Government in this regard is awaited (August 2020).

3.8 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 2018-19, the audit universe comprised 33 auditable units; out of which, four units were planned and audited during the year 2018-19, *i.e.,* 12.12 *per cent* of the total auditable units.

3.9 Results of audit

Test check of the records of Stamp Duty and Registration Fee and Taxes on Vehicles conducted during the year 2018-19 revealed under-assessment / short levy amounting to ₹ 3.63 crore in 37 cases. During the course of the year, the Department accepted under-assessments and other deficiencies involving money value of ₹ 0.48 crore in 13 cases and recovered a sum of ₹ 0.40 crore. Out of this, two cases involving ₹ 0.11 crore were pointed out in 2018-19 and the rest in earlier years.

3.10 Coverage of this Chapter

This Chapter contains two draft paragraphs one each in Registration and Transport departments involving money value of ₹ 2.29 crore. The Department accepted audit observations involving ₹ 0.11 crore and collected an amount of ₹ 0.03 crore.

TRANSPORT DEPARTMENT

3.11 Compliance Audit of 'Collection of Tax, Fees and Delivery of Citizen Services by Transport Department, Puducherry'

3.11.1 Introduction

Transport Department, Puducherry renders various statutory services to the motor vehicle owners and general public as per the provisions of the various State and Central Acts and Rules[3] made thereunder. These activities include registration of vehicles, conduct of tests for issue of driving licenses and conductor's licences, grant of permits to vehicles, conduct of tests for issue of fitness certificates to vehicles, enforcement of traffic rules and regulations, collection of motor vehicle taxes, road tax and collection of fees for various services etc. Delivery of these services is automated through VAHAN-4.0 and SARATHI-4.0 portal. In addition, issues relating to road safety and control of pollution caused by vehicles also come under the purview of the Transport Department.

3.11.2 Organisational Setup

Puducherry Transport Department is headed by the Transport Commissioner-cum-Additional Secretary to Government (Transport). He is assisted by a Deputy Transport Commissioner. There are three[4] Regional Transport Offices (RTOs), four[5] Regional Transport Unit Offices (RTUOs) and a branch office[6] for implementation of Acts and Rules within the State. Eight[7] check posts are situated at various borders to check inter-state movement of vehicles. The monitoring and control at the Government level is exercised by the Secretary to Government (Transport).

3.11.3 Audit Objectives

The Audit was undertaken to derive an assurance that:

- the system established for registration of motor vehicles and issue of licences is robust;

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3 Motor Vehicles Act, 1988; Central Motor Vehicles Rules, 1989; Pondicherry Motor Vehicles Rules, 1989; Pondicherry Motor Vehicles Taxation Act, 1967; and Pondicherry Motor Vehicles Taxation Rules, 1967.

4 Puducherry, Oulgaret and Karaikal.

5 Villianur, Bahour, Mahe and Yanam.

6 Branch office of the Regional Transport offices Puducherry and Oulgaret is functioning at Mettupalayam.

7 Gorimedu, Kanagachettikulam, Madagadipet, Kannaiakoil, Thirukanoor, Vanjore, Ambagarathur and Nandalar.

- the system in place for levy and collection of appropriate taxes and fees is adequate;
- the system of enforcement and internal control mechanisms were in place;
- the delivery of citizen services is efficient and effective.

3.11.4 Audit Criteria

The audit objectives were benchmarked against the criteria drawn from the following sources.

- Motor Vehicles Act, 1988
- Central Motor Vehicles Rules, 1989
- Pondicherry Motor Vehicles Rules, 1989
- Pondicherry Motor Vehicles Taxation Act, 1967
- Pondicherry Motor Vehicles Taxation Rules, 1967
- Notifications / Circulars issued by the Transport Department.

3.11.5 Scope and Methodology

Transactions during the period from 01 April 2016 to 31 March 2019 was covered in the audit. The Data dump of VAHAN and SARATHI provided by the department was analysed and the exception reports generated were physically cross verified in the office of the Transport Commissioner, Puducherry, three RTOs, four RTUOs and a branch office. Apart from the above offices, records relating to eight check posts, Directorate of Accounts and Treasuries and Government Automobile Workshop were also scrutinised.

3.11.6 Acknowledgement

An entry meeting with the officers of the Transport Department was held on 08 October 2019, in which audit objectives, criteria, scope and methodology were explained. Audit acknowledges the co-operation extended by the Transport Department in providing documents / files and dump data available with them for the period up to 31 March 2019. An Exit Conference with the Secretary, Transport Department, Puducherry was held on 08 June 2020. The views expressed by the Government and Department during the Exit Conference have been taken into account and suitably incorporated in the report.

3.11.7 Trend of Vehicle Registration/Revenue

The number of vehicles registered and the revenue realised for the period of audit is summarised in **Table 3.11**:

Table 3.11: Details of vehicles registered and the revenue realised

Year	No. of vehicles registered	Revenue realised (₹ in crore)	Percentage of revenue increase over the previous year
2016-17	67,574	86.94	--
2017-18	67,496	104.29	(+) 19.96
2018-19	64,644	114.17	(+) 9.47

As seen, the registration of total number of new vehicles showed a decreasing trend through the period covered by audit. However, the revenue increased by 19.96 *per cent* during 2017-18 and 9.47 *per cent* during 2018-19, due to increased collection of tax and revision in rates of tax.

Audit Findings

3.11.8 Issues relating to registration and licences

3.11.8.1 Issues related to proof of address

As per Rule 47 of Central Motor Vehicles Rules, an application for the registration of vehicle in 'Form 20' shall be made by the owner of the vehicle to the registering authority within a period of seven days from the date of taking delivery of the vehicle along with original sale certificate, valid insurance and proof of address by way of documents prescribed. As per Rule 48 of Central Motor Vehicles Rules, the registering authority, on receipt of the said application and after verification of the documents furnished therewith, shall issue the registration certificate for the vehicle within the period of thirty days from the receipt of such application.

Audit analysis of data by the department revealed that vehicles were registered at Puducherry by persons from other States and the department accepted affidavits indicating current address in Puducherry as documentary evidences for registering vehicles. Audit queried and selected records of vehicles registered with identical addresses. Analysis showed that 11,454 vehicles were registered during the period from 2016-17 to 2018-19 by individuals who had permanent address in other States. Further data analysis of the pattern of registration indicated that different owners had furnished, by declaration through affidavits, the same current addresses in Form 20 for the purpose of registration. Similar current addresses were repeated in respect of eight to 44 vehicle owners, as the data revealed. During the three-year period, Audit noticed that 117 registrations involved only five current addresses. These registrations presumably were aimed at paying lower Motor Vehicle Tax rates, which were higher in the registrants' native States. The owners of 117 vehicles took advantage of lower tax levied in Puducherry using the provisions of Rules to quote a temporary/current address and paid a tax of ₹ 0.40 crore in Puducherry as against ₹ 2.48 crore payable in their native States on a total value of vehicles of ₹ 20.49 crore, as detailed in **Appendix 3.1**.

During the Exit Conference, the department accepted the observation and stated (June 2020) that the details given in Form 20 are to be compared with the details

of vehicles as per Section 44 of Motor Vehicle Act and this does not cover the verification of genuineness of address. It was further stated that the rate of tax has since been increased in 2018 and the issue of multiple vehicles using same address would be looked into by the department.

3.11.8.2 Non-renewal of registration of non-transport vehicles

According to Rule 52(3) of Central Motor Vehicles (CMV) Rules, 1989, a motor vehicle other than a transport vehicle shall not be deemed to be validly registered for the purposes of Section 39, after the expiry of the period of validity entered in the certificate of registration and no such vehicle shall be used in any public place until its certificate of registration is renewed under sub-rule (2). Prescribed fee is chargeable for such renewal of registration of non-transport vehicles. Rule 33 of the Pondicherry Motor Vehicles Rules, 1989 also prescribes a penalty of ₹ 10 per calendar month for every month of non-renewal of registration, subject to maximum of ₹ 100.

Audit analysis of the data furnished by the department revealed that the registration of 1,93,264 vehicles as on 31 March 2019 had expired, but were not renewed. Out of the above, renewal of 45,095 vehicles related to the period from 2016-17 to 2018-19 as detailed in **Table 3.12**:

Table 3.12: Details of vehicles whose registration expired but were not renewed

Year of Registration	Due for renewal	Number of Vehicles
2001-02	2016-17	6,916
2002-03	2017-18	16,609
2003-04	2018-19	21,570
Total		**45,095**

As seen, the number of vehicles plying without renewal of registration had tripled in three years, which indicates that the department did not utilise the data to devise a methodology to mandate renewal of registration of vehicles after 15 years from the date of registration and feeble enforcement of laws.

During the Exit Conference, the Secretary replied (June 2020) that the onus of renewal of registration lay with the owner of vehicle and owners plying without proper registration documents are liable under the Act. The Government's stand needs reconsideration as driving vehicles without a valid registration is prohibited under the law as unfit vehicles could be plying on the roads posing a potential risk to road safety. Vehicle insurance cannot be availed without a valid registration and in any unfortunate event involving the vehicles, no accident claims could be availed. Further, non-renewal of registration has led to a potential revenue loss due to non-collection of renewal fee of ₹ 46.54 lakh.

It is recommended that the department should devise a system to enforce regular validity check of registrations.

3.11.8.3 Non-regulation of driving schools

Rule 24 of CMV Rules, 1989, provides that no person shall establish or maintain any driving school or establishment for imparting instructions for hire or reward in driving motor vehicles without a licence granted by the Regional Transport Officer, subject to conditions prescribed. The licence is valid for five years. The fee for grant/renewal of licence was ₹ 2,500 till 28 December 2016 and increased to ₹ 10,000 thereafter. The vehicles used for imparting training are registered as private vehicles and validity of registration is 15 years from date of first registration and thereafter it shall be renewed for every five years. According to Rule 24 (3), the application shall be considered by the RTO based on the ownership of the premises, availability of parking area, maintenance of vehicles etc., of the applicants.

A scrutiny of the records of 82 driving schools, maintained in the office of the Transport Commissioner, Puducherry revealed that:

- Registrations of 23 driving schools registered under Regional Transport Officer, Puducherry and Oulgaret, were renewed without proper documents (*viz*., rental agreement, parking place agreement).
- The registration of 11 driving schools were not yet renewed. The renewal is due from 2010. The non-renewal had resulted in loss of revenue of ₹ 0.70 lakh.

The RTO had neither conducted any enquiry and renewed the driving school licences nor ordered for the closure of driving schools after the expiry of licence. Training of students by driving schools without valid licence is illegal and not permissible under the law. In the event of any untoward incidence involving the driving school vehicle, claims of insurance would be invalid and it may be termed as a criminal offence as well. During the Exit Conference, the Transport Commissioner replied (June 2020) that notices were issued to erring driving schools.

3.11.8.4 Non availability of complete permit data in VAHAN-4.0 portal

Permit data is essential for the inspecting authorities who issue various certifications for a transport vehicle. The data is also essential for enforcement wing and check posts to check and ensure that vehicles have permit to ply and corresponding taxes have been paid.

As per the statistics furnished by the department, 4,384 fresh permits and 2,602 renewal permits were issued during the period 01 April 2016 to 31 March 2019. However, scrutiny of VAHAN data furnished by the Department revealed that only 2,436 fresh permits and 575 renewal permits were issued. Upon checking the permit data available in VAHAN-4.0 portal, it was seen that the permit data for the years 2016 and 2017 was not uploaded. In the absence of legacy data, the inspectors would have to rely on the information

provided by the vehicle owners. Due to non-linkage of data, MIS reports relating to permits could not be generated and there would be a possibility of violation of the Act and consequent loss of revenue since the RTOs will not be able to identify cases of non-renewal of permits, cases of vehicles running without permits, etc.

When this system deficiency was pointed out, the department accepted the observation and replied that it had maintained the permit details in manual register, due to delay in migration of permit data in the VAHAN-1 due to technical issues and the same were being attended to. It is recommended to expedite the linkages in order to plug revenue leakages.

3.11.9 System for levy and collection of taxes and fees

3.11.9.1 Non-collection of tax on motor vehicles

Section 3 of the Pondicherry Motor Vehicles Taxation Act, 1967 (PMVT Act) stipulates that every owner of a motor vehicle is liable to pay tax at rate specified by the Government from time to time. Section 4 of the Act specifies the tax shall be paid in advance either quarterly, half yearly or annually.

On a detailed scrutiny of electronically furnished data relating to Goods Vehicles (Light Goods Vehicles, Medium Goods Vehicles and Heavy Goods Vehicles), Contract Carriages and Tourist Permit Vehicles, it was noticed that in respect of 32 vehicles, an amount of ₹ 14.30 lakh for the period from 2016-17 to 2018-19 remained uncollected. The penalty on the unpaid tax at 100 *per cent* works out to ₹ 14.30 lakh which was also to be collected (**Appendix 3.2**). It was replied (June 2020) that efforts are being taken to update the huge data available in the system and actual demand would be computed after the updation.

It was also observed that there was no validation check in the IT System in the date field and sale amount columns. Due to this, the system incorrectly accepted future dates and null values in key fields *viz.,* date of payment, sale value etc. Since for a certain class of vehicles, tax is calculated based on the invoice value, wrong / absence of the value may result in short collection of tax.

During Exit Conference (June 2020), Department agreed to take up these issues with National Informatics Centre (NIC) and to furnish detailed reply indicating the latest position. The reply is still awaited. The department needs to update data on priority as incomplete data would entail risk of short collection of taxes and penalty leading to revenue loss.

3.11.10 Effectiveness of enforcement, internal control and delivery of citizen services

3.11.10.1 Ineffective enforcement of Motor Vehicles Act and Rules through check posts

Check posts are established to exercise control over the movement of interstate vehicles. The essential function of the check post is to check the outgoing and incoming vehicles for possession of vehicle records, payment of taxes, validity of permits, etc. Besides, temporary permits for other state vehicles on entry into the State are also issued. There are eight check posts in the UT of Puducherry. A check post is normally headed by a Motor Vehicle Inspector (MVI) who administers the entire activities of the office. Check posts function throughout the day and night and staff are deployed on shift basis.

During the audit, the following deficiencies in the operation of check posts were noticed:

Absence of Motor Vehicle Inspectors in the check posts

As per Rule 104 of PMV Rules, 1989, any MVI or Assistant Motor Vehicle Inspector (AMVI) of the Motor vehicles department in uniform may alone can inspect any vehicle.

As per the norms prescribed, a Junior Engineer with three years experience in Government Automobile Workshop or AMVI with five years experience alone can be promoted as MVI. Audit noticed that none of the eight check posts have dedicated Motor Vehicle Inspectors' cadre to control and supervise the functions. These check posts are run by the staff other than Junior Engineers transferred from Government Automobile Workshop which stood merged with the Transport Department. In the absence of the MVI, vehicles move freely in and out of the UT without being checked for violations. This resulted in lapses in control of interstate movement of vehicles besides potential revenue loss due to escapement of taxes, levies and penalties envisaged in the Act and Rules**.**

An observation regarding absence of enforcement activities in the check posts was mentioned in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2014 vide Paragraph 4.10.3.4 (Report No.1 of 2015). Further, it was mentioned that the check posts were functioning only as a counter for issue of temporary / special permits and the department replied that this was due to shortage of manpower. However, it is noticed that Department had not taken any action to strengthen the check posts in the last five years.

Lack of infrastructure in check posts

Audit noticed that the check post at Thirukanoor was functioning only in a day shift due to lack of power supply. There was a possibility of revenue loss, as vehicles would prefer to cross the check post during the hours of shutdown. Further, there were no check posts at inter-State borders in Mahe and Yanam to

monitor the movement of vehicles, which also resulted in loss of revenue to Government.

Audit also observed that Weigh bridges / Card Reader / Scanner were not installed in any of the check posts due to which overloading of vehicles could not be checked. Overloading causes damage to roads and overloaded vehicles are a hazard to road safety and has to be strictly monitored. In spite of the strict view of the Hon'ble Supreme Court Committee on Road Safety, goods carriages plying overload, the check posts in Puducherry could not check the overloading in goods vehicles due to non-installation of weigh bridge by the Government at the check posts.

Absence of mechanism for reconciliation of receipts

In the check posts, revenue is being collected through three modes. a) online mode through VAHAN-1 software where the data is stored in the server of Transport Department of Puducherry; b) offline mode where the data is stored in the computer used in the check post (at times when internet connection is not established) and c) Manual Receipt where receipts are issued using receipt books (in case if power fails).

In the offline mode, all the enforcement assistants generate receipts for collection of revenue through their individual user ID, but no check post specific ID is available. Therefore, only user ID based data can be generated for revenues collected through offline mode. The Office of the Commissioner, which is responsible for remitting the collection into the Treasury, has no means to verify and reconcile the collection of amount for every check post and therefore remittance into Government account is taking place without reconciliation as to the correctness of the amount. As a result of this, the department has no mechanism to verify whether all the collection made through offline mode was credited to the Government. Since the data relating to check post- wise offline receipts was not furnished, audit could not identify discrepancies, if any, in this regard.

There are no safe vaults in the check posts to preserve the cash collected, the Assistants safeguard the cash collected at their own risk before depositing it into the Treasury the next day through the RTO or Office of the Transport Commissioner. As per Rule 6 of the Central Government Account (Receipts and Payments) Rules, 1983, all moneys received by Government officers on account of revenues or receipts or dues of the Government shall, without undue delay, be paid in full into the accredited bank/treasury for inclusion in Government Account. The Government money shall not be kept under personal custody, as there is a risk of loss or misappropriation. In view of the above, it is recommended to evolve a system to minimise cash handling or ensure that a safe vault is kept at check posts which are located at a distance from the Treasury/Bank.

Non-Monitoring of check posts

VAHAN-4.0, which is the web-based software to link the RTOs, unit offices and the check posts has not been fully operationalised and the check posts are not connected to the main database. As a result, the activities of the check posts could not be monitored by the RTOs and the Transport Commissioner, and they continue as standalone offices, using VAHAN-1.0.

During the Exit Conference, the Secretary replied (June 2020) that there was manpower shortage and, in future, the system of check posts is being abolished under One-India-One-Tax programme. The department replied (June 2020) that based on the observation made by Audit, collection of fees / entry tax at check post through off-line mode has been discontinued. The receipts are being issued through VAHAN Software. It is also replied that the department is in the process of filling up the posts of MVI/AMVI in the enforcement wing and instructions have been issued to reconcile the cash collected with the details entered in the cash book. Further, the department has initiated the process of customising the VAHAN-4.0 integrated software for issue of special / temporary permit for which the module is not available in the said software.

Audit recommends that cashless system of levy may be introduced in the check posts.

3.11.10.2 Transport vehicles without Speed Limiting Device

To check over speeding and accidents, The Ministry of Road Transport and Highways (MoRTH) issued guidelines, based on amendments made to the Motor Vehicles Act, 1988. As per the Rule 118 of CMV Rules, 1989, every transport vehicle manufactured on or after 01 October 2015 shall be equipped or fitted by the vehicle manufacturer, either at the manufacturing stage or at the dealership stage, with a Speed Governor/ Speed Limiting Devices (SLD) having maximum pre-set speed of not more than 60 Km per Hour for respective vehicles. The vehicles which are manufactured before 01 October 2015 and which are not fitted with SLD shall be fitted by the owners of transport vehicles on or before 31 August 2016. NIC developed a web-based system for Speed Governor Manufacturers to upload the inventory of the product and further integration of SLD/Speed Governor with the VAHAN of the vehicle based on instructions issued by MoRTH in 2017.

The UT Government of Puducherry ordered[8] for the installing of SLD / Speed Governors in respect of all transport vehicles listed with effect from 01 October 2015 and for vehicles registered prior to 01 October 2015, SLD was to be fixed before 01 April 2016. However, during examination of VAHAN data, audit noticed that 1,684 out of 3,883 vehicles registered from April 2016

[8] G.O Ms.20/sect/dated 7 October 2015 (published in Gazette vide number 87 dated 09 October 2015).

to March 2019 were not fitted with SLD at the time of registration and were plying on road without speed governors.

On this being pointed out, the department stated (June 2020) that fixation of SLD was ensured for all newly registered vehicles since February 2017. However, the reason for non-fitting of SLD in 1,684 newly registered vehicles was not furnished by the Department. Further report from the Department is awaited.

3.11.10.3 Non-affixing of High Security Registration Plate

To avoid theft of vehicles, ensure public safety and to identify usage of vehicles in any criminal activities, Government of India amended Rule 50 of CMV Rules in 2001 making it mandatory to fix High Security Registration Number Plates (HSRP) in the front and rear side of all motor vehicles. The scheme was to cover all types of vehicles being registered/already registered as per the guidelines from the MoRTH, New Delhi. The Hon'ble Supreme Court of India directed[9] all states to strictly implement the scheme of fixation of HSRP by 30 April 2012 for new vehicles and by 15 June 2012 for old vehicles.

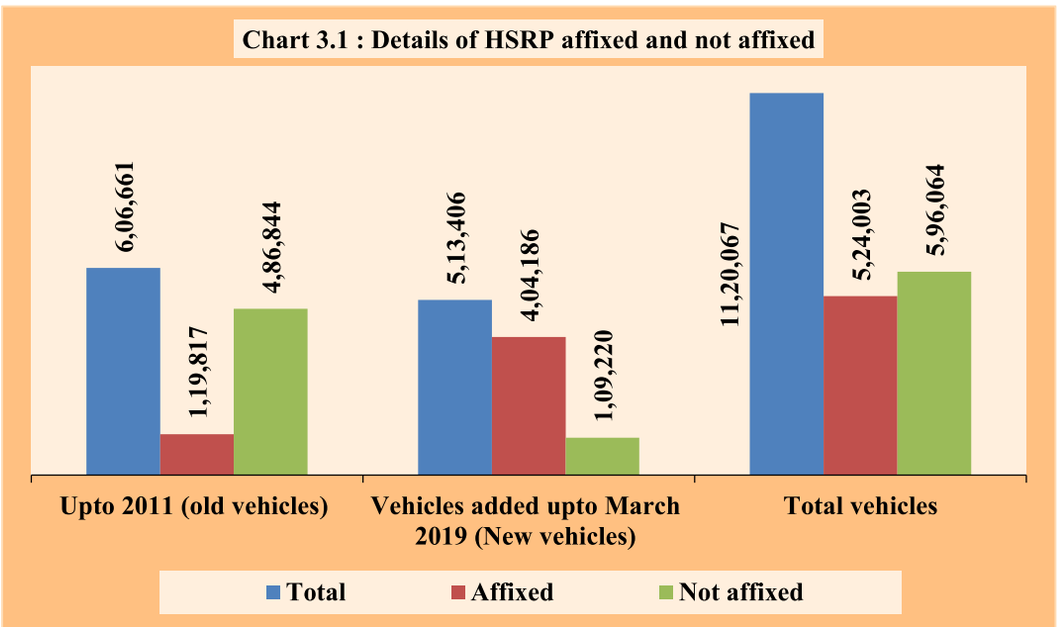
M/s. Promuk Hoffman International Pvt. Ltd., Hyderabad was awarded, the work of affixing of HSRP for all vehicles (old and new) in all the regions of UT of Puducherry on 01 March 2012. Agreement was entered on 02 April 2012 for a period of five years (up to 01 April 2017) and it was extended for further two years at the same rate.

Audit observed that though affixing of HSRP started in Puducherry on 11 April 2012, it was initiated in Mahe (11 July 2013), Karaikal (11 November 2013), and Yanam (29 October 2013) after a delay ranging from 15 to 19 months. As per the terms of contract, the contractor was liable for forfeiture of the security deposit, imposition of liquidated charges and even termination of contract for delay in schedule of performance. However, the department did not invoke the penal clause for non-compliance of the terms of bid documents /agreements and for the delay in performance of the bidder. Further, Audit also observed the following:

- The department did not appoint independent auditors as per clause 3.11.3 of the agreement to examine the books, premises and operations of the contractor.
- As per Rule 50(i) of CMV Rules as amended the registration plate shall be guaranteed for imperishable nature for minimum period of five years. However, the above provision was not included in the agreement entered with the bidder. As a result, the defective HSRPs originally provided to 35,645 vehicles (as

[9] Order dated 07 February 2012 in W.P (Civil) Nos.510 of 2005 and 162 of 2010.

on 31 March 2019) were replaced to the vehicle owner only after collection of the proportionate cost.



- As of March 2019, out of 11,20,067 vehicles, HSRP were affixed only for 5,24,003[10] vehicles (**Chart 3.1**) which constitutes only 46.78 *per cent* of the total number of vehicles registered in UT of Puducherry and in respect of remaining 5,96,064 vehicles (53.22 *per cent*), HSRP are yet to be affixed. No measures were announced to mandate affixation of HSRP for vehicles registered before 2011.

During the Exit Conference (June 2020), it is stated that presently fixing of HSRP is being done at the manufacturing stage itself for the new vehicles and the onus of the installation of HSRPs in respect of old vehicles lay with the owners of the vehicles.

The reply did not cover the status and reason for non-fixing of HSRPs in the remaining 53.22 *per cent* of vehicles registered in Union Territory of Puducherry. It was also incumbent on the department to ensure compliance from the Contractor. The Contractor may be suitably penalised for delayed action and responsibility be fixed on the Departmental officials for not ensuring timely execution of the contract and its provisions.

3.11.10.4 Non-functioning of Internal Audit Wing

A reference regarding non-constitution of Internal Audit Wing (IAW) was made in the Audit Report of the Comptroller and Auditor General of India for the year ended 31 March 2014 vide Paragraph 4.10.3.6 (Report No. 1 of 2015). It was

[10] 19.75 *per cent* of old vehicles (1,19,817 out of 6,06,661) and 78.73 *per cent* of new vehicles (4,04,186 out of 5,13,406).

replied that an internal audit wing was constituted in September 2013 and one audit was conducted in March 2014.

However, it was noticed that the IAW was not functioning and no internal audit was conducted from 2016-17 to 2018-19.

On this being pointed out, Department replied (June 2020) that though there was an internal audit wing it was not functioning properly due to inadequate manpower. The internal audit wing was reconstituted with the available manpower in September 2019.

The Government may consider making the IAW functional so as to safeguard the interest of the revenue and strengthen internal controls.

3.11.11 Delivery of Citizen Services

Citizen charter of the UT of Puducherry aims to formulate and implement policies for integrated road transport so as to make Puducherry a well-managed, clean and dynamic city serving its citizens as a model Union Territory and to provide safe, eco-friendly, cost effective and efficient mode of transportation through well integrated, multi-modal transport system reducing road fatalities and dependence of private transport. Audit has already discussed issues such as risk of poor road-worthiness of vehicles plying with expired registrations, functioning of driving schools without valid registration, non-fixation of speed limiting devices and non-installation of HSRP that have a bearing on the citizens traveling on the roads. Projects relating to educating and training of drivers and fitness of vehicles and pollution control are being discussed below:

3.11.11.1 Delay in setting up of the Institute of Driver Training and Research and Regional Driver Training Centre

In order to set standards and monitor driver training and for issue of driving license based on an objective scientific process of testing skills, the Government of India, MoRTH intended to set up model Institutes of Driver Training and Research. The Government had announced during 2017 that an Institute of Driving Training and Research (IDTR) at Puducherry and a Regional Driver Training Centre (RDTC) at Karaikal would be established in the UT.

The IDTR and RDTC were to impart driving training, both theoretical and practical to the existing and aspiring drivers. Government identified land measuring 10 acres for setting up of IDTR in Puducherry and three acres for setting up of RDTC in Karaikal. The Detailed Project Report was prepared by the Central Institute of Road Transport, Pune (CIRT). The Transport Department paid 50 *per cent* of the consultancy fee of ₹ 5.32 lakh (including service tax) to CIRT in May 2017.

As the land identified for the purpose of setting up of IDTR in Puducherry was low lying, it was proposed to fill up the low lying area through PWD by utilising the sand obtained after dredging by the Port department. The Chief Engineer, PWD was addressed to speed up the work of filling with disposable earth

dredged by the Port Department on 13 December 2017 and 30 May 2018. The Director of Ports was also addressed to grant permission to PWD for removing the dredged sand from the new port area.

The CIRT did not commence the preliminary activities relating to the setting up of IDTR in Puducherry and RDTC in Karaikal even after preparation of Detailed Project Report. As a result, the work relating to "setting up of one IDTR in Puducherry and one RDTC in Karaikal" was delayed for more than three years and the objective of the Government with regard to "setting standards and monitoring driver training and issue of Driving licence based on an objective scientific process of testing skills" could not be achieved.

During Exit Conference, the Secretary stated (June 2020) that the filling up of earth work in Puducherry is under progress. Further report is awaited.

3.11.11.2 Delay in setting up of Inspection and Certification Centre

As per Rule 62 of CMV Rules, all transport vehicles are required to undergo fitness test every year after two years of initial registration and as per Rule 115(7) of the CMV Rules, all vehicles are required to undergo mandatory idle emission test or free acceleration smoke test, as applicable every six months or after one year of initial registration.

To meet the safety and emission requirements for safe and environmental friendly situation, the MoRTH encouraged setting up of Inspection and Certification Centres (I & C Centre). The proposal to set up I & C Centre was mooted by the UT Government of Puducherry in November 2016. MoRTH, Government of India gave approval in May 2017, for ₹ 15.75 crore with ₹ 14.40 crore as Central share and ₹ 1.35 crore as UT's share. The UT Government identified 3.58 acres of land and handed over the same to Automotive Research Association of India (ARAI) for execution as per scheme guidelines.

However, as the identified land was found low-lying, the construction could not be commenced. The UT Government decided to fill up the low-lying area by utilising the sand obtained after dredging by the Port department and entrusted the work to PWD at an additional estimated cost of ₹ 42 lakh. Though the Directorate of Ports was addressed in February 2018 to grant permission to PWD for removing the dredged sand from the new port area, the process of land filling has not commenced till date due to administrative delays. The inordinate delay, defeated the objective of setting up of I & C Centre, thereby depriving the public from utilisation of such facility.

The Department replied (June 2020) that the work for construction of I & C Centre has been accorded to a contractor finalised by the Automotive Research Association of India and that the work had been commenced. Further report is awaited.

3.11.11.3 Non-implementation of Nirbhaya Fund Scheme

Ministry of Women and Child Development, GoI communicated the frame work/guidelines for Nirbhaya Fund Scheme during February 2018 and has set up a dedicated corpus fund of ₹ 1,000 crore meant for all States/UTs. The Nirbhaya Fund has to be utilised for projects specifically designed to improve the safety and security of women.

Audit scrutiny of Nirbhaya fund activities revealed that no scheme proposals were submitted till date by the Transport Department under Nirbhaya Scheme.

On this being pointed out, Department replied (June 2020) that a detailed scheme titled as "Vehicle Tracking System, passenger information system and introduction of PINK buses" has been prepared on an estimate of ₹ 29.87 crore and sent to the Union Ministry. Report on further progress is awaited.

3.11.12 Best practices of other States - Augmentation of revenue by imposition of Green tax

Government of Tamil Nadu introduced Section 3A under the Tamil Nadu Motor Vehicle Taxation Act, 1974 for the levy of green tax. The tax is levied on vehicles plying for more than 15 years after the date of registration. The levy is meant to discourage old vehicles, which generate more pollution, from plying on the road. Similar tax has also been imposed in Andhra Pradesh, Maharashtra and Gujarat.

Scrutiny of VAHAN data revealed that there are 58,577 non-transport vehicles plying in Puducherry which were registered 15 or more years ago. These vehicles create more pollution and levy of green tax would discourage plying of these vehicles. During the Exit Conference (June 2020), the Secretary agreed to consider proposal suggested by audit for levy of green tax.

3.11.13 Conclusion

Audit noticed a number of system and compliance deficiencies in enforcement of the provisions of the MV Act and Rules which affected the collection of revenue adversely. The department could have utilised the VAHAN-4.0 data effectively for the collection of taxes and implementation of Act and Rules. The department did not develop a robust system to identify and penalise vehicles plying without certificate of renewal of registration. Absence of post of MVI and lack of adequate infrastructure at the check posts had resulted in not only loss of revenue to the UT Government but also ineffective enforcement of Motor Vehicles Act and Rules.

The internal control mechanism of the department was abysmally weak as is evidenced by the non-functioning of an Internal Audit Wing, which is an important management tool for plugging leakages of revenue. Delay in implementation of citizen-oriented projects were noticed.

3.11.14 Recommendations

The Government may:

- Utilise VAHAN-4.0 data for retrieval of information on issue of non-compliance of provisions of Act and Rules, to collect taxes and fees and scale up enforcement.
- Strengthen enforcement activities at check posts and appoint MVI/AVMI at all check posts to ensure effective checking of inter-State movement of vehicles to detect violation of Act and Rules and prevent leakage of revenue due to such violations.
- Implement road safety projects such as fitting of SLD and fixing of HSRP to achieve the intended road safety goals.
- Expedite projects such as I & C Centre, RDTC etc., so that there is timely benefit to the drivers and the travelling public.

REGISTRATION AND REVENUE AND DISASTER MANAGEMENT DEPARTMENTS

3.12 Non-withdrawal of remission of stamp duty and transfer duty surcharge

Failure of Registering Officers of the Registration Department of Puducherry in implementing the orders of UT Government of Puducherry has resulted in non-withdrawal of concession of stamp duty and transfer duty surcharge amounting to ₹ 1.52 crore granted to women property purchasers.

As per the provisions of Article 23 of the Schedule-I to the Indian Stamp Act, 1899, applicable to Puducherry, in the case of conveyance of immovable property, stamp duty including surcharge is leviable at the rate of 10 *per cent* on the market value of the property. Government of Puducherry granted[11] remission of 50 *per cent* of stamp duty and transfer duty surcharge to the women member(s) acquiring property through conveyance, exchange or gift. The remission was subject to the condition[12] that the beneficiary shall not, within five years of registration of the instrument through which the concession was obtained, create / execute any instrument, including power of attorney, in favour of any male member except mortgage to Government / Nationalised

[11] Notification No.8834/Rev-C3/2004 dated 17.12.2004 of the Revenue Department, Puducherry and G.O. Ms. No. 59/LAS/2004 dated 28.12.2004 of Local Administration Secretariat, Puducherry.

[12] Order No.8834/Rev-C3/2004 dated 17.12.2004 of the Chief Controlling Revenue Authority-cum-Inspector General of Registration, Puducherry.

banks / Registered Co-operative Societies. However, the women beneficiaries would be permitted to alienate such property only after remitting back the amount of concession availed by them.

Scrutiny of 925 instruments registered in the District Registry, Puducherry and Sub Registry, Oulgaret[13] during the period 2013-14 to 2017-18 revealed that, in 71 cases, the women purchasers who availed the concession of 50 *per cent* of stamp duty and transfer duty surcharge on purchase of properties had subsequently executed deeds of alienation within five years of such purchase, as detailed below:

- In 65 cases, instruments of simple / equitable mortgage were executed in favour of banks / entities other than Nationalised Banks and Registered Co-operative Societies (**Appendix 3.3**).
- In six cases, instruments of power of attorney / conveyance were executed in favour of male members (**Appendix 3.4**).

Since the conditions subject to which the concession of stamp duty and transfer duty surcharge granted were not adhered, the women beneficiaries were required to remit the amount of concession availed by them. The registering officers, while registering the subsequent instruments, however, failed to ensure the same. This resulted in non-withdrawal of remission of stamp duty and transfer duty surcharge amounting to ₹ 1.52 crore.

The District Registrar, Puducherry, replied (October and November 2019) that notices were issued in 36 cases and a sum of ₹ 2.89 lakh was collected in two cases. It was also replied that a legal opinion of the Puducherry Law Department was obtained wherein it was opined that memorandum of deposit of title deeds pointed out in 65 cases cannot be construed as an 'alienation' of property; however, the Power of Attorney / Conveyance which were executed in favour of male members within a period of five years in respect of six cases are clear cases of violation.

The reply of the Department in respect of 65 cases is not convincing since the Order dated 17 December 2004 bars not only an instrument of alienation but also the mortgages created / executed other than those to Government / Nationalised Banks / Registered Co-operative Societies.

The matter was referred to the Government in August 2019 and reminded in November 2019 and their reply is awaited (October 2020).

Recommendation: Government may instruct the Department to adhere the instructions issued by the competent authority and collect the duty and fees accordingly without any omission.

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[13] There is one District Registry and nine Sub Registries in Puducherry, but one District Registry and one Sub Registry was selected for audit in 2018-19.

CHAPTER IV

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

CHAPTER IV

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

4.1 Public Sector Undertakings of Government of Union Territory of Puducherry

4.1.1 Introduction

Union Territory (UT) of Puducherry established Public Sector Undertakings (PSUs) to carry out activities of commercial nature keeping in view the welfare of people and to occupy an important place in the UT economy. As on 31 March 2019, there were 13 PSUs in UT of Puducherry (including one non-functional[1] Government Company) (Previous year: 13 PSUs) under the audit jurisdiction of the Comptroller and Auditor General of India.

The financial performance of the PSUs on the basis of latest finalised accounts received up to 31st March 2020 is covered in this Chapter. The nature of PSUs and the position of accounts are indicated in **Table 4.1**.

Table 4.1: Nature of PSUs covered in the Chapter

Nature of PSUs	Total Number	Number of PSUs of which accounts received during the reporting period[2]				Number of PSUs of which accounts are in arrear (total accounts in arrear) as on 31 March 2020
		Accounts during 2018-19	Accounts during 2017-18	Accounts during 2016-17	Total	
Working Government Companies[3]	12	7	9	11	27	12 (44)
Total working PSUs	12	7	9	11	27	12 (44)
Non-Functional Government Companies	1[4]	--	--	--	--	--
Total	**13**	**7**	**9**	**11**	**27**	**12 (44)**

The working PSUs registered a turnover of ₹ 376.43 crore as per their latest finalised accounts received up to 31st March 2020. This turnover was equal to 1.03 *per cent* of Gross State Domestic Product (GSDP) for the year 2018-19 (₹ 36,656 crore). The working PSUs incurred an aggregate loss of

1 Those PSUs which have not been carrying on any business or operation and defined as 'inactive company' under Section 455 of the Companies Act, 2013, are termed as "non-functional Government company" in this Chapter.

2 From October 2018 to March 2020.

3 Government PSUs include other Companies referred to in Section 139(5) and 139(7) of the Companies Act, 2013.

4 Pondicherry Electronics Limited is in the process of winding up since 2013-14 and its accounts are not anticipated.

₹ 57.76 crore as per their latest finalised accounts. As on March 2019, the State PSUs had employed 4,169 employees.

There is one non-functional PSU as on 31 March 2019, *viz.,* Pondicherry Electronics Limited (PELECON), which is a subsidiary of Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC). PELECON is in the process of winding up and consequently PIPDIC, the Holding Company, has assumed the assets and liabilities of PELECON during 2012-13. The proceedings for getting the name of PELECON struck off from the Register of Companies under Fast Track Exit Scheme is under process.

4.1.2 Accountability framework

The procedure for audit of Government companies is laid down in Sections 139 and 143 of the Companies Act, 2013 (Act 2013). According to Section 2 (45) of the Act 2013, a Government Company means, any company in which, not less than fifty one *per cent* of the paid-up share capital is held by the Central Government or by any State Government or Governments or partly by the Central Government and partly by one or more State Governments and includes a Company which is a subsidiary company of such a Government Company. Besides, any other Company[5] owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments are referred as Government Controlled other Companies.

Further, as per sub-Section 7 of Section 143 of the Act, 2013, the Comptroller and Auditor General of India (CAG) may, in case of any company covered under sub-Section (5) or sub-Section (7) of Section 139, if considered necessary, by an order, cause test audit to be conducted on the accounts of such Company and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test audit.

Thus, a Government Company or any other Company owned or controlled, directly or indirectly, by the Central Government, or by any State Government or Governments or partly by Central Government and partly by one or more State Governments is subject to audit by the CAG. An audit of the financial statements of a Company in respect of the financial years that commenced on or before 31 March 2014 shall continue to be governed by the provisions of the Companies Act, 1956.

[5] Ministry of Corporate Affairs (Removal of Difficulties) Seventh Order 2014 dated 4 September 2014.

4.1.3 Statutory audit

The financial statements of the Government Companies (as defined in Section 2 (45) of the Act, 2013) are audited by Statutory Auditors, who are appointed by the CAG as per the provisions of Section 139(5) or (7) of the Act, 2013. The Statutory Auditors submit a copy of the Audit Report to the CAG including, among other things, financial statements of the Company under Section 143(5) of the Act, 2013. These financial statements are also subject to supplementary audit by the CAG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act, 2013.

4.1.4 Submission of accounts by PSUs

4.1.4.1 Need for timely finalisation and submission

According to Section 394 and 395 of the Companies Act, 2013, Annual Report on the working and affairs of a Government Company, is to be prepared within three months of its Annual General Meeting (AGM) and as soon as may be after such preparation laid before the State Legislature together with a copy of the Audit Report and any comments upon or supplement to the Audit Report, made by the CAG. This mechanism provides the necessary legislative control over the utilisation of public funds invested in the companies from the Consolidated Fund of the UT.

Section 96 of the Companies Act, 2013 requires every company to hold AGM of the shareholders once in every calendar year. It is also stated that not more than 15 months shall elapse between the date of one AGM and that of the next. Further, Section 129 of the Companies Act, 2013 stipulates that the audited Financial Statement for the financial year has to be placed in the said AGM for their consideration. Section 129 (7) of the Companies Act, 2013 provides for levy of penalty like fine and imprisonment on the persons including Directors of the company responsible for non-compliance with the provisions of Section 129 of the Companies Act, 2013.

4.1.4.2 Role of Government and Legislature

The UT Government exercises control over the affairs of these PSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the UT Government.

The UT Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the CAG, in respect of UT Government Companies are to be placed before the UT Legislature under Section 394 of the Act, 2013 or as stipulated in the respective Acts. The Audit Reports of the CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

4.1.5 Investment by the Government of Union Territory of Puducherry in Public Sector Undertakings (PSUs)

The Government of Union Territory of Puducherry (UT Government) has high financial stakes in the PSUs. This is of mainly three types:

- Share capital and loans - In addition to the share capital contribution, UT Government also provides financial assistance by way of loans to the PSUs from time to time.
- Special financial support - UT Government provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees - UT Government also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

The sector-wise summary of investments in the PSUs as on 31 March 2019 is given in **Table 4.2**.

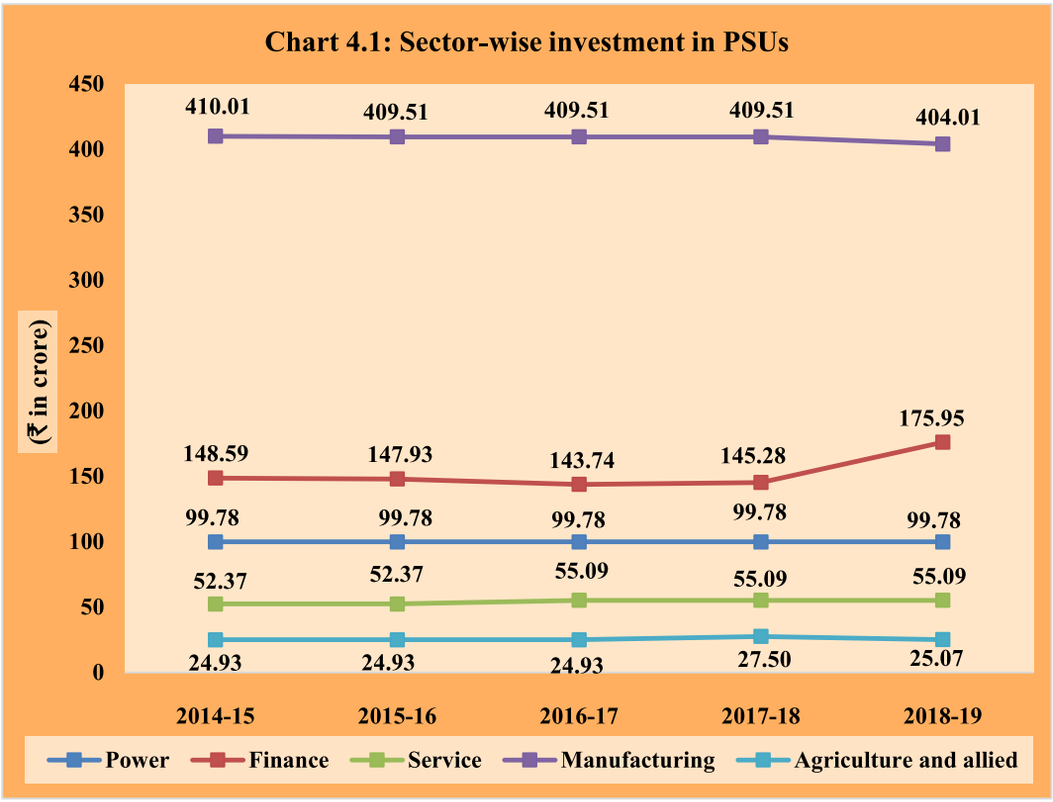
Table 4.2: Sector-wise investment in PSUs

Name of sector	Government Companies		Total	Investment (₹ in crore)		
	Working	Non-functioning		Equity	Long term loans	Total
Power	1	--	1	99.78	--	99.78
Finance	4	--	4	135.75	40.20	175.95
Service	2	--	2	52.37	2.72	55.09
Manufacturing	3	1	4	404.01	--	404.01
Agriculture and allied	2	--	2	24.93	0.14	25.07
Total	**12**	**1**	**13**	**716.84**	**43.06**	**759.90**

(Source: Compiled from the information received from PSUs/latest finalised Annual Accounts)

The thrust of UT Government investment in PSUs was mainly in manufacturing sector which stood at ₹ 404.01 crore (53.17 *per cent*) at the end of March 2019. The investment in Power Sector was ₹ 99.78 crore which constituted 13.13 *per cent* of the total investment.

The investment in various important sectors at the end of 31 March 2014 to 31 March 2019 is indicated in the **Chart 4.1**.



(Source: Data obtained from PSUs).

During the year, the investment in finance sector PSUs increased mainly on account of increase in the long term loans in two PSUs, *viz.*, Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP) and Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL).

4.2 Functioning of Power Sector Undertaking

4.2.1 Introduction

There is only one Power Sector company in the Union Territory of Puducherry *viz.,* Puducherry Power Corporation Limited (PPCL). The sector, apart from providing critical infrastructure required for development of the Union Territory's economy, also adds to the Gross State Domestic Product (GSDP). A ratio of Power Sector PSU's turnover to GSDP shows the extent of activities of the PSU in the Union Territory economy. The Compounded Annual Growth Rate (CAGR)[6] is a useful method to measure growth rate over multiple time periods. **Table 4.3** provides the details of turnover of Power Sector PSU and GSDP of UT Government for a period of five years ended March 2019.

[6] The Compounded Annual Growth Rate calculated as per the formula: ((Final Value/Beginning Value)^1/number of years)-1.

Table 4.3: Details of turnover of Power Sector PSU *vis-à-vis* GSDP of UT Government

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	96.42	43.72	96.09	79.19	75.66
GSDP of UT Government	22,574	26,617	29,573	32,962	36,656
Percentage of Turnover to GSDP of UT Government	0.43	0.16	0.32	0.24	0.21
Percentage of growth of turnover	20.24	(-) 54.66	119.78	(-) 17.59	(-) 4.46
Percentage of growth of GSDP	3.22	17.91	11.11	11.46	11.21
CAGR of Turnover					(-) 4.73 *per cent*
CAGR of GSDP					10.18 *per cent*

(Source: Turnover reported in the latest finalised accounts of working PSU and GSDP figures as per the Report of the CAG on Union Territory Finances for the respective years).

The turnover of Power Sector Undertaking was fluctuating over the five year period. The turnover drastically reduced from ₹ 96.42 crore in 2014-15 to ₹ 43.72 crore in 2015-16 due to major repair works of Rotor, Stator, De-aerator structure *etc.,* at its power plant and increased to ₹ 96.09 crore in 2016-17 and thereafter started declining to ₹ 79.19 crore in 2017-18 and ₹ 75.66 crore in 2018-19. The annual growth rate during the above period showed a fluctuating trend *i.e.*, from 20.24 to 119.78 *per cent* with negative growth rate of 54.66, 17.59 and 4.46 *per cent* during 2015-16, 2017-18 and 2018-19 respectively, whereas, the growth rate of GSDP was fluctuating between 3.22 and 17.91 *per cent*. The CAGR of GSDP during five years ended 2018-19 was 10.18 *per cent,* against which, the CAGR of the turnover of Power Sector Undertaking was negative at 4.73 *per cent* indicating the decrease in share of turnover of Power Sector PSU to GSDP over these five years.

The share of turnover of the Power Sector Undertaking to the GSDP declined from 0.43 *per cent* in 2014-15 to 0.21 in 2018-19. Against the peak demand of 465 MW of the UT of Puducherry, the lone power sector PSU *viz.,* PPCL had only one gas based power plant with 32.5 MW and the balance requirement of power of UT was met from the power allocation from Central Generating Stations and power purchased from Tamil Nadu and hence the share of power sector PSU in GSDP of UT was very low.

4.2.2 Formation of Power Sector Undertaking

Puducherry Power Corporation Limited (PPCL) was formed in March 1993 and is functioning under the Electricity Department of UT Government. The Company's plant at Karaikal was put into operation in January 2000 and is engaged in the generation of power from the plant having a capacity of 32.5 MW (22.9 MW from Gas Turbine and 9.6 MW from Steam Turbine). The entire power generated by the Company is supplied to the Electricity Department of UT Government based on the tariff rates fixed by Joint

Electricity Regulatory Commission. The transmission and distribution activities are carried on by the Electricity Department, UT Government.

Audit of this Power Sector Undertaking is governed by Sections 139 and 143 of the Companies Act, 2013. The financial statements of this Company are audited by the Statutory Auditors appointed by the CAG subject to supplementary audit by the CAG.

4.2.3 Investment in Power Sector Undertaking

The investment made in Power Sector as on 31 March 2019 is given in **Table 4.4**.

Table 4.4: Investment in Power Sector PSU

Activity	Number of PSU	Investment (₹ in crore)		
		Equity	Long term loans	Total
Generation of Power	1	99.78	Nil	99.78
Total	**1**	**99.78**	**Nil**	**99.78**

(Source: Details furnished by PSU)

During the year 2018-19, UT Government did not invest any funds in PPCL and as on 31 March 2019, the total investment in Power Sector PSU stood at ₹ 99.78 crore which represents equity only.

4.2.4 Budgetary Support to Power Sector Undertaking

During the last three years ended March 2019, UT Government has not provided any financial support to Power Sector PSU in the form of equity, loans and grants/subsidies through annual budget.

4.2.5 Reconciliation with Finance Accounts of UT Government

UT Government has invested in the Power Sector PSU only in the form of equity and has not advanced any loan or stood guarantee as at the end of March 2019.

4.2.6 Submission of accounts by Power Sector Undertaking

Timeliness in preparation of accounts by Power Sector Undertaking

Details of arrears in submission of accounts by the Power Sector Undertaking as on 30th September of each financial year for the last five years ended 31 March 2019 are given in **Table 4.5**.

Table 4.5: Position relating to submission of accounts by Power Sector Undertaking

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of PSU	1	1	1	1	1
2	Number of accounts submitted during current year	1	1	1	1	1
3	Accounts finalised for the current year	Nil	Nil	Nil	Nil	Nil
4	Number of previous year accounts finalised during current year	1	1	1	1	1
5	Number of accounts in arrears	1	1	1	1	1
6	Extent of arrears	One year	One year	One year	One year	One year

(Source: Compiled from the accounts of Power Sector PSU received during October to September of respective financial years).

The administrative departments need to instruct the PSU for timely finalisation of accounts.

4.2.7 Comments on Accounts of Power Sector Undertaking

The Power Sector Company forwarded its audited accounts for the year 2017-18 to the Accountant General during August 2019. On completion of supplementary audit, NIL Comment was issued. The details of aggregate money value of the comments of the CAG on the accounts for the years 2016-19 are as given in **Table 4.6**.

Table 4.6: Impact of audit comments on Power Sector Undertaking

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	--	--	1	5.24	-	-
2	Increase in profit	--	--	--	--	--	--
3	Increase in loss	--	--	--	--	--	--
4	Decrease in loss	--	--	--	--	--	--
5	Non-disclosure of material facts	--	--	--	--	--	--
6	Errors of classification	--	--	--	--	--	--

(Source: Compiled from comments of CAG)

4.2.8 Performance of Power Sector Undertaking

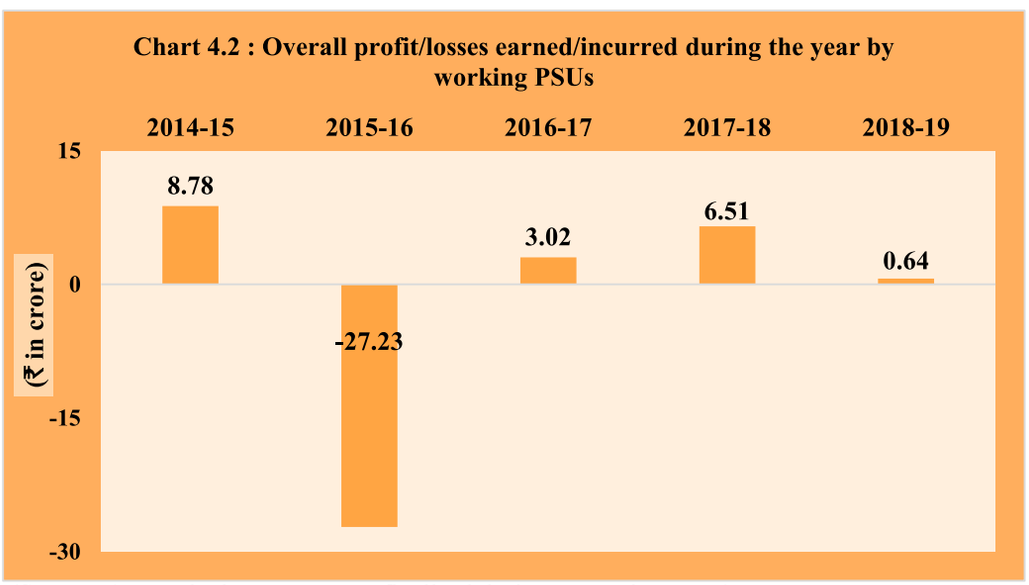
The financial position and working results of the Power Sector Undertaking as per its latest finalised accounts as of September 2019 is detailed in **Appendix 4.1**.The Public Sector Undertaking is functioning on commercial principles and hence it is expected to yield reasonable return on investment

made by Government in the PSU. The total investment made by UT Government in the Power Sector PSU as on 31 March 2019 was only in the form of equity which amounted to ₹ 99.78 crore. The investment has remained constant during 2014-19. The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to the total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' funds.

4.2.9 Return on Investment (RoI)

Return on investment is the percentage of profit or loss to the total investment. The overall position of profit/loss[7] earned/incurred by the Power Sector Undertaking during 2014-19 is depicted in **Chart 4.2**.

Chart 4.2 : Overall profit/losses earned/incurred during the year by working PSUs



(Source: As per the latest accounts finalised during respective years)

The Power Sector PSU earned profit in four years amounting to ₹ 18.95 crore and incurred loss of ₹ 27.23 crore during 2015-16 due to major shut down of its power plant. Further the decrease in the profit reported for the year 2018-19 was mainly on account of provision for doubtful advances and interest thereon for ₹ 5.24 crore in its annual accounts for the year 2017-18.

4.2.9.1 Return on the basis of historical cost of investment

The UT Government infused funds only in the form of equity and has not advanced loans/released grants/subsidies to the Power Sector PSU. The RoI

[7] Figures are as per the latest finalised accounts during the respective years.

from Power Sector PSU has been computed on the investment made by the Government in the form of equity. The investment of the UT Government in the PSU has been arrived at by considering the equity (initial equity net of accumulated losses up to 2009-10). The dividend paid by the PSU has been deducted from the total investment in the respective years. The total equity funds infused by the UT Government in the PSU up to March 2010 stood at ₹ 99.78 crore. During 2010-19, UT Government has not infused any fresh funds into the PSU. During 2010-19, UT Government had received a total dividend of ₹ 23.94 crore and after deducting the same, the net investment at the end of March 2019 stood at ₹ 75.84 crore.

The RoI worked out on investment on historical cost basis on the net earnings for the years 2014-19 are given in **Table 4.7**.

Table 4.7: Return on UT Government investment on historical cost basis

(₹ in crore)

Year	Funds infused by UT Government in the form of equity	Total Earnings profit/loss	Return on Investment (in *per cent*)
(1)	**(2)**	**(3)**	**(4)=(3/2x100)**
2014-15	80.86	8.78	10.86
2015-16	80.86	(-) 27.23	(-) 33.68
2016-17	80.86	3.02	3.73
2017-18	77.05	6.51	8.45
2018-19	75.84	0.64	0.84

(Source: Latest finalised accounts of the respective years)

The return on investment of the PSU was positive in all the years during 2014-19 except during 2015-16 in which the PSU reported loss. The RoI ranged between 0.84 (2018-19) and 10.86 *per cent* (2014-15) of the investment and RoI was negative during 2015-16 at 33.68 *per cent*. During 2015-16, the Power Sector PSU finalised its accounts for 2014-15 and reported a loss of ₹ 27.23 crore due to major repair expenditure incurred on the plant (₹ 15.47 crore) and payment of penalty (₹ 22.11 crore) to the Gas Authority of India Limited for non-lifting of minimum guaranteed quantity of gas. Further, PPCL witnessed gradual decline in the RoI, mainly on account of shut down of the plant for part of the financial year 2016-17 as well as the provision for doubtful advance and non-recognition of interest on such advance during 2017-18.

4.2.9.2 Return on the basis of present value of the investment

Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. The present value of the Government investments has been computed to assess the rate of return on the present value of investments of UT Government in the PSU as compared to historical value of investments. In order to bring the historical

cost of investments to its present value at the end of each year up to 31 March 2019, the past investments/year-wise funds infused by the UT Government in the UT PSU has been compounded at the year-wise average rate of interest on Government borrowings which is considered as the minimum cost of funds to the Government for the concerned year. Audit noticed that the PSU generated positive return on investments in all the years from 2010-11 except in 2015-16. The details are furnished in **Table 4.8**.

The Present Value (PV) of the UT Government investment in Power Sector Undertaking was computed on the basis of following assumptions:

- The dividend paid by the PSU has been deducted from the total investment in the respective years.
- The average rate of interest on Government borrowings for the concerned financial year[8] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore as the minimum expected rate of return on investments made by the Government.

The consolidated position of the PV of the UT Government investment and the total earnings relating to the Power Sector Undertaking from 2010-11 to 31 March 2019 is indicated in **Table 4.8**.

Table 4.8: Year wise details of investment by the UT Government and PV of Government Funds since inception to 2018-19

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the UT Govern-ment during the year	Interest free loan given by the UT Govern-ment during the year	Interest free loan converted as grant during the year	Dividend paid by the PSU	Total investment at the end of the year after adjusting dividend	Average rate of interest on Govern-ment borrowings (in *per cent*)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)= (2+3+ 4-5-6)**	**(8)**	**(9)= (7+(7x8) /100))**	**(10)=(9x 8/100)**	**(11)**
Upto 2009-10	--	99.78	--	--	5.02	94.76	8.00	102.34	8.19	--
2010-11	102.34	--	--	--	4.44	97.90	7.81	105.55	8.24	11.09
2011-12	105.55	--	--	--	--	105.55	7.80	113.78	8.87	0.68
2012-13	113.78	--	--	--	3.18	110.60	8.00	119.45	9.56	7.95
2013-14	119.45	--	--	--	2.77	116.68	7.70	125.66	9.68	6.93
2014-15	125.66	--	--	--	3.51	122.15	7.90	131.80	10.41	8.78
2015-16	131.80	--	--	--	--	131.80	7.50	141.69	10.63	(-) 27.23
2016-17	141.69	--	--	--	--	141.69	7.20	151.89	10.94	3.02

[8] The average rate of interest on Government borrowings was adopted from the Reports of the CAG of India on Union Territory Finances for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

Financial year	Present value of total investment at the beginning of the year	Equity infused by the UT Govern-ment during the year	Interest free loan given by the UT Govern-ment during the year	Interest free loan converted as grant during the year	Dividend paid by the PSU	Total investment at the end of the year after adjusting dividend	Average rate of interest on Govern-ment borrowings (in *per cent*)	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)= (2+3+ 4-5-6)**	**(8)**	**(9)= (7+(7x8) /100))**	**(10)=(9x 8/100)**	**(11)**
2017-18	151.89	--	--	--	3.81	148.08	8.02	159.95	12.83	6.51
2018-19	159.95	--	--	--	1.21	158.74	7.88	171.25	13.49	0.64
Total		**99.78**	**--**	**--**	**23.94**					

(Source: Details furnished by PSU)

As discussed in Paragraph 4.2.9.1, the total historical cost of funds infused by the UT Government in the Power Sector Undertaking stood at ₹ 75.84 crore. The PV of funds infused by the UT Government up to 31 March 2019, computed as per the assumptions stated above worked out to ₹ 171.25 crore. The comparative position of RoI worked out on historical cost *vis-à-vis* PV during 2014-19 is given in **Table 4.9**.

Table: 4.9: Return on UT Government Funds

(₹ in crore)

Year	Total earning	Historical cost of funds invested in the form of equity	RoI on historical cost (in *per cent*)	PV of the funds invested in the form of equity	RoI on the present value (*per cent*)
(1)	**(2)**	**(3)**	**(4)= (2)/(3) x 100**	**(5)**	**(6)= (2)/(5) x 100**
2014-15	8.78	80.86	10.86	131.80	6.66
2015-16	(-) 27.23	80.86	(-) 33.68	141.69	*
2016-17	3.02	80.86	3.73	151.89	1.99
2017-18	6.51	77.05	8.45	159.95	4.07
2018-19	0.64	75.84	0.84	171.25	0.37

*In view of the loss, rate of return was not calculated on PV of the investment.

(Source: As per the latest accounts finalised during respective years)

From the table above, it is evident that the percentage of return on investment under PV method was lesser than the RoI calculated under historical cost method. The rate of return was positive during all the years excepting 2015-16 and ranged between 0.84 and 10.86 *per cent* on the historical cost of funds infused, whereas the rate of return on the PV of investment was lesser between 0.37 and 6.66 *per cent*. As the RoI was negative during 2015-16, the comparison was not made.

4.2.9.3 Net worth

Net worth means the sum total of paid capital plus free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners. As per the latest finalised

accounts as on 31 March 2019, the PSU had a net worth of ₹ 134.08 crore **(Appendix 4.1)**.

4.2.9.4 Dividend payout

The UT Government had not formulated any policy for payment of minimum dividend on the share capital contributed by it. The UT Government had invested ₹ 99.78 crore towards equity of the Power Sector PSU. Against this equity, the dividend paid by the PSU to the Government was ₹ 8.53 crore during 2014-19. Details of total equity infused, profit earned by Power Sector PSU and the dividend paid to the UT Government during 2014-19 are given in **Table 4.10**.

Table 4.10: Declaration of dividend by Power Sector PSU during 2014-19

(₹ in crore)

Year	Total number of PSU		Profit earned	Dividend paid	Dividend pay-out ratio (in *per cent*)
	Number of PSU	Equity amount			
(1)	(2)	(3)	(4)	(5)	(6)=(5)/(3)x100
2014-15	1	99.78	8.78	3.51	3.52
2015-16	1	99.78	(-) 27.23	--	--
2016-17	1	99.78	3.02	--	--
2017-18	1	99.78	6.51	3.81	3.82
2018-19	1	99.78	0.64	1.21	1.21

(Source: Latest finalised accounts of PSU)

During 2014-19, the dividend pay-out ratio on the total equity investments ranged from 1.21 to 3.82 *per cent*.

4.2.9.5 Return on Equity

Return on Equity (RoE) is a measure of financial performance to assess as to how effectively management is using company's assets to create profits and is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders' funds. It is expressed as a percentage and can be calculated for any company if both the net income and shareholders' funds are positive.

Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure. It reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative figures means that liabilities exceed the assets. RoE has been computed in respect of the Power Sector Undertaking where funds have been infused by the UT Government. The details of shareholders' funds and RoE relating to the PSU during 2014-19 are given in **Table 4.11**.

Table 4.11: RoE of the Power Sector Undertaking where funds infused by UT Government

(₹ in crore)

Year	Net income/Total earnings for the year	Shareholders' funds	RoE (in percentage)
2014-15	8.78	145.53	6.03
2015-16	(-) 27.23	130.84	--
2016-17	3.02	131.80	2.29
2017-18	6.51	133.87	4.86
2018-19	0.64	134.08	0.48

(Source: Latest finalised accounts of the respective years)

As can be seen from the above table, during the last five years ending 2018-19, the net income was positive excepting 2015-16 and the RoE was in the range of 0.48 to 6.03 *per cent* which indicated that the Company has managed its assets to create profit during the above period. During 2015-16, though the shareholders fund was positive, the net income was negative and hence, the RoE was not worked out.

4.2.9.6 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures the Company's profitability and efficiency with which its capital is employed. RoCE is calculated by dividing a Company's earnings before interest and taxes (EBIT) by the capital employed[9]. The details of RoCE of the Power Sector Undertaking during the years from 2014-15 to 2018-19 are given in **Table 4.12**.

Table 4.12: Return on Capital Employed

Year	EBIT (₹ in crore)	Capital Employed (₹ in crore)	RoCE (in *per cent*)
2014-15	13.37	145.53	9.19
2015-16	(-) 41.56	130.84	--
2016-17	4.93	131.80	3.74
2017-18	10.51	133.87	7.85
2018-19	1.87	134.08	1.39

(Source: Latest annual accounts finalised during the respective years)

The RoCE of Power Sector PSU was positive during 2014-15 at 9.19 *per cent*. It turned negative during 2015-16 on account of shut down of the plant for major repairs and again it became positive during 2016-17, 2017-18 and 2018-19 at 3.74 *per cent,* 7.85 *per cent and* 1.39 *per cent* respectively. The decline in RoCE was mainly on account of decline in the profit earned by PPCL as explained in Paragraphs 4.2.9 and 4.2.9.1.

[9] Capital employed = Shareholders funds (after deducting accumulated losses) plus long term loans.

4.3 Functioning of Public Sector Undertakings (other than Power Sector)

4.3.1 Introduction

There are 12 Public Sector Undertakings (PSUs) in the Union Territory of Puducherry (UT) as on 31 March 2019 which related to sectors other than Power Sector. These PSUs were incorporated during the period 1971 to 2005 and are all Government Companies. The above PSUs include one[10] non-functional company which is a subsidiary company of another Government Company.

The UT Government provides financial support to these PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 12 PSUs (other than Power Sector), UT Government invested funds in 11 PSUs and the equity of the subsidiary company was contributed by its holding company.

4.3.2 Contribution to the Economy of the Union Territory

A ratio of turnover of the PSUs to the GSDP shows the extent of activities of the PSUs in the UT economy. The CAGR is a useful method to measure growth rate over multiple time periods. The **Table 4.13** provides the details of turnover of PSUs (other than Power Sector) and GSDP of UT Government for a period of five years ended March 2019.

Table 4.13: Turnover of PSUs (Other than Power Sector) *vis-à-vis* GSDP of UT

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Turnover	304.84	318.89	270.54	307.99	300.77
GSDP of UT Government	22,574	26,617	29,573	32,962	36,656
Percentage of turnover to GSDP of UT Government	1.35	1.20	0.91	0.93	0.82
Percentage of growth of turnover	2.07	4.61	(-)15.16	13.84	(-) 2.34
Percentage of growth of GSDP	3.22	17.91	11.11	11.46	11.21
CAGR of turnover[11]					0.27 *per cent*
CAGR of GSDP					10.18 *per cent*

(Source: Turnover reported in the latest finalised accounts of working PSUs and GSDP figures as per the Report of the CAG on Union Territory Finances for the respective years)

The aggregate turnover of these PSUs increased from ₹ 304.84 crore in 2014-15 to ₹ 318.89 crore in 2015-16 but declined to ₹ 270.54 crore in 2016-17 and again increased to ₹ 307.99 crore in 2017-18 but declined to ₹ 300.77 crore in 2018-19. The percentage of growth rate of turnover

[10] Pondicherry Electronics Limited.

[11] The compounded annual growth rate calculated as per the formula: ((Final Value/Beginning Value)^1/number of years)-1.

increased from 2.07 in 2014-15 to 4.61 in 2015-16 but declined to (-) 15.16 in 2016-17 and again increased to 13.84 in 2017-18 but again declined to (-) 2.34 in 2018-19. However, the percentage of growth rate of GSDP increased from 3.22 in 2014-15 to 17.91 in 2015-16 and it was fluctuating thereafter, but declined to 11.21 in 2018-19. The GSDP recorded a CAGR of 10.18 *per cent* during 2014-19 whereas during the same period, CAGR of the turnover of PSUs (other than Power Sector) recorded a very low at 0.27 *per cent.* This was evident from the wide fluctuation in the growth rate of turnover of PSUs as well as decrease in share of turnover of these PSUs to GSDP from 1.35 *per cent* in 2014-15 to 0.82 *per cent* in 2018-19.

4.3.3 Investment in PSUs (other than Power Sector)

There are some PSUs which are instrumental/nodal agency to the UT Government to provide certain services which the private sector may not be willing to extend due to various reasons, PSUs of such nature are classified as "Social Sector PSUs". Besides, the Government has also entered into certain business segments through some PSUs where it faces competition from private players, PSUs of such nature are classified as "Competitive Sector PSUs". In addition, there is one[12] PSU which was established by UT Government to perform certain activities which cannot be classified under the above two categories, this PSU has been dealt with in this report as "Others". Details of investment made in 12 PSUs in the form of equity and long term loans up to March 2019 are detailed in **Appendix 4.2**.

The sector-wise summary of investment made in 12 PSUs as on 31 March 2019 are given in **Table 4.14**.

Table 4.14: Sector-wise investment in PSUs (other than Power Sector)

Sector	Number of PSUs	Investment (₹ in crore)		
		Equity	Long term loans	Total
Social Sector	4	33.11	40.34	73.45
Competitive Sector	7	575.50	2.72	578.22
Others	1	8.45	Nil	8.45
Total	**12**	**617.06**	**43.06**	**660.12**

(Source: Details furnished by PSUs)

As on 31 March 2019, the total investment (equity and long term loans) in 12 PSUs was ₹ 660.12 crore. The investment consisted of 93.48 *per cent* towards equity and 6.52 *per cent* in long term loans. The long term loans were fully advanced by the UT Government.

[12] Puducherry Distilleries Limited.

The investment has grown marginally by 3.81 *per cent* from ₹ 635.90 crore in 2014-15 to ₹ 660.12 crore in 2018-19. The increase was mainly due to loans availed by Social Sector PSUs.

During the year 2018-19, no disinvestment, restructuring or privatisation of PSUs was done by UT Government.

4.3.4 Budgetary Support to PSUs (other than Power Sector)

UT Government provides financial support to PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies and loans converted into equity during the year in respect of PSUs for the last three years ending March 2019 are given in **Table 4.15**.

Table 4.15: Budgetary support to PSUs (other than Power Sector) during 2016-19

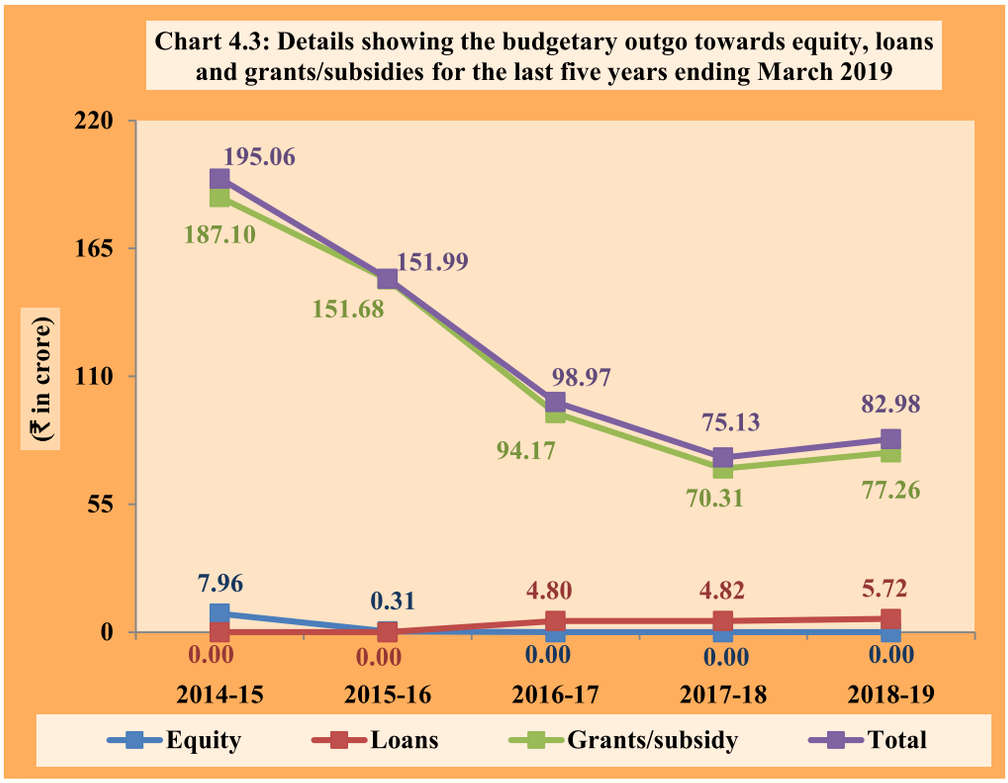
(₹ in crore)

Sl. No.	Particulars[13]	2016-17		2017-18		2018-19	
		Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
1	Equity Capital	Nil	Nil	Nil	Nil	Nil	Nil
2	Loans	2	4.80	2	4.82	2	5.72
3	Grants/Subsidy	8	94.17	8	70.31	6	77.26
4	Total Outgo (1+2+3)	8	98.97	8	75.13	6	82.98
5	Loan repayment/ written off	Nil	Nil	Nil	Nil	Nil	Nil
6	Loans converted into equity	Nil	Nil	Nil	Nil	Nil	Nil
7	Guarantees issued	Nil	Nil	Nil	Nil	Nil	Nil
8	Guarantee Commitment	1	3.15	1	3.10	1	3.10

(Source: Compiled from the information furnished by PSUs for the respective years)

The details regarding budgetary outgo towards equity, loans and grants/subsidies for the last five years ending March 2019 are given in **Chart 4.3**.

[13] Amount represents outgo from Union Territory Budget only.



(Source: As per the latest accounts finalised during respective years)

The budgetary assistance received by these PSUs during the years 2016-17 to 2018-19 ranged between ₹ 75.13 crore and ₹ 98.97 crore. The budgetary assistance of ₹ 82.98 crore received during 2018-19 was in the form of loan (₹ 5.72 crore) and grants/subsidy (₹ 77.26 crore). The subsidy/grants given by UT Government was mainly for payment of salaries to staff and scheme related expenses (₹ 57.67 crore) to Social Sector PSUs during 2018-19.

Besides the budgetary support, UT Government also provides guarantee for PSUs to seek financial assistance from banks and financial institutions. The guarantee commitment given by UT Government outstanding as at the end of March 2019 was ₹ 3.10 crore in respect of one PSU[14].

4.3.5 Reconciliation with Finance Accounts of Government of UT of Puducherry

The figures in respect of equity, loans and guarantees outstanding as per records of 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 carry out reconciliation of the differences. The position in this regard in respect of PSUs (other than Power Sector) as on 31 March 2019 is given in **Table 4.16**.

[14] Puducherry Adi-Dravidar Development Corporation Limited.

Table 4.16: Equity/Loans/Guarantees Outstanding as per Finance Accounts of UT Government *vis-à-vis* records of the PSUs

(₹ in crore)

Outstanding in respect of	Amount as per records of PSUs	Amount as per Finance Accounts	Number of PSUs involved	Net Difference
Equity	614.34	612.61	2	(-) 1.73
Loans	14.50	0.93	3	13.57
Guarantees	3.10	16.15		(-) 13.05

(Source: Information furnished by PSUs and Finance Accounts of UT Government)

Audit observed that the differences occurred in respect of equity and loans in two[15] PSUs and three[16] PSUs respectively and guarantees in two[17] PSUs. Reconciliation of difference was pending from March 2007 in case of one PSU[18]. The Secretary to Government of UT of Puducherry, Finance Department was addressed (November 2019) and his attention was drawn to the need for reconciliation of figures in Finance Accounts and as furnished by the companies in their respective accounts. In spite of similar observations in the previous Audit Reports, the difference persists. The UT Government and PSUs should take concrete steps to reconcile the differences in a time bound manner.

4.3.6 Submission of accounts by PSUs (other than Power Sector)

The status of timeline followed by the PSUs (other than Power Sector) in preparation and submission of accounts to CAG is discussed below:

Timeliness in preparation of accounts by working PSUs

PSUs are required to submit their annual accounts every year on or before 30 September after close of the respective financial year. However, none of the 11 working PSUs had forwarded their accounts for the year 2018-19 for audit by CAG on or before 30 September 2019 and hence the accounts of all the PSUs were in arrears for periods ranging from one year to nine years.

Details of arrears in submission of accounts by working PSUs (other than Power Sector) as on 30 September of the respective financial years are given in **Table 4.17**.

15 Puducherry Agro Products, Food and Civil Supplies Corporation Limited and Puducherry Adi-Dravidar Development Corporation Limited.

16 Puducherry Agro Products, Food and Civil Supplies Corporation Limited, Puducherry Corporation for the Development of Women and Differently Abled Persons Limited and Puducherry Road Transport Corporation Limited.

17 Puducherry Adi-Dravidar Development Corporation Limited and Puducherry Backward Classes and Minorities Development Corporation Limited.

18 Puducherry Agro Products, Food and Civil Supplies Corporation Limited.

Table 4.17: Position relating to submission of accounts by the working PSUs (other than Power Sector)

Sl. No.	Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
1	Number of PSUs (other than Power Sector)	11	11	11	11	11
2	Number of accounts submitted during current year	13	6	10	8	7
3	Number of working PSUs which finalised accounts for the current year	Nil	Nil	Nil	Nil	Nil
4	Number of previous year accounts finalised during current year	13	6	10	8	7
5	Number of working PSUs with arrears in accounts	11	11	11	11	11
6	Number of accounts in arrears	28	33	34	37	43
7	Extent of arrears	One to five years	One to six years	One to seven years	One to eight years	One to nine years

(Source: Compiled based on the receipt of accounts from PSUs during October to September of respective financial years)

Of these 11 working PSUs, six PSUs had finalised their seven annual accounts pertaining to previous years during the period 01 October 2018 to 30 September 2019. Further, 43 annual accounts were in arrears which pertain to 11 PSUs for the years ranging from 2010-11 to 2018-19 as detailed in **Appendix 4.3**. The Administrative Departments have the responsibility to oversee the activities of these entities and ensure that the accounts are finalised and adopted by these PSUs in the Annual General Meeting within the stipulated period. The concerned Departments were informed periodically regarding the position of arrears in accounts.

In addition, one non-functional PSU as on 31 March 2019, *viz.,* Pondicherry Electronics Limited (PELECON) which is a subsidiary of Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC) has not finalised its accounts since 2011-12 and is in the process of winding up.

Due to non-finalisation of accounts and their subsequent audit in these PSUs, it could not be ensured whether the investments and expenditure incurred was properly accounted for and the purpose for which the amount invested was achieved or not. Hence, Audit could not discharge its responsibilities with regard to the accounts of these companies, as required under CAG's DPC Act, 1971 and the Companies Act, 2013. Investment of UT Government in these PSUs, therefore, remained outside the control of UT Legislature.

4.3.7 Comments on Accounts of PSUs (other than Power Sector)

Out of 11 working PSUs**,** six PSUs forwarded seven audited accounts to the Accountant General during the period from 01 October 2018 to 30 September 2019. These accounts were subjected to either scrutiny at office

level or selected for supplementary audit. The Audit Reports of Statutory Auditors and supplementary audit conducted by the CAG indicated that the quality of accounts needs to be improved substantially. The details of aggregate money value of the comments of Statutory Auditors and the CAG are given in **Table 4.18**.

Table 4.18: Impact of audit comments on Working Companies (other than Power Sector)

(₹ in crore)

Sl. No.	Particulars	2016-17		2017-18		2018-19	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	Nil	Nil	1	2.37	1	2.33
2	Increase in profit	1	0.76	Nil	Nil	1	0.04
3	Increase in loss	2	6.81	2	7.90	--	--
4	Decrease in loss	Nil	Nil	1	0.60	--	--
5	Non-disclosure of material facts	Nil	Nil	Nil	Nil	--	--
6	Errors of classification	Nil	Nil	2	0.24	--	--

(Source: Compiled from comments of the Statutory Auditors/ CAG in respect of Government Companies)

During the year, the Statutory Auditors had given unqualified certificates for two accounts, qualified certificates for four accounts and adverse opinion for one account submitted by the companies. The compliance of companies with the Accounting Standards remained poor, as there were six instances of non-compliance in five accounts during the year.

4.3.8 Impact of non-finalisation of accounts of PSUs (other than Power Sector)

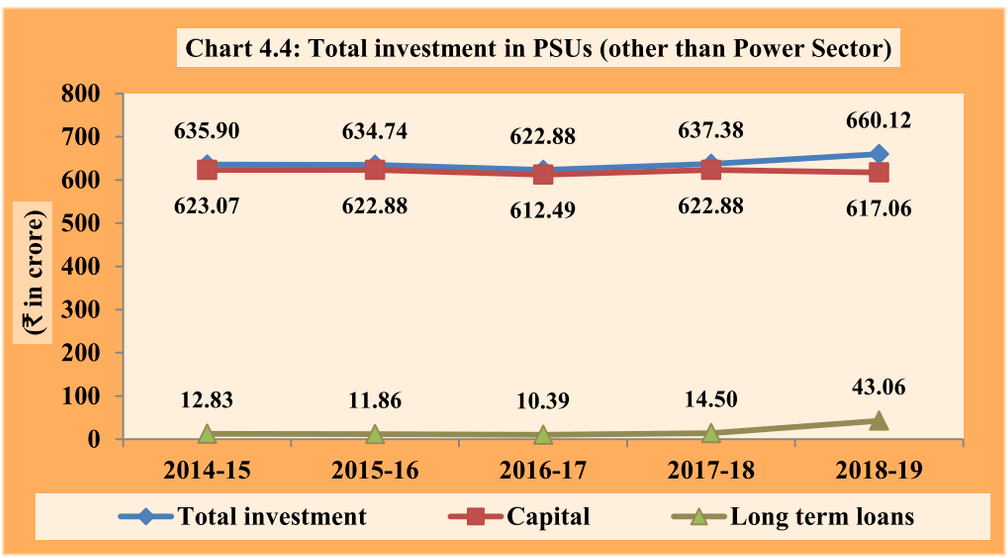
As pointed in Paragraph 4.3.6, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. Out of 11 PSUs which had not finalised their accounts, the UT Government had released a sum of ₹ 5.72 crore in the form of loans to two PSUs and ₹ 77.26 crore as grants to six PSUs during 2018-19, as detailed in **Appendix 4.4.** Thus**,** the Government of Puducherry had invested ₹ 660.12 crore in 11 PSUs (other than Power Sector) so far in the form of equity and loans, whose accounts had not been finalised for periods ranging from one year to nine years. In view of the above state of arrears of accounts, the actual contribution of the PSUs to the GSDP of UT Government could not be ascertained and their contribution to UT exchequer was also not reported to the UT Legislature. Hence, audit could not discharge its responsibilities with regard to the accounts of these companies, as required under CAG's DPC Act, 1971 and the Companies Act, 2013.

It is, therefore, recommended that the administrative departments should strictly monitor and issue necessary directions to clear the arrears in finalisation of accounts. The Government may also look into the constraints in preparation of accounts by the PSUs and take necessary steps to clear the arrears in accounts.

4.3.9 Performance of PSUs (other than Power Sector)

The financial position and working results of the 12 PSUs (working and non-functional) are detailed in **Appendix 4.1** as per their latest finalised accounts up to 31 March 2020.

The PSUs are expected to yield reasonable RoI on the investments made by Government in the undertakings. The total investment of UT Government in PSUs (other than Power Sector) as on 31 March 2019 consisted ₹ 617.06 crore as equity and ₹ 43.06 crore as long term loans. The year wise status of total investment, equity and long term loans during the five year period 2014-19 is shown in the **Chart 4.4**.



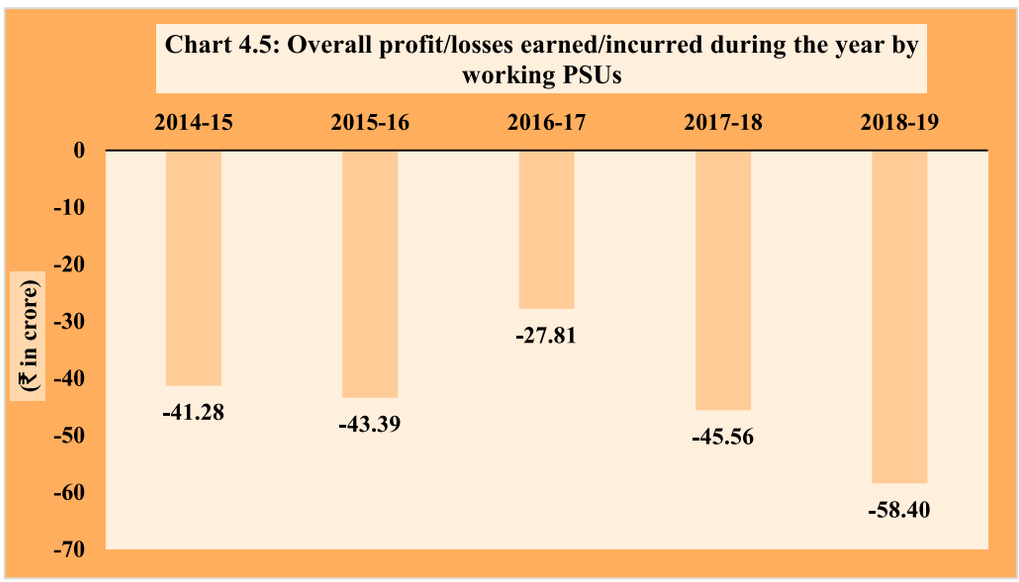
(Source: Data furnished by PSUs in respective years)

The investment has grown by 3.81 *per cent* from ₹ 635.90 crore in 2014-15 to ₹ 660.12 crore in 2018-19. The investment increased due to addition of ₹ 10.39 crore during 2017-18 towards equity and ₹ 28.56 crore towards long term loans during 2018-19.

The profitability of a Company is traditionally assessed through RoI, return on equity and return on capital employed. RoI measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long term loans and is expressed as a percentage of profit to the total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on equity is a measure of performance calculated by dividing net profit after tax by shareholders' funds.

4.3.10 Return on Investment

The RoI is the percentage of profit or loss to the total investment. The overall position of profit/losses[19] earned/incurred by the 11 working PSUs (other than Power Sector) during 2014-15 to 2018-19 is depicted below in **Chart 4.5**.



(Source: As per the latest accounts finalised during respective years)

The 11 working PSUs incurred losses in aggregate in all the five years during 2014-19 which were in the range of ₹ 27.81 crore to ₹ 58.40 crore. As per the latest finalised accounts, out of 11 working PSUs, three PSUs earned a profit of ₹ 8.71 crore and eight PSUs incurred a loss of ₹ 67.11 crore.

The details of number of PSUs which earned profit/incurred losses during 2014-19 are given in **Table 4.19**.

Table 4.19: Details showing the number of working PSUs (other than Power Sector) which earned profit/incurred loss during 2014-19

Year	Total number of PSUs in the Union Territory	Number of PSUs which earned profit during the year	Number of PSUs which incurred loss during the year	Number of PSUs which reported no profit/loss	Number of PSUs which had marginal profit or loss[20]
2014-15	11	1	8	2	5
2015-16	11	2	8	1	6
2016-17	11	3	7	1	7
2017-18	11	3	7	1	7
2018-19	11	3	8	--	--

(Source: As per the latest accounts finalised during respective years)

19 Figures are as per the latest finalised accounts during the respective years.

20 Profit/losses equal to or less than ₹ five lakh.

As per the latest finalised accounts as on 30 September 2019, the major contributor of profit was Puducherry Distilleries Limited (PDL) (₹ 4.95 crore) and heavy losses were incurred by two Textile Corporations[21] (₹ 38.67 crore).

(a) RoI on the basis of historical cost of investment

The UT Government infused funds in shape of equity in 11 PSUs (other than Power Sector). As on 31 March 2019, the total investment of the Government in 11 companies stood at ₹ 184.72 crore.

The RoI from PSUs[22] has been calculated on the investment made by the UT Government in the form of equity and loans. In the case of loans, only interest free loans have to be considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. However, the UT Government has not advanced interest free loans to any of the PSUs. The dividend paid by the PSUs have been deducted from the total investment as the Government had got back returns to that extent. The funds made available in the form of grants/subsidies have not been reckoned as investment since they do not qualify to be considered as investments.

During the period 2009-10 to 2018-19, the investment made by the UT Government in these 11 PSUs was ₹ 184.72 crore comprising of equity only. During the same period, two PSUs[23] had paid a total dividend of ₹ 7.71 crore. Thus, the investment of UT Government in these 11 PSUs on the basis of historical cost stood at ₹ 177.01 crore as on 31 March 2019.

The profit earned or losses incurred by the subsidiaries would have ultimate bearing on the holding company and hence the profit/loss of the subsidiaries have to be added to the net earnings (loss). The one subsidiary company *viz*., Pondicherry Electronics Limited (PELECON) is in the process of winding up and all its assets and liabilities have been assumed by its Holding Company *viz.*, Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC) during 2012-13. Accordingly, the profit/loss of PELECON up to that period has been considered for arriving at total earnings for the respective years.

The sector-wise RoI on historical cost basis for the years 2014-19 from the PSUs under three different classifications are given in **Table 4.20**.

---

21 Pondicherry Textile Corporation Limited and Swadeshee Bharathee Textile Mills Limited.

22 Including one non-functional PSU.

23 Pondicherry Industrial Promotion Development and Investment Corporation Limited and Puducherry Distilleries Limited.

Table 4.20: Return on UT Government Funds on historical cost basis

(₹ in crore)

Year-wise / sector-wise break-up	Total earnings	Funds invested in the form of equity on historical cost	RoI on historical cost basis (in percentage)
(1)	(2)	(3)	(4)= ((2)/(3)x100)
2014-15			
Social Sector	(-) 8.81	25.50	(-) 34.56
Competitive Sector	(-) 37.23	148.85	(-) 25.01
Others	4.76	3.74	127.27
Total	**(-) 41.28**	**178.09**	**(-) 23.18**
2015-16			
Social Sector	(-) 7.30	25.81	(-) 28.29
Competitive Sector	(-) 40.85	148.85	(-) 27.44
Others	4.76	3.74	127.27
Total	**(-) 43.39**	**178.40**	**(-) 24.32**
2016-17			
Social Sector	(-) 1.41	25.81	(-) 5.46
Competitive Sector	(-) 31.35	148.47	(-) 21.12
Others	4.95	2.73	181.32
Total	**(-) 27.81**	**177.01**	**(-) 15.71**
2017-18			
Social Sector	(-) 3.25	25.81	(-) 12.59
Competitive Sector	(-) 47.26	148.47	(-) 31.83
Others	4.95	2.73	181.32
Total	**(-) 45.56**	**177.01**	**(-) 25.74**
2018-19			
Social Sector	(-) 12.28	25.81	(-) 47.58
Competitive Sector	(-) 51.07	148.47	(-) 34.40
Others	4.95	2.73	181.32
Total	**(-) 58.40**	**177.01**	**(-) 32.99**

(Source: As per the latest accounts finalised during respective years)

The return on funds invested was worked out by dividing the total earnings[24] by the historical cost of UT Government investments. In all the years under review, the overall RoI was negative and the same ranged between 15.71 to 32.99 *per cent.* At the end of March 2019, the overall RoI was negative at 32.99 *per cent.*

Analysis of RoI revealed that:

The RoI of PSUs under Other Sector category was positive in all the years which increased from 127.27 in 2014-15 to 181.32 *per cent* in 2018-19.

PSUs under Competitive Sector (CS) category witnessed huge losses and the RoI in these PSUs was negative and fluctuating between 21.12 and

[24] This includes Net profit (+)/loss (-) of all the PSUs including subsidiaries.

34.40 *per cent.* The major reason for negative return of PSUs under CS category was due to huge losses incurred by all the PSUs, except for the profit reported by PIPDIC during 2013-14 and 2016-17 and ranged between ₹ 31.35 crore and ₹ 51.07 crore during 2014-19. The losses were mainly due to losses incurred by the two textile Companies *viz.,* Pondicherry Textile Corporation Limited and Swadeshee-Bharathee Textile Mills Limited.

In respect of PSUs under Social Sector category, the RoI during 2014-15 to 2018-19 was negative and ranged between 5.46 *per cent* and 47.58 *per cent* which was mainly due to the loss sustained by Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO) in its public distribution activities.

(b) Return on Investments on the basis of Present Value of the investment

An analysis of the earnings *vis-à-vis* investments in respect of 11 PSUs (other than Power Sector) where funds had been infused by the UT Government was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value (PV) of money. The PV of the Government investments has been computed to assess the rate of return on the PV of investments of UT Government in the PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its PV at the end of each year, the past investments/year-wise funds infused have been compounded at the year-wise average rate of interest. For the purpose of compounding, the average rate of Government borrowings, which was the minimum cost of funds to the Government for the concerned year was considered. Accordingly, PV of the UT Government investment was computed in respect of those 11 PSUs where funds have been infused by the UT Government in the shape of equity since inception of these companies till 31 March 2019.

The PV of the UT Government investment in 11 PSUs was computed on the basis of following assumptions:

- The loans advanced by the UT Government are interest bearing and hence the same has not been considered for calculating PV as only Interest Free Loans (IFL) has to be considered for the purpose. The funds made available in the form of grant/subsidies have not been reckoned as investment since they do not qualify to be considered as investment as indicated in Paragraph 4.3.10.1.
- The dividend paid by the PSUs has been deducted from the total investment in the respective years.

- The average rate of interest on Government borrowings for the relevant financial year[25] was adopted as compounded rate for arriving at PV since they represent the cost incurred by the Government towards investment of funds for the year and therefore considered as the minimum expected rate of RoI made by the Government.

4.3.10.1 The UT Government's investment in these 11 PSUs in the form of equity for the period from 2010-11 to 2018-19 and the consolidated position of the PV and the total earnings of PSUs (other than Power Sector) for the same period are indicated in **Table 4.21**.

Table 4.21: Year-wise details of investment by the UT Government and PV of Government investment for the period from 2010-11 to 2018-19

(₹ in crore)

Financial year	PV of total investment at the beginning of the year	Equity infused by the UT Govern-ment during the year	IFL given by UT Govern-ment during the year	IFL converted into grant/ equity	Dividend paid by the PSUs	Total investment at the end of the year after adjusting dividend	Average rate of interest on Govern-ment borrowings (in *per cent*)	PV of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Actual total earnings for the year
(1)	**(2)**	**(3)**	**(4)**	**(5)**	**(6)**	**(7)= (2+3+4-5-6)**	**(8)**	**(9)=(7+(7x8 /100)**	**(10)=(9x 8/100)**	**(11)**
Upto 2009-10	--	144.52	--	--	1.44	143.08	8.00	154.53	--	--
2010-11	154.53	21.24	--	--	1.03	174.74	7.81	188.38	14.71	(-) 69.89
2011-12	188.38	6.61	--	--	0.93	194.06	7.80	209.19	16.32	(-) 56.49
2012-13	209.19	0.25	--	--	0.44	209.00	8.00	225.72	18.06	(-) 39.63
2013-14	225.72	3.83	--	--	1.47	228.08	7.70	245.64	18.91	(-) 39.10
2014-15	245.65	7.96	--	--	1.01	252.59	7.90	272.55	21.53	(-) 41.28
2015-16	272.55	0.31	--	--	--	272.86	7.50	293.33	22.00	(-) 43.39
2016-17	293.33	--	--	--	1.39	291.94	7.20	312.96	22.53	(-) 27.81
2017-18	312.96	--	--	--	--	312.96	8.02	338.06	27.11	(-) 45.56
2018-19	338.06	--	--	--	--	338.06	7.88	364.70	28.74	(-) 58.40
Total		**184.72**	**--**	**--**	**7.71**					

(Source: Details as per annual accounts finalised by the PSUs in the respective years)

The funds infused in these PSUs up to March 2010 was ₹ 144.52 crore comprising only of equity. During the period 2010-19, a total equity of ₹ 40.20 crore was infused in these PSUs. During the same period, these PSUs paid a total dividend of ₹ 7.71 crore. After deducting the dividend paid, the total investment worked out to ₹ 177.01 crore. The PV of the funds infused in these PSUs at the end of March 2019 worked out to ₹ 364.70 crore. During 2010-11 to 2018-19, the total earnings was negative in all the years and was

[25] The average rate of interest on Government borrowings was adopted from the Reports of the CAG of India on Union Territory Finances for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/ [(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100.

thus far below the minimum expected return and consequently the cost of funds infused in these PSUs could not be recovered. The net aggregate loss was in the range of ₹ 27.81 crore to ₹ 69.89 crore against the expected profit between ₹ 14.71 crore and ₹ 28.74 crore. The losses from PSUs under CS and Social Sector had set off the profit earned by the PSU under Other Sector (refer **Table 4.22**).

Analysis of comparison of sector-wise RoI of funds on historical cost with its PV revealed that PSU under Other Sector had positive returns whereas Social and Competitive Sector PSUs had negative returns in all the five years during 2014-15 to 2018-19. If the PSUs are earning profit, the rate of return calculated on historical cost would be higher whereas, the same would be less if calculated on the PV of the investments. In case of losses, the rate of return would already be negative and hence, the comparative position was not calculated. The sector-wise comparative position of RoI on the historical cost with its PV during five years ended 2018-19 are given in **Table 4.22**.

Table 4.22: Comparative position of RoI on historical cost basis and PV

(₹ in crore)

Year wise sector-wise break-up	Total earnings	Historical cost of funds invested in the form of equity	RoI on historical cost (in percentage)	PV of the funds invested in the form of equity	RoI on the PV (in percentage)
(1)	(2)	(3)	(4)	(5)	(6)=((2)/(5)x100)
2014-15					
Social Sector	(-) 8.81	25.50	(-) 34.55	39.53	*
Competitive Sector	(-) 37.23	148.85	(-) 25.01	225.88	*
Others	4.76	3.74	127.27	7.13	66.76
Total	**(-) 41.28**	**178.09**	**(-) 23.18**	**272.55**	*
2015-16					
Social Sector	(-) 7.30	25.81	(-) 28.28	42.83	*
Competitive Sector	(-) 40.85	148.85	(-) 27.44	242.83	*
Others	4.76	3.74	127.27	7.67	62.06
Total	**(-) 43.39**	**178.40**	**(-) 24.32**	**293.33**	*
2016-17					
Social Sector	(-) 1.41	25.81	(-) 5.46	45.92	*
Competitive Sector	(-) 31.35	148.47	(-) 21.12	259.90	*
Others	4.95	2.73	181.32	7.14	69.33
Total	**(-) 27.81**	**177.01**	**(-) 15.71**	**312.96**	*
2017-18					
Social Sector	(-) 3.25	25.81	(-) 12.59	49.60	*
Competitive Sector	(-) 47.26	148.47	(-) 31.83	280.75	*
Others	4.95	2.73	181.32	7.71	64.20
Total	**(-) 45.56**	**177.01**	**(-) 25.74**	**338.06**	*

Year wise sector-wise break-up	Total earnings	Historical cost of funds invested in the form of equity	RoI on historical cost (in percentage)	PV of the funds invested in the form of equity	RoI on the PV (in percentage)
(1)	(2)	(3)	(4)	(5)	(6)=((2)/(5)x100)
2018-19					
Social Sector	(-) 12.28	25.81	(-) 47.58	53.51	*
Competitive Sector	(-) 51.07	148.47	(-) 34.40	302.87	*
Others	4.95	2.73	181.32	8.32	59.51
Total	**(-) 58.40**	**177.01**	**(-) 32.99**	**364.70**	*

* In view of the loss, rate of return was not calculated on PV of the investment.

(Source: As per the latest accounts finalised during respective years)

From the **Table 4.22**, it is evident that the RoI under PV method was lesser than the return calculated under historical method. In respect of PSUs under Others category, the rate of return was positive during all the years 2014-19 and ranged between 127.27 and 181.32 *per cent* on the historical cost of funds infused, whereas the rate of return on the PV of investment was between 62.06 and 69.33 *per cent*.

In respect of PSUs under Social Sector, the rate of return calculated on the historical cost of funds infused was negative and it was in the range of 5.46 to 47.58 *per cent* during the years 2014-15 to 2018-19.

PSUs under Competitive Sector (CS) category incurred huge losses amounting to ₹ 207.76 crore, representing 96 *per cent* of the net aggregate losses of ₹ 216.44 crore of all PSUs during 2014-19. The RoI in these PSUs was negative in all the five years which was in the range of 21.12 to 34.40 *per cent* on historical cost. The major reason for negative return from PSUs under CS category was due to losses incurred by the two textile companies *viz.,* Pondicherry Textile Corporation Limited and Swadeshee-Bharathee Textile Mills Limited. Continuous loss of these PSUs resulted in erosion of net worth as discussed in Paragraph 4.3.11.

4.3.11 Erosion of net worth

Net worth means the sum total of paid up capital plus free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially, it is a measure of what an entity is worth to the owners. A negative net worth indicates that the entire investment by the owners had been wiped out by accumulated losses and deferred revenue expenditure. As per the latest finalised accounts, the paid up capital of 11 PSUs stood at ₹ 617.06 crore and its aggregate accumulated losses (net of free reserves of ₹ 46.17 crore[26] in

[26] Puducherry Distilleries Limited (₹ 42.85 crore), Puducherry Backward Classes and Minorities Development Corporation Limited (₹ 2.30 crore) and Pondicherry Industrial Promotion and Development Corporation Limited (₹ 1.02 crore).

three PSUs) stood at ₹ 731.48 crore leaving a negative net worth of these PSUs at ₹ 114.42 crore, the details of which are given in **Table 4.23**.

Table 4.23: Net worth of 11 PSUs (other than Power Sector) during 2014 -19

(₹ in crore)

Year wise sector-wise break-up	Paid up capital	Accumulated profit (+)/ loss(-) at the end of the year	Deferred revenue expenditure	Net worth
2014-15				
Social Sector	32.49	(-) 30.36	--	2.13
Competitive Sector	568.09	(-) 574.91	--	(-) 6.82
Others	8.45	39.13	--	47.58
Total	**609.03**	**(-) 566.14**	**--**	**42.89**
2015-16				
Social Sector	32.80	(-) 30.13	--	2.67
Competitive Sector	568.34	(-) 590.07	--	(-) 21.73
Others	8.45	39.13	--	47.58
Total	**609.59**	**(-) 581.07**	**--**	**28.52**
2016-17				
Social Sector	32.80	(-) 32.99	--	(-) 0.19
Competitive Sector	575.51	(-) 682.17	--	(-) 106.66
Others	8.45	42.85	--	51.30
Total	**616.76**	**(-) 672.31**	**--**	**(-) 55.55**
2017-18				
Social Sector	32.80	(-) 37.69	--	(-) 4.89
Competitive Sector	575.51	(-) 716.79	--	(-) 141.28
Others	8.45	42.85	--	51.30
Total	**616.76**	**(-) 711.63**	**--**	**(-) 94.87**
2018-19				
Social Sector	33.11	(-) 50.34	--	(-) 17.23
Competitive Sector	575.50	(-) 723.99	--	(-) 148.49
Others	8.45	42.85	--	51.30
Total	**617.06**	**(-) 731.48**	**--**	**(-) 114.42**

(Source: Audit Reports and latest finalised accounts during the respective years)

It is evident from the above table that only one PSU under Other Sector has been earning profit and had accumulated profit in all the years. Consequently, its net worth was positive and showed increasing trend from ₹ 47.58 crore in 2014-15 to ₹ 51.30 crore in 2018-19.

The six PSUs under CS were incurring losses in all the years during 2014-19 and its accumulated losses increased from ₹ 574.91 crore in 2014-15 to ₹ 723.99 crore in 2018-19. The net worth of these six PSUs was negative

during 2014-15 at ₹ 6.82 crore and the position further deteriorated in the subsequent years and stood at ₹ 148.49 crore at the end of 2018-19. The negative net worth under this category of PSUs was mainly from Pondicherry Textile Corporation (PONTEX) which reported a net erosion of ₹ 206.35 crore at the end of March 2019 which was to some extent compensated by the positive net worth of PIPDIC. The main reason for the negative net worth of PONTEX was the accumulated losses on account of insufficient revenue to absorb the fixed costs.

The net worth of four PSUs under Social Sector category was positive and stood at ₹ 2.67 crore as at the end of 2015-16 and thereafter turned negative and stood at ₹ 17.23 crore at the end of 2018-19.

The negative net worth indicated that the liabilities of these PSUs have exceeded the assets and instead of paying returns to the shareholders, the shareholders owe money.

4.3.12 Dividend payout

The UT Government had not formulated any policy for payment of minimum dividend on the share capital contributed by it. The UT Government had contributed to the equity of all the 11 PSUs in other than Power Sector Category. The total equity contributed by the UT Government in these 11 working PSUs at the end of March 2015 was ₹ 598.76 crore, which increased to ₹ 606.49 crore at the end of March 2019. Against this equity, the dividend paid by the PSUs to the Government was ₹ 1.01 crore during 2014-15 and ₹ 1.39 crore during 2016-17. Details of total equity infused in the 11 PSUs, profit earned by PSUs and the dividend paid to the UT Government during 2014-19 are given in **Table 4.24**.

Table 4.24: Declaration of dividend by PSUs other than Power Sector during 2014-19

(₹ in crore)

Year	Total number of PSUs		Equity infused		PSUs which earned profit		PSUs which declared dividend		Dividend pay-out ratio
	Number of PSUs	Equity amount (including equity infused during the year)	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Dividend paid	
1	2	3	4	5	6	7	8	9	10 =9/3x100
2014-15	11	598.76	2	3.31	1	4.76	1	1.01	0.17
2015-16	11	599.32	2	0.56	2	6.21	--	--	--
2016-17	11	606.49	2	7.17	3	10.18	2	1.39	0.23
2017-18	11	606.49	--	--	3	8.93	--	--	--
2018-19	11	606.49	--	--	3	8.71	--	--	--

(Source: Latest finalised accounts of PSUs)

During 2014-19, the major contributors to profit were PIPDIC and PDL. Both these PSUs declared a dividend ₹ 2.40 crore against equity investment of ₹ 121.03 crore. The dividend payout on the total equity investments constituted a meagre percentage ranging from 0.17 to 0.23.

4.3.13 Return on Equity

Return on Equity (RoE) is a measure of financial performance to assess how effectively management is using shareholders' funds to earn profits and is calculated by dividing net income (*i.e.*, net profit after taxes) by shareholders' funds. It is expressed as a percentage and can be calculated for any company if both the net income and shareholders' funds are positive. Shareholders' fund of a company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts were paid. A positive shareholders' fund reveals that the company has enough assets to cover its liabilities while negative figures means that liabilities exceed the assets. RoE has been computed in respect of 11 working PSUs (other than Power Sector Undertakings) and the details of shareholders' funds and RoE during 2014-19 are given in **Table 4.25**.

Table 4.25: RoE relating to 11 working PSUs during 2014-19

(₹ in crore)

Year	Net income	Shareholders' funds	RoE (in *per cent*)
2014-15	(-) 41.28	42.89	--
2015-16	(-) 43.39	28.52	--
2016-17	(-) 27.81	(-) 55.55	--
2017-18	(-) 45.56	(-) 94.87	--
2018-19	(-) 58.40	(-) 114.42	--

(Source: Latest finalised accounts of PSUs)

As can be seen from **Table 4.25**, during all the last five years ending 2018-19, the net income was negative and thus, the RoE could not be worked out.

4.3.14 Return on Capital Employed

Return on Capital Employed (RoCE) is a ratio that measures a company's profitability and the efficiency on the capital employed. RoCE is calculated by dividing a company's EBIT by the capital employed[27]. The details of RoCE of the PSUs (other than Power Sector) during the period from 2014-15 to 2018-19 are given in **Table 4.26**.

Table 4.26: Return on Capital Employed

(₹ in crore)

Year	EBIT	Capital Employed	ROCE (in *per cent*)
2014-15	(-) 21.12	55.72	--
2015-16	(-) 23.26	40.38	--
2016-17	(-) 8.71	(-) 45.16	--
2017-18	(-) 23.77	(-) 78.28	--
2018-19	(-) 36.29	(-) 71.36	--

(Source: As per the latest finalised accounts)

[27] Capital Employed = Shareholders funds *plus* long term loans.

The EBIT of these PSUs was negative during all the five year period 2014-19 which ranged between ₹ 8.71 crore and ₹ 36.29 crore.

4.3.15 Analysis of long term loans of the PSUs (other than Power Sector)

Analysis of the long term loans of the PSUs of other than Power Sector which had leverage during 2014-19 was carried out to assess the ability of the companies to service the debt. This was assessed through the interest coverage ratio and debt turnover ratio in the following paragraphs.

4.3.15.1 Interest Coverage

Interest Coverage Ratio (ICR) is used to determine the ability of a PSU to pay interest on outstanding debt and is calculated by dividing EBIT of a PSU by interest expenses of the same period. The lower the ratio, the lesser is the ability of the PSU to pay interest on debt. An interest coverage ratio below one indicated that the PSU was not generating sufficient revenues to meet its expenses on interest. The details of positive and negative interest coverage ratio during the period 2014-19 are given in **Table 4.27**.

Table 4.27: Interest coverage ratio of working PSUs (other than Power Sector)

Year	Interest (₹ in crore)	EBIT (₹ in crore)	Number of PSUs having interest liability	Number of PSUs with negative ICR	Number of PSUs with ICR more than zero and upto one	Number of PSUs having ICR more than one
2014-15	17.07	(-) 21.12	7	4	3	--
2015-16	17.02	(-) 23.26	8	5	2	1
2016-17	17.12	(-) 8.71	8	5	2	1
2017-18	19.82	(-) 23.77	7	4	1	2
2018-19	20.13	(-) 36.29	7	5	--	2

(Source: As per the latest finalised accounts during the respective years)

Of the seven PSUs having liability of loans during 2018-19, five PSUs had negative ICR indicating that these PSUs could not generate adequate income to pay off its interest liability. Two PSUs had ICR more than one indicating sufficient income to pay off its interest burden.

4.3.15.2 Debt turnover ratio

The details of the total debts and the turnover of the PSUs (other than Power Sector) are given in **Table 4.28**.

Table 4.28: Key parameters of the PSUs

(₹ in crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Debt	12.83	11.86	10.39	16.59	43.06
Turnover	304.84	318.89	270.54	307.99	300.77
Debt-turnover ratio	0.04:1	0.04:1	0.04:1	0.05:1	0.14:1

(Source: As per the latest finalised accounts)

During the last five years, the turnover of these PSUs fluctuated between ₹ 300.77 crore and ₹ 318.89 crore during 2014-15 to 2018-19, whereas the debt ranged between ₹ 10.39 crore and ₹ 43.06 crore during the same period. The debt-turnover ratio remained constant during the period from 2014-15 to 2016-17 and it increased to 0.05:1 during 2017-18 and to 0.14:1 during 2018-19.

4.3.16 Compliance audit paragraphs

In this Chapter on Government Commercial and Trading Activities, one paragraph on "Avoidable loss of revenue" on PIPDIC has been included. The said draft para was issued to the Secretary to Government (Industries) of UT of Puducherry and Under Secretary, Finance Department on 09 June 2020 with request to furnish replies within four weeks. Reply to the draft para is awaited from the UT Government. The financial impact of the para was ₹ 2.59 crore.

4.4 Loss of revenue

INDUSTRIES DEPARTMENT

PONDICHERRY INDUSTRIAL PROMOTION DEVELOPMENT AND INVESTMENT CORPORATION LIMITED

4.4.1 Avoidable loss of revenue

Injudicious decision of downward revision of sub-lease charges of industrial plots resulted in undue benefit to the allottees and loss of revenue of ₹ 2.59 crore to the Company during January 2016 to January 2019.

Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC) (Company) allots plots[28] to entrepreneurs in the various Industrial Estates[29] developed by it on premium lease[30] basis. The entrepreneurs/allottees construct buildings on the lease hold land and run the units. "No Objection Certificate" (NOC) is sought from Company for sub-leasing their units to third parties, in case the original allottee is unable to run the unit. The Company considers such requests on its merits and issues NOC to sub-lease the plots/sheds by collecting fair rent from the allottee. The Company Board decided (December 2001) that the allottee should pay 50 *per cent* of the fair rent as assessed by the Company as sub-lease charges for the entire period of sub-lease.

Pondicherry Chamber of Industries (PCI) requested (October 2014 and January 2015) the Company to issue the NOC for sub-leasing the plots without

[28] 'A' type: 1050 square meter (sq.m); 'B' type: 648 sq.m and 'C' type: 390 sq.m.

[29] Mettupalayam, Sedarpet, Kirumambakkam and Tirubuvanai.

[30] Lease for a period of 99 years.

collecting any charges. The request of PCI was examined by the Company and it was decided (March 2015) to compare the practice being followed in neighbouring States on the similar issue. Meanwhile, Government of Union Territory of Puducherry (UT Government) appointed (27 January 2015) two non-official Directors in the Board of the Company. Incidentally, one of the Directors is the Secretary of PCI. The request of PCI was discussed in the Board meeting held in May 2015 in which five[31] Directors participated. The Managing Director (MD) submitted the proposal stating that the original allottees were sub-leasing their premises to third parties purely for making personal gain and the collection of fair rent was a considered decision (December 2001) of the Board in the larger interest of the Company. MD further stated that the present sub-lease charges at 50 *per cent* of fair rent was more or less equivalent to the rates being charged by the Corporations in Tamil Nadu. During the discussion, the two non-official Directors wanted that NOC should be issued without insisting on fair rent as this has been acting as a disincentive for entrepreneurs. After discussions, the Board decided (May 2015) to reduce rates for sub-lease at a fixed rate of ₹ 15,000, ₹ 10,000 and ₹ 5,000 for A, B and C type plots respectively for three years. But, no justification was recorded for such steep reduction in the sub-lease charges. After reduction in the sub-lease charges, 30 allottees involving 69 plots applied for issue of NOC during the period January 2016 to January 2019. The Company issued NOC to these allottees by collecting sub-lease charges at reduced fixed rate totaling a sum of ₹ 9.73 lakh during January 2016 to January 2019.

During the Compliance Audit for the year 2018-19, audit observed (April 2019) the steep reduction lacked justification which led to undue benefit to the original allottees resulting in loss to the Company**.** The observations of audit were discussed in the Board Meeting held on 26 July 2019 wherein the Company restored the levy of sub-lease charges based on fair rent *i.e.,* at the rate of 50 *per cent* of fair rent. Accordingly, the fair rent was assessed at ₹ 5 per square feet and the sub-lease charges were fixed at the rate of ₹ 2 lakh, ₹ 1.25 lakh and ₹ 0.75 lakh *per annum* for A, B and C type plots respectively.

In this connection, Audit observed the following:

- In May 2015, the sub-lease charges based on the prevailing fair rent assessed by the Company was ₹ 1,62,696, ₹ 1,00,404 and ₹ 69,720 *per annum* for A, B and C type plots respectively. Against which the Company reduced the sub-lease charges at a fixed rate to ₹ 15,000, ₹ 10,000 and ₹ 7,500 *per annum* respectively which worked out to less than 10 *per cent* of the existing rates. Though the reduction was more than 90 *per cent* of the prevailing rates, no justification was recorded for such steep reduction and hence, the rationale behind the decision lacked financial prudence.

[31] Non-official Chairman appointed by UT Government, two non-official Directors, Managing Director and Secretary to Government (Industries), UT Government.

- As per Section 184 of the Companies Act, 2013, every Director shall at the first meeting of the Board in which he participates as a Director disclose his concern or interest in any company or companies or bodies corporate firms etc. A contract or arrangement entered into by the company without disclosure or with participation by a director who is concerned or interested in any way, directly or indirectly, in the contract or arrangement shall be voidable at the option of the company. It was noticed that both the non-official Directors who stressed for issue of NOC for sub-lease without insisting on fair rent were holding plots[32] in the Industrial Estates of Company either in their name or of their spouse. These non-official Directors did not disclose their interest in these plots while discussing the reduction of sub-lease charges in the Board Meeting which was in contravention of Section 184 of the Act. In the absence of such disclosure, the decision of the Board shall be voidable at the option of the Company. Though, the Company was aware of the fact of the interest of these non-official Directors in the plots and the possibility of gain on sub-lease of such plots on account of reduction in sub-lease charges, it failed to take cognisance of such interest and exercise the option to make the decision void. Under such circumstances, the possibility of collusion between the non-official Directors and officials of the Company could not be ruled out. By invoking the provisions of Companies Act, the Company could have continued to collect the sub-lease charges based on 50 *per cent* of fair rent and avoided the loss to the Company. But the reversal of the decision was made in only July 2019, at the instance of Audit.
- The steep reduction in the sub-lease charges which were applicable during the intervening period *i.e.,* January 2016 to January 2019 had resulted in loss of revenue amounting to ₹ 2.59 crore in issuing NOC to sub-lease the plots/sheds by collecting reduced rent from the allottees as detailed in **Appendix 4.5**.

Thus, the decision of downward revision of sub-lease charges of industrial plots made in May 2015 by the Board of Directors was injudicious which not only resulted in undue benefit to the allottees, but also loss of revenue of ₹ 2.59 crore to the Company.

The Company replied (July 2020) that the Board resolved in May 2015 to reduce the rates of sub-lease on the grounds that the prevailing rates of sub-lease has been acting as a disincentive for the entrepreneurs who aspire for setting up of industries in leased premises. Further, it stated that the industrial promotion in Puducherry was the notion behind this decision. The non-official directors had stated that they were not appointed as Independent

[32] Plots A 79 to 82 Plot A 86 in Mettupalayam Industrial Estate (MIE) and Plots C – 97,96 and 89 in MIE respectively.

Directors under Section 149 of the Companies Act, 2013 but they were appointed merely as a Director by Government of Puducherry and hence, the disclosure was not required.

The reply is not tenable as Section 184 of the Companies Act, 2013 stipulates that every director to disclose their interest in any company or companies or bodies corporate firms etc., and hence, their failure to disclose their interest in the industrial plots allotted by the Company was in contravention of the provisions of the Act. Further, the fact remains that the Company restored the sub-lease charges to pre-May 2015 level of collecting 50 *per cent* of fair rent in its Board meeting dated 26 July 2019 only at the instance of Audit observation highlighting the injudicious decision and the resultant loss to the Company. This decision of the Board had resulted in stoppage of further loss and proved that the downward revision in May 2015 was unreasonable and injudicious which resulted in undue benefit to the allottees and loss of revenue of ₹ 2.59 crore to the Company which was avoidable.

The reply of the Government was awaited (September 2020).

It is recommended that in future, while revising the sub-lease charges, the Company should take into account the prevailing fair rent. Further, the disclosure requirements by the Board of Directors as required in Companies Act, 2013 may strictly be adhered to.



Chennai,
The 05 Feb 2021

(**DEVIKA NAYAR**)
Principal Accountant General
(Audit - I), Tamil Nadu

Countersigned



New Delhi,
The 11 Feb 2021

(GIRISH CHANDRA MURMU)
Comptroller and Auditor General of India

Appendices

Appendix 1.1
(Reference: Paragraph 1.5.1; Page 4)
Details of IRs issued upto March 2019 and paragraphs pending as on September 2019

Sl. No.	Name of the Department/ Directorate/Societies	Inspection Reports	Paragraphs
1	Accounts and Treasuries	19	67
2	Adi-Dravidar Welfare	18	138
3	Agriculture	62	290
4	Animal Husbandry and Animal Welfare	12	58
5	Art and Culture	8	48
6	Backward Classes and Minorities	2	6
7	Civil Supplies and Consumer Affairs	16	92
8	Collegiate and Technical Education	74	322
9	Commercial Taxes	50	294
10	Co-operation	20	123
11	Economics and Statistics	1	1
12	Election	3	5
13	Electricity	40	180
14	Fire Service	2	11
15	Fisheries and Fishermen Welfare	26	90
16	Forest and Wild Life	4	12
17	Heads of State	13	56
18	Health and Family Welfare Services	82	334
19	Hindu Religious Institutions	5	27
20	Industries and Commerce	41	161
21	Information and Publicity	5	5
22	Information Technology	5	17
23	Jails	7	33
24	Labour and Employment	38	137
25	Law/Judicial	10	19
26	Local Administration	88	515

Sl. No.	Name of the Department/ Directorate/Societies	Inspection Reports	Paragraphs
27	Planning and Research	3	4
28	Police	13	76
29	Port	7	34
30	Public Works	111	626
31	Revenue and Disaster Management	187	623
32	Rural Development	30	151
33	Sainik Welfare	2	3
34	School Education	117	505
35	Science, Technology and Environment	6	12
36	Social Welfare	28	106
37	Stationery and Printing	3	9
38	Tourism	21	115
39	Town and Country Planning	23	120
40	Transport	62	243
41	Women and Child Development	21	83
Total		**1,285**	**5,751**

Appendix 2.1
(Reference: Paragraph 2.3.2.3 (iii) (b); Page 30)
Non-revision of testing charges for food samples - 2016-2019

(in ₹)

Sl. No.	Name of the Food Product	No. of food samples	Amount charged per sample	Total amount charged	Amount chargeable (₹ 1,000 per sample)	Short collection of revenue (6)−(5)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Weaning Food	800	100	80,000	8,00,000	7,20,000
2	Milk products	286	50	14,300	2,86,000	2,71,700
3	Water	358	50	17,900	3,58,000	3,40,100
4	Alcoholic Beverages	2,469	50	1,23,450	24,69,000	23,45,550
		3,841	100	3,84,100	38,41,000	34,56,900
		169	150	25,350	1,69,000	1,43,650
5	Rice	15	50	750	15,000	14,250
6	Grocery	18	50	900	18,000	17,100
Total		**7,956**		**6,46,750**	**79,56,000**	**73,09,250**

Appendix 3.1
(Reference: Paragraph 3.11.8.1; Page 44)
Registrations of vehicles with current addresses at Puducherry but permanent addresses in other States

(₹ in crore)

Current Address	No. of registration as per VAHAN Data	Range of Registration (days)		Total value of the Vehicles	Tax paid at Puducherry	Tax[1] to be paid at Origin State	Origin State (Permanent Address)
		Min	Max				
21/5, Erikarai Street, North Thulukanath Amman Nagar, Murungapakam, Mudaliarpet, Puducherry.	24	1	866	9.24	0.16	0.91	Tamil Nadu, Kerala, Andhra Pradesh, Karnataka
17, Nagammal Koil St, Angalamman Nagar, Muthialpet, Puducherry.	23	Same day	670	4.58	0.15	0.68	Tamil Nadu, Kerala, Andhra Pradesh, Karnataka
43, Pudhu Nagar, Abishegapakkam, Puducherry.	18	5	739	2.15	0.01	0.32	Tamil Nadu, Andhra Pradesh, Karnataka
74, Braminal Street, Mudaliarpet, Puducherry.	8	2	34	1.39	0.04	0.21	Tamil Nadu, Karnataka
3, Chettikulam Street, Thiruvalluvar Nagar, Muthialpet, Puducherry	44	1	1,071	3.13	0.04	0.36	Tamil Nadu, Andhra Pradesh, Karnataka, Kerala
Total	**117**			**20.49**	**0.40**	**2.48**	

[1] Rates of life time tax (On cost of vehicle):
Andhra Pradesh : 12 *per cent*; Karnataka : 17 *per cent*, Kerala : six *per cent*;
Tamil Nadu : 10 *per cent* on vehicles costing upto ₹ 10 Lakh and 15 *per cent* in other cases
Puducherry : Maximum of ₹ 8,000 based on unladen weight for vehicles costing upto ₹ 15 lakh, ₹ 50,000 for vehicles costing between ₹ 15 lakh to ₹ 20 lakh and ₹ one lakh in other cases.

Appendix 3.2
(Reference: Paragraph 3.11.9.1; Page 47)
Non-collection of tax and penalty

(In ₹)

Sl. No.	Vehicle number	class	Tax cycle	Rate of tax	Permit valid upto	Seating Capacity	Tax paid upto	No of Cycles tax not paid	Tax due	Tax paid	Short levy	Penalty	Total
1	PY02C5004	Maxi Cab	Annual	6500	07/11/2019	13	Mar-17	2	13,000	0	13,000	13,000	26,000
2	PY02Q3171	Maxi Cab	Annual	6500	17/07/2021	13	Mar-18	1	6,500	0	6,500	6,500	13,000
3	PY02Q3170	Maxi Cab	Annual	6500	17/07/2021	13	Mar-18	1	6,500	0	6,500	6,500	13,000
4	PY024935	Maxi Cab	Annual	6500	14/07/2018	13	Mar-18	1	6,500	0	6,500	6,500	13,000
5	PY05B0766	Maxi Cab	Annual	4500	10/07/2022	9	Mar-18	1	4,500	0	4,500	4,500	9,000
6	PY01AA4999	Motor Car	Annual	4500	31/03/2019	8	Mar-19	0	4,500	1,215	3,285	3,285	6,570
7	PY01AC5069	Maxi Cab	Annual	4500	30/06/2020	8	Mar-18	1	4,500	0	4,500	4,500	9,000
8	PY01BP5603	Maxi Cab	Annual	4500	03/04/2019	8	Mar-17	2	9,000	0	9,000	9,000	18,000
9	PY01BV2188	Motor Car	Annual	4500	03/08/2021	9	Mar-18	1	4,500	0	4,500	4,500	9,000
10	PY05C9526	Omni Bus	Quarterly	3000	17/08/2022	4	Sep-18	2	6,000	0	6,000	6,000	12,000
11	PY01K9993	goods vehicle	Quarterly	2400	30/06/2018	DNA	Jun-16	11	26,400	0	26,400	26,400	52,800
12	PY02D8789	goods vehicle	Quarterly	1200	31/08/2018	DNA	Mar-17	8	9,600	0	9,600	9,600	19,200
13	PY02K3211	goods vehicle	Quarterly	1200	31/03/2019	DNA	Mar-18	4	4,800	0	4,800	4,800	9,600
14	PY038613	goods vehicle	Quarterly	5400	31/03/2019	DNA	Mar-18	4	21,600	0	21,600	21,600	43,200
15	PY01AD7860	goods vehicle	Quarterly	1200	31/03/2019	DNA	Sep-18	2	2,400	0	2,400	2,400	4,800
16	PY01AF0927	goods vehicle	Quarterly	4200	31/03/2019	DNA	Jun-18	3	12,600	0	12,600	12,600	25,200

Sl. No.	Vehicle number	class	Tax cycle	Rate of tax	Permit valid upto	Seating Capacity	Tax paid upto	No of Cycles tax not paid	Tax due	Tax paid	Short levy	Penalty	Total
17	PY01AF2309	goods vehicle	Quarterly	1200	31/03/2019	DNA	Jun-18	3	3,600	0	3,600	3,600	7,200
18	PY01BM4117	goods vehicle	Quarterly	1700	31/03/2019	DNA	Dec-18	1	1,700	0	1,700	1,700	3,400
19	PY01C2932	goods vehicle	Quarterly	800	31/03/2019	DNA	Sep-18	2	1,600	0	1,600	1,600	3,200
20	PY01N0570	goods vehicle	Quarterly	800	31/03/2019	DNA	Jun-18	3	2,400	0	2,400	2,400	4,800
21	PY01X7232	goods vehicle	Quarterly	1200	31/03/2019	DNA	Dec-18	1	1,200	0	1,200	1,200	2,400
22	PYT0507	goods vehicle	Quarterly	2400	31/03/2019	DNA	Dec-18	1	2,400	0	2,400	2,400	4,800
23	PY05B4180	Bus	Quarterly	43000	21/12/2021	27	Jun-17	7	3,01,000	0	3,01,000	3,01,000	6,02,000
24	PY05B2296	Bus	Quarterly	46000	11/06/2021	27	Sep-18	2	92,000	0	92,000	92,000	1,84,000
25	PY05E1868	Bus	Quarterly	32000	17/04/2023	27	Jun-18	3	96,000	0	96,000	96,000	1,92,000
26	PY05C3435	Bus	Quarterly	35000	04/05/2022	27	Dec-18	1	35,000	0	35,000	35,000	70,000
27	PY05C7575	Bus	Quarterly	35000	04/05/2022	27	Dec-18	1	35,000	0	35,000	35,000	70,000
28	PY01CS5353	Bus	Quarterly	40000	21/03/2023	27	Jun-18	3	1,20,000	0	1,20,000	1,20,000	2,40,000
29	PY01CS6363	Bus	Quarterly	40000	21/03/2023	27	Jun-18	3	1,20,000	0	1,20,000	1,20,000	2,40,000
30	PY01BT9991	Bus	Quarterly	29000	21/08/2019	27	Sep-18	2	58,,000	0	58,000	58,000	1,16,000
31	PY01CM9993	Bus	Quarterly	35000	29/06/2021	27	Dec-18	1	35,000	0	35,000	35,000	70,000
32	PY02N6998	Bus	Quarterly	48000	23/06/2024	5	Mar-17	8	3,84,000	960	3,83,040	3,83,040	7,66,080
Total									**14,31,800**	**2,175**	**14,29,625**	**14,29,625**	**28,59,250**

Appendix 3.3
(Reference: Paragraph 3.12; Page 57)
Instruments of simple / equitable mortgage were executed in favour of banks / entities other than Nationalised Banks and Registered Co-operative Societies

(In ₹)

Sl. No.	Name of the office	Mortgage Document No.	Name of the Bank	Sale Document No	Value of sale deed	Concession availed
1	SR Oulgaret	5003/2017	BAJAJ FINANCE LTD	4351/2014	35,00,000	1,75,000
2	SR Oulgaret	15919/2017	BAJAJ HOUSING FINANCE LTD	5711/2016	25,00,000	1,25,000
3	SR Oulgaret	2038/2018	BAJAJ FINANCE LTD	23290/2015	24,00,000	1,20,000
4	SR Oulgaret	15930/2017	HDFC LTD	15912/2017	49,80,000	2,49,000
5	SR Oulgaret	17782/2017	HDFC LTD	17776/2017	60,00,000	3,00,000
6	SR Oulgaret	17787/2017	HDFC LTD	17778/2017	16,56,000	82,800
7	SR Oulgaret	1585/2018	HDFC LTD	5153/2014	18,00,000	90,000
8	SR Oulgaret	2531/2018	HDFC LTD	2478/2018	21,00,000	1,05,000
9	SR Oulgaret	4950/2018	HDFC LTD	16943/2015	3,90,000	19,500
10	SR Oulgaret	5110/2018	HDFC LTD	3456/2018	60,00,000	3,00,000
11	SR Oulgaret	5345/2018	HDFC LTD	4587/2015	6,92,000	34,600
12	SR Oulgaret	6385/2018	HDFC LTD	6238/2018	40,00,000	2,00,000
13	SR Oulgaret	6726/2018	HDFC LTD	11583/2015	30,90,000	1,54,500
14	SR Oulgaret	14469/17	AXIS Bank Ltd	7544/17	35,93,000	1,79,650
15	SR Oulgaret	16252/17	India Bulls Housing Finance Ltd	16238/17	30,00,000	1,50,000

Sl. No.	Name of the office	Mortgage Document No.	Name of the Bank	Sale Document No	Value of sale deed	Concession availed
16	SR Oulgaret	9290/17	Tata Capital Housing Finance Ltd	22228/2015	51,40,000	2,57,000
17	SR Oulgaret	594/18	Tata Capital Housing Finance Ltd	25550/15	35,00,000	1,75,000
18	SR Oulgaret	2420/18	Tata Capital Housing Finance Ltd	20200/16	80,00,000	4,00,000
19	SR Oulgaret	1366/18	Muthoot Housing Finance	1425/14	4,20,000	21,000
20	SR Oulgaret	13465/17	Sundaram BNP Paribas Home finance	469/13	1,12,00,000	5,60,000
21	SR Oulgaret	3797/18	Sundaram BNP Paribas Home finance	1664/14	13,05,000	65,250
22	SR Oulgaret	6719/2018	South Indian Bank Ltd.	17685/2016	3,09,50,000	15,47,500
23	SR Oulgaret	11362/2017	Shriram City Union Finance Ltd	10713/2015	27,75,000	1,38,750
				10715/2015	27,75,000	1,38,750
24	SR Oulgaret	6726/2018	HDFC Ltd	11583/2015	30,90,000	1,54,500
25	SR Oulgaret	4136/2018	Tamil Nadu Mercantile Bank Ltd	8494/2017	49,50,000	2,47,500
26	DR Puducherry	14961/2017	HDFC LTD	14960/2017	16,00,000	80,000
27	DR Puducherry	6357/2018	HDFC LTD	6340/2018	56,30,000	2,81,500
28	DR Puducherry	6300/2018	HDFC LTD	6255/2018	49,00,000	2,45,000
29	DR Puducherry	5322/2018	HDFC LTD	5309/2018	28,00,000	1,40,000
30	DR Puducherry	4897/2018	HDFC LTD	4894/2018	12,00,000	60,000
31	DR Puducherry	4076/2018	HDFC LTD	4074/2018	60,00,000	3,00,000
32	DR Puducherry	3054/2018	HDFC LTD	2974/2018	15,15,000	75,750
33	DR Puducherry	2477/2018	HDFC LTD	2441/2018	60,00,000	3,00,000

Sl. No.	Name of the office	Mortgage Document No.	Name of the Bank	Sale Document No	Value of sale deed	Concession availed
34	DR Puducherry	975/2018	HDFC LTD	968/2018	15,00,000	75,000
35	DR Puducherry	495/2018	HDFC LTD	412/2018	30,44,000	1,52,200
36	DR Puducherry	125/2018	HDFC LTD	113/2018	20,00,000	1,00,000
37	DR Puducherry	17815/2017	HDFC LTD	11485/2017	18,50,000	92,500
38	DR Puducherry	15619/2017	HDFC LTD	15415/2017	4,20,000	21,000
39	DR Puducherry	15618/2017	HDFC LTD	14299/2017 & 14301/2017	86,76,000	4,33,800
40	DR Puducherry	15501/2017	HDFC LTD	15478/2017	44,00,000	2,20,000
41	DR Puducherry	15152/2017	HDFC LTD	15151/2017	25,00,000	80,000
42	DR Puducherry	14702/2017	HDFC LTD	14665/2017	25,31,000	1,26,550
43	DR Puducherry	16524/2017	ICICI BANK LTD	22233/2016	39,00,000	1,95,000
44	DR Puducherry	3646/2018	ICICI BANK LTD	3641/18	1,00,00,000	5,00,000
45	DR Puducherry	6946/2018	ICICI BANK LTD	11302/2017	27,72,000	1,38,600
46	DR Puducherry	5660/2018	ICICI BANK LTD	2197/2014	18,00,000	90,000
47	DR Puducherry	3538/2018	ICICI BANK LTD	3533/2018	90,00,000	4,50,000
48	DR Puducherry	6617/2018	LIC HOUSING FINANCE LTD	5729/2018	1,08,14,000	5,40,700
49	DR Puducherry	14510/2017	LIC HOUSING FINANCE LTD	14499/2017	75,00,000	3,75,000
50	DR Puducherry	13334/2018	REPCO HOME FINANCE LTD	1122/2014, 1123/2014 & 1124/2014	77,40,000	3,87,000

Sl. No.	Name of the office	Mortgage Document No.	Name of the Bank	Sale Document No	Value of sale deed	Concession availed
51	DR Puducherry	13209/2017	REPCO HOME FINANCE LTD	13194/2017	60,00,000	3,00,000
52	DR Puducherry	2710/2018	REPCO HOME FINANCE LTD	927/2018	1,75,00,000	8,75,000
53	DR Puducherry	6754/2018	PNB HOUSING FINANCE LTD	6752/2018	70,00,000	3,50,000
54	DR Puducherry	18072/2017	SHRIRAM CITY UNION FINANCE LTD	4354/2013	22,50,000	1,12,500
55	DR Puducherry	4013/2018	CAPITAL FIRST HOME FINANCE LTD	4004/2018	58,00,000	2,90,000
56	DR Puducherry	9240/2017	CAN FIN HOME LTD	9165/2017	54,95,000	2,64,750
57	DR Puducherry	13204/2017	INDUSIND BANK LTD	3096/2016	10,84,000	54,200
58	DR Puducherry	13493/2017	CITY UNION BANK LTD	3129/2013	18,75,000	93,750
59	DR Puducherry	2419/2018	CITY UNION BANK LTD	8966/2017	13,31,000	66,550
60	DR Puducherry	16334/2017	CITY UNION BANK LTD	19130/2015	13,00,000	65,000
61	DR Puducherry	3169/2018	CITY UNION BANK LTD	1969/2018	27,00,000	1,35,000
62	DR Puducherry	17175/2017	CAN FIN HOME LTD	17170/2017	18,75,000	93,750
63	DR Puducherry	17799/2017	CAN FIN HOME LTD	15173/2017	8,50,000	42,500
64	DR Puducherry	6048/2018	INDIABULLS HOUSING FINANCE LTD	6011/2018	42,00,000	2,10,000
65	DR Puducherry	9540/2017	CAN FIN HOME LTD	2866/2013	7,20,000	36,000
Total					**28,98,78,000**	**1,44,38,900**

Appendix 3.4
(Reference: Paragraph 3.12; Page 57)
Instruments of power of attorney / conveyance were executed in favour of male members

(In ₹)

Sl. No.	Name of the office	Nature of document	Document No	Date of Registration	50 *per cent* availed Sale Document No.	Date of Registration	Value of sale deed	50 *per cent* Concession availed
1	SR Oulgaret	Conveyance	4571/2017	07.04.2017	3285/2014	28.08.2014	45,00,000	2,25,000
2	SR Oulgaret	Conveyance	1912/2018	31.01.2018	3106/2014	20.08.2014	11,90,000	59,500
3	SR Oulgaret	Conveyance	11711/2017	30.08.2017	4485/2014	10.11.2014	36,00,000	1,80,000
4	SR Oulgaret	Conveyance	10740/2017	09.08.2017	4998/2013	01.11.2013	35,50,000	1,77,500
5	SR Oulgaret	Conveyance	10466/2017	04.08.2017	5130/2016	07.03.2016	8,64,000	43,200
6	DR Puducherry	Irrevocable Power of attorney	1360/B4/2017	21.09.2017	4594/2014	30.10.2014	17,10,000	85,500
Total							**1,54,14,000**	**7,70,700**

Appendix 4.1
(Reference: Paragraphs 4.2.8, 4.2.9.3 and 4.3.9; Pages 66, 71 and 80)
Summarised financial position and working results of Government companies as per their latest finalised financial statements/accounts (including Power Sector)

(Figures in Column (5) to (11) are ₹ in crore)

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit(+)/ loss(-) before interest and tax	Net profit(+)/ loss(-) after interest and tax	Turnover	Paid-up capital	Capital employed	Net worth	Accumulated profit(+)/ loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
I	**Other than Power Sector**									
	A. Social Sector									
1	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2013-14	2018-19	(-) 6.54	(-) 7.23	160.39	9.93	(-) 17.05	(-) 17.19	(-) 27.12
2	Puducherry Adi dravidar Development Corporation Limited (PADCO)	2015-16	2017-18	2.66	2.53	1.51	14.86	4.25	2.84	(-) 12.02
3	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	2016-17	2019-20	(-) 8.35	(-) 8.81	0.68	3.82	4.68	(-) 9.68	(-) 13.5
4	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2013-14	2019-20	1.66	1.23	1.61	4.50	31.23	6.8	2.30
	Sector-wise total (A)			**(-) 10.57**	**(-) 12.28**	**164.19**	**33.11**	**23.11**	**(-) 17.23**	**(-) 50.34**
	B. Competitive Sector									
	Working Government companies									
5	Puducherry Agro Service and Industries Corporation Limited(PASIC)	2012-13	2017-18	(-) 1.28	(-) 1.28	25.16	15.00	(-) 21.97	(-) 21.97	(-) 36.97
6	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2016-17	2017-18	(-) 4.80	(-) 4.80	7.25	112.57	113.59	113.59	1.02

Sl. No.	Sector/Name of the Company	Period of accounts	Year in which accounts finalised	Net profit(+)/ loss(-) before interest and tax	Net profit(+)/ loss(-) after interest and tax	Turnover	Paid-up capital	Capital employed	Net worth	Accumulated profit(+)/ loss(-)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
7	Puducherry Tourism Development Corporation Limited (PTDC)	2017-18	2019-20	(-) 0.91	(-) 1.03	18.41	17.59	(-) 10.27	(-) 10.27	(-) 27.86
8	Puducherry Road Transport Corporation Limited (PRTC)	2014-15	2019-20	(-) 5.29	(-) 5.29	32.16	34.78	(-) 6.19	(-) 8.91	(-) 43.69
9	Pondicherry Textile Corporation Limited (PONTEX)	2015-16	2017-18	(-) 10.78	(-) 27.31	7.02	367.35	(-) 206.35	(-) 206.35	(-) 573.70
10	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2009-10	2012-13	(-) 9.59	(-) 11.36	10.52	28.21	(-) 14.58	(-) 14.58	(-) 42.79
	Sub total			**(-) 32.65**	**(-) 51.07**	**100.52**	**575.50**	**(-) 145.77**	**(-) 148.49**	**(-) 723.99**
	Non functional Government Company									
11	Pondicherry Electronics Limited (PELECON)	--	--	--	--	--	--	--	--	--
	Sub total	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	Sector-wise total (B)			**(-) 32.65**	**(-) 51.07**	**100.52**	**575.50**	**(-) 145.77**	**(-) 148.49**	**(-) 723.99**
	C. Other Sector									
12	Puducherry Distilleries Limited (PDL)	2013-14	2016-17	6.93	4.95	36.06	8.45	51.30	51.30	42.85
	Sector-wise total (C)			**6.93**	**4.95**	**36.06**	**8.45**	**51.30**	**51.30**	**42.85**
	Other than Power Sector Total (A+B+C)			**(-) 36.29**	**(-) 58.40**	**300.77**	**617.06**	**(-) 71.36**	**(-) 114.42**	**(-) 731.48**
II	**D. Power Sector**									
13	Puducherry Power Corporation Limited (PPCL)	2017-18	2019-20	1.87	0.64	75.66	99.78	134.08	134.08	34.30
	Sector-wise total (D)			**1.87**	**0.64**	**75.66**	**99.78**	**134.08**	**134.08**	**34.30**
Grand total (A+B+C+D)				**(-) 34.42**	**(-) 57.76**	**376.43**	**716.84**	**62.72**	**19.66**	**(-) 697.18**

(Source: Audited Annual Accounts)

Appendix 4.2
(Reference: Paragraph 4.3.3; Page 74)
Summarised statement showing position of equity and outstanding loans relating to State PSUs (including Power Sector) as on 31 March 2019

(Figures in Column 5 to 12 are ₹ in crore)

Sl. No.	Sector/Name of the Company	Name of the Department	Month and year of incorporation	Equity at the close of the year 2018-19				Long-term loans outstanding at the end of the year 2018-19			
				UT Govern-ment	GoI	Others	Total	UT Govern-ment	GoI	Others	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
I	**Other than Power Sector**										
	A. Social Sector										
1	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	Civil Supplies and Consumer Affairs	27 September 1990	9.88	--	0.05	9.93	0.14	--	0.00	0.14
2	Puducherry Adi dravidar Development Corporation Limited (PADCO)	Welfare	26 September 1986	13.18	1.68	--	14.86	--	1.41	--	1.41
3	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	Welfare	31 March 1993	3.82	--	--	3.82	--	14.36	--	14.36
4	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	Welfare	31 March 1999	4.50	--	--	4.50	--	24.43	--	24.43
	Sector-wise total (A)			**31.38**	**1.68**	**0.05**	**33.11**	**0.14**	**40.20**	**0.00**	**40.34**
	B. Competitive Sector										
	Working Government companies										
5	Puducherry Agro Service and Industries Corporation Limited (PASIC)	Agriculture	26 March 1986	15.00	--	--	15.00	--	--	--	--
6	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	Industries	17 April 1974	104.03	--	8.54	112.57	--	--	--	--

Sl. No.	Sector/Name of the Company	Name of the Department	Month and year of incorporation	Equity at the close of the year 2018-19				Long-term loans outstanding at the end of the year 2018-19			
				UT Govern-ment	GoI	Others	Total	UT Govern-ment	GoI	Others	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
7	Puducherry Tourism Development Corporation Limited (PTDC)	Tourism	1 April 2005	17.59	--	--	17.59	--	--	--	--
8	Puducherry Road Transport Corporation Limited (PRTC)	Transport	19 February 1986	34.78	--	--	34.78	2.72	--	--	2.72
9	Pondicherry Textile Corporation Limited (PONTEX)	Industries	25 November 1985	367.35	--	--	367.35	--	--	--	--
10	Swadeshee-Bharathee Textile Mills Limited (SBTML)	Industries	4 July 2005	28.21	--	--	28.21	--	--	--	--
	Sub total (a)			**566.96**	**--**	**8.54**	**575.50**	**2.72**	**--**	**--**	**2.72**
	Non functional Government Company										
11	Pondicherry Electronics Limited (PELECON)	Industries	7 December 1982	--	--	--	--	--	--	--	--
	Sub total (b)			**--**	**--**	**--**	**--**	**--**	**--**	**--**	**--**
	Sector-wise total B=(a+b)			**566.96**	**--**	**8.54**	**575.50**	**2.72**	**--**	**--**	**2.72**
	C. Other Sector										
12	Puducherry Distilleries Limited (PDL)	Industries	8 December 1971	8.45	--	--	8.45	--	--	--	--
	Sector-wise total (C)			**8.45**	**--**	**--**	**8.45**	**--**	**--**	**--**	**--**
	Other than Power Sector Total (A+B+C)			**606.79**	**1.68**	**8.59**	**617.06**	**2.86**	**40.20**	**--**	**43.06**
II	**D. Power Sector**										
1	Puducherry Power Corporation Limited (PPCL)	Electricity	30 March 1993	99.78	--	--	99.78	--	--	--	--
	Sector-wise total (D)			**99.78**	**--**	**--**	**99.78**	**--**	**--**	**--**	**--**
Grand total (A+B+C+D)				**706.57**	**1.68**	**8.59**	**716.84**	**2.86**	**40.20**	**--**	**43.06**

(Source: Details furnished by PSUs/ Annual Accounts)

Appendix 4.3
(Reference: Paragraph 4.3.6; Page 78)
Details of arrears in accounts in respect of PSUs (including Power Sector)

Sl. No.	Name of the Public Sector Undertaking	Year completed	Arrears	Number of accounts in arrears
I	**Other than Power Sector**			
A.	**Social Sector**			
1	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2013-14	2014-15 to 2018-19	5
2	Puducherry Adi dravidar Development Corporation Limited (PADCO)	2015-16	2016-17 to 2018-19	3
3	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	2017-18	2018-19	1
4	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2014-15	2015-16 to 2018-19	4
B.	**Competitive Sector**			
5	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2012-13	2013-14 to 2018-19	6
6	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2016-17	2017-18 and 2018-19	2
7	Puducherry Tourism Development Corporation Limited (PTDC)	2017-18	2018-19	1
8	Puducherry Road Transport Corporation Limited (PRTC)	2014-15	2015-16 to 2018-19	4
9	Pondicherry Textile Corporation Limited (PONTEX)	2015-16	2016-17 to 2018-19	3
10	Swadeshee- Bharathee Textile Mills Limited (SBTML)	2009-10	2010-11 to 2018-19	9
C.	**Other Sector**			
11	Puducherry Distilleries Limited (PDL)	2013-14	2014-15 to 2018-19	5
II	**Power Sector**			
1	Puducherry Power Corporation Limited (PPCL)	2017-18	2018-19	1
Total				**44**

(Source: Audited Annual Accounts)

Appendix 4.4
(Reference: Paragraph 4.3.8; Page 79)
Statement showing investments made by Union Territory Government in PSUs whose accounts are in arrears (including Power Sector)

(Figures in columns 4 and 6 to 8 are ₹ in crore)

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by UT Government during the year on which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
I	**Other than Power Sector**						
	A. Social Sector						
1	Puducherry Agro Products, Food and Civil Supplies Corporation Limited (PAPSCO)	2013-14	9.93	2014-15 to 2018-19	--	--	--
2	Puducherry Adi dravidar Development Corporation Limited (PADCO)	2015-16	14.86	2016-17 to 2018-19	--	3.00	14.28
3	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited (PCDWDAP)	2017-18	3.82	2018-19	--	--	43.39
4	Puducherry Backward Classes and Minorities Development Corporation Limited (PBCMDCL)	2014-15	4.50	2015-16 to 2018-19	--	--	--
	Sector-wise total (A)				**--**	**3.00**	**57.67**
	B. Competitive Sector						
5	Puducherry Agro Service and Industries Corporation Limited (PASIC)	2012-13	15.00	2013-14 to 2018-19	--	--	0.20
6	Pondicherry Industrial Promotion Development and Investment Corporation Limited (PIPDIC)	2016-17	112.58	2017-18 and 2018-19	--	--	--

Sl. No.	Name of the Public Sector Undertaking	Year upto which accounts finalised	Paid-up capital	Period of accounts pending finalisation	Investment made by UT Government during the year on which accounts are in arrears		
					Equity	Loans	Grants
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
7	Puducherry Tourism Development Corporation Limited (PTDC)	2017-18	17.59	2018-19	--	--	1.60
8	Puducherry Road Transport Corporation Limited (PRTC)	2014-15	34.78	2015-16 to 2018-19	--	2.72	4.96
9	Pondicherry Textile Corporation Limited (PONTEX)	2015-16	367.35	2016-17 to 2018-19	--	--	12.83
10	Swadeshee-Bharathee Textile Mills Limited (SBTML)	2009-10	28.21	2010-11 to 2018-19	--	--	--
	Sector-wise total (B)				--	**2.72**	**19.59**
	C. Other Sector						
11	Puducherry Distilleries Limited (PDL)	2013-14	8.45	2014-15 to 2018-19	--	--	--
	Sector-wise total (C)				**--**	**--**	**--**
	Other than Power Sector Total (A+B+C)				--	**5.72**	**77.26**
II	**D. Power Sector**						
1	Puducherry Power Corporation Limited (PPCL)	2017-18	99.78	2018-19	--	--	--
	Sector-wise total (D)				**--**	**--**	**--**
	Grand total (A+B+C+D)				**--**	**5.72**	**77.26**

Appendix 4.5
(Reference: Paragraph 4.4.1; Page 94)
Statement showing loss to PIPDIC due to downward revision of sub-lease charges of industrial plots during January 2016 to January 2019

Sl. No.	Original alottee name	Sub leased to	IE name and Type of plot and Plan Number	Area of Plots in Sq.m	Area of plot - equivalent in Sq.ft (Sq.m x 10.76)	Fixed charges collected (in ₹)@	NOC issued Date	NOC Date From - to	No. of plots sub leased	Aprroximate area of building Sq.ft ##	50% of fair rent assessed by PIPDIC (in ₹) $$	Sub-lease period (no. of months upto July 2019)@@	Sub-lease charges to be collected (col 12 * col 13) (in ₹)^	Loss of revenue (col 14 - col 7) (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
1	D.D. Globbex	Gulf India Minerals	SIE B-2	648	6,972.48	10,000	25-01-2016	19-01-2016 to 18-01-2019	1	4,183.488	8,367	41	3,43,046	3,33,046
2	Golecha Electro Stampings	Sivam Plastics	MIE A-62	1,050	11,298.00	15,000	02-02-2016	14-07-2015 to 13-07-2018	1	6,778.800	13,558	36	4,88,074	4,73,074
3	Premier Polymers	Swastik Filaments (P) Ltd	MIE A-124	1,050	11,298.00	15,000	01-03-2016	01-03-2016 to 28-02-2019	1	6,778.800	13,558	41	5,55,862	5,40,862
4	Commonwealth Pharmaceuticals	Redcross Laboratory	TIE A-32	1,050	11,298.00	15,000	04-03-2016	01-03-2016 to 28-02-2019	1	6,778.800	13,558	41	5,55,862	5,40,862
5	G. Geetha Rosalind/ Jayam Plastics	Balaji Polymer	MIE B-146	648	6,972.48	10,000	27-05-2016	01-05-2015 to 30-04-2018	1	4,183.49	8,367	51	4,26,716	4,16,716
6	Heramba Industries	Tofis Enterprise	MIE B-168	648	6,972.48	10,000	15-06-2016	01-03-2016 to 28-02-2019	1	4,183.49	8,367	41	3,43,046	3,33,046

Sl. No.	Original alottee name	Sub leased to	IE name and Type of plot and Plan Number	Area of Plots in Sq.m	Area of plot - equivalent in Sq.ft (Sq.m x 10.76)	Fixed charges collected (in ₹)@	NOC issued Date	NOC Date From - to	No. of plots sub leased	Aprroximate area of building Sq.ft ##	50% of fair rent assessed by PIPDIC (in ₹) ss	Sub-lease period (no. of months upto July 2019)@@	Sub-lease charges to be collected (col 12 * col 13) (in ₹)^	Loss of revenue (col 14 - col 7) (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
7	Jeevananthan Polymer	Puduvai Pasum Pall	SIE B-58	648	6,972.48	10,000	23-06-2016	01-05-2016 to 30-04-2019	1	4,183.49	8,367	39	3,26,312	3,16,312
8	Nova Soap Works	Vijaya-ganapathy Polymer	MIE B-126	648	6,972.48	10,000	05-07-2016	01-04-2016 to 31-03-2019	1	4,183.49	8,367	40	3,34,679	3,24,679
9	Agaram Creative Works	Mandala Apparels (P) Ltd	MIE A-24 & A-25	2,100	22,596.00	30,000	14-07-2016	01-06-2016 to 31-05-2019	2	13,557.60	27,115	38	10,30,378	10,00,378
10	S.K. Leathers (P) Ltd	Lakshmi Industries	MIE B-39	648	6,972.48	10,000	26-07-2016	15-06-2016 to 14-05-2019	1	4,183.49	8,367	36	3,01,211	2,91,211
11	Kiran Polymers	Accel Plastics	MIE B-152	648	6,972.48	10,000	03-10-2016	26-09-2016 to 25-09-2019	1	4,183.49	8,367	36	3,01,211	2,91,211
12	New Naveena Industries	V care Pharcos	TIE B-13	648	6,972.48	10,000	18-04-2017	NA	1	4,183.49	8,367	36	3,01,211	2,91,211
13	Crimson Metal Engineering Company Ltd	Ganges International (P) Ltd	SIE A-73-78, B-73-86, B- 89-95, B-98-104	27,594	2,96,911.44	3,70,000	07-06-2017	29-03-2017 to 28-03-2020	34	1,78,146.86	3,56,294	36	1,28,26,574	1,24,56,574

Sl. No.	Original alottee name	Sub leased to	IE name and Type of plot and Plan Number	Area of Plots in Sq.m	Area of plot - equivalent in Sq.ft (Sq.m x 10.76)	Fixed charges collected (in ₹)[@]	NOC issued Date	NOC Date From - to	No. of plots sub leased	Aprroximate area of building Sq.ft [##]	50% of fair rent assessed by PIPDIC (in ₹) [$$]	Sub-lease period (no. of months upto July 2019)[@@]	Sub-lease charges to be collected (col 12 * col 13) (in ₹)[^]	Loss of revenue (col 14 - col 7) (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
14	Sai Plastics	5-S Services	SIE A-34	1,170	12,589.20	50,000	18-07-2017	17-07-2017 to 16-07-2020	1	7,553.52	15,107	36	5,43,853	4,93,853
15	R V Electro Tech	Accent Pharma	MIE B-118	648	6,972.48	10,000	07-08-2017	15-07-2017 to 14-07-2020	1	4,183.49	8,367	36	3,01,211	2,91,211
16	Radhakrishnan Associates	The Schumacher India (P) Ltd.	MIE B-9 - 11	1,944	20,917.44	30,000	28-08-2017	17-08-2017 to 16-08-2020	3	12,550.46	25,101	36	9,03,633	8,73,633
17	Sri Venkateswara Dhall and Fried Gram Mills	K A G India (P) Ltd	MIE A-5	1,050	11,298.00	1,27,800	13-09-2017	11-11-2016 to 10-11-2017	1	6,778.80	13,558	36	4,88,074	3,60,274
18	Sansar Industries	Saptagiri Multipack	MIE A-101	1,050	11,298.00	15,000	02-11-2017	16-09-2017 to 15-09-2020	1	6,778.80	13,558	36	4,88,074	4,73,074
19	Golecha Electro Stampings	Padmavathi Engineering Works	MIE A-62	1,050	11,298.00	15,000	14-12-2017	NA to 13-07-2018	1	6,778.80	13,558	20	2,71,152	2,56,152
20	Silicon (India) Private Ltd	Texx One Private Ltd	MIE A-47	1,050	11,298.00	15,000	05-01-2018	01-06-2017 to 31-05-2020	1	6,778.80	13,558	36	4,88,074	4,73,074

Sl. No.	Original alottee name	Sub leased to	IE name and Type of plot and Plan Number	Area of Plots in Sq.m	Area of plot - equivalent in Sq.ft (Sq.m x 10.76)	Fixed charges collected (in ₹)@	NOC issued Date	NOC Date From - to	No. of plots sub leased	Aprroximate area of building Sq.ft ##	50% of fair rent assessed by PIPDIC (in ₹) $$	Sub-lease period (no. of months upto July 2019)@@	Sub-lease charges to be collected (col 12 * col 13) (in ₹)^	Loss of revenue (col 14 - col 7) (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
21	Electronic & Controls Power Systems (P) Ltd	Standard Polymers	MIE A-95	1,050	11,298.00	30,000	18-01-2018	16-01-2018 to 15-01-2021	1	6,778.80	13,558	36	4,88,074	4,58,074
22	R V & Company	Steel Vac Industries	SIE B-17	648	6,972.48	10,000	19-01-2018	27-12-2017 to 26-12-2020	1	4,183.49	8,367	36	3,01,211	2,91,211
23	S.K. Leathers (P) Ltd	Udayam Chemicals	MIE B-39	648	6,972.48	10,000	30-04-2018	01-02-2018 to 31-01-2021	1	4,183.49	8,367	36	3,01,211	2,91,211
24	T V K Industries - R and S Precision Electronics (P) Ltd	R G Precision	TIE B-2	648	6,972.48	10,000	14-05-2018	01-04-2018 to 31-03-2021	1	4,183.49	8,367	36	3,01,211	2,91,211
25	R and S Precision Electronics (P) Ltd	Texx One (P) Ltd	MIE A-114 & A-118	2,100	22,596.00	30,000	26-06-2018	01-04-2018 to 31-03-2021	2	13,557.60	27,115	36	9,76,147	9,46,147
26	Saptagiri Multi Pack	SwaashPET Polymers (P) Ltd	TIE A-56 & A-57	2,100	22,596.00	30,000	10-08-2018	23-07-2018 to 22-07-2021	2	13,557.60	27,115	36	9,76,147	9,46,147
27	K Vijayaraghavan Annamalayar Indl wrks	Tube Craft	MIE NA	450	4,842.00	10,000	29-08-2018	03-08-2018 to 02-08-2020	1	2,905.20	5,810	24	1,39,450	1,29,450

Sl. No.	Original alottee name	Sub leased to	IE name and Type of plot and Plan Number	Area of Plots in Sq.m	Area of plot - equivalent in Sq.ft (Sq.m x 10.76)	Fixed charges collected (in ₹)[@]	NOC issued Date	NOC Date From - to	No. of plots sub leased	Aprroximate area of building Sq.ft [##]	50% of fair rent assessed by PIPDIC (in ₹) [$$]	Sub-lease period (no. of months upto July 2019)[@@]	Sub-lease charges to be collected (col 12 * col 13) (in ₹)[^]	Loss of revenue (col 14 - col 7) (in ₹)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
28	Karthik Chemical Industries	Sri Vishnu Packaging	MIE A-61	1,050	11,298.00	15,000	24-09-2018	11-09-2018 to 10-09-2021	1	6,778.80	13,558	36	4,88,074	4,73,074
29	R and S Precision Electronics (P) Ltd	Saptagiri Multipack	MIE A-114 & A-118	2,100	22,596.00	30,000	01-12-2018	01-12-2018 to 30-11-2021	2	13,557.60	27,115	36	9,76,147	9,46,147
30	T Vasanthi, K L Plastic Industries	Vel Agro Products	MIE B-37	648	6,972.48	10,000	11-01-2019	10-01-2019 to 09-01-2022	1	4,183.49	8,367	36	3,01,211	2,91,211
Total						**9,72,800**			**69**	**3,70,780.99**	**7,41,562**		**2,68,67,135**	**2,58,94,335**

Say ₹ 2.59 crore

@ Fixed charges taken as per the NOC letter issued by the company

^ Equivalent rent calculated upto July 2019 (Col. 14)

Constructed on the plot as derived by audit (60 *per cent* of areas subleased in Sq.ft of Col. 6)

$$ At the rate of ₹ 2 per sq.ft per month prevailed in May 2015 (Col. 11* ₹ 2)

@@ The higher of the period of sub-lease as per NOC or number of months upto July 2019

NA Not Available

Glossary of abbreviations

Abbreviations	Full form
AGM	Annual General Meeting
AMVI	Assistant Motor Vehicle Inspector
AO	Adjudicating Officer
ARAI	Automotive Research Association of India
ATN	Action Taken Note
BHOG	Blissful Hygienic Offering to God
CAC	Central Advisory Committee
CAG	Comptroller and Auditor General of India
CAGR	Compounded Annual Growth Rate
CE	Chief Engineer
CGST Act	Central Goods and Services Tax Act
CIRT	Central Institute of Road Transport, Pune
CMV Rules	Central Motor Vehicles Rules, 1989
CPWD	Central Public Works Department
CRZ	Coastal Regulation Zone
CS	Competitive Sector
CTD	Commercial Taxes Department
DFDT	Department of Food and Drug Testing
DFS	Department of Food Safety
DPR	Detailed Project Report
DO	Designated Officer
DPC Act	CAG's (Duties, Powers and Conditions of Service) Act
EBIT	Earnings Before Interest and Taxes
EE	Executive Engineer
FBOs	Food Business Operators
FLRS	Food Licensing and Registration System
FSO	Food Safety Officer
FSSAI	Food Safety and Standards Authority of India
GC	Gas Chromatograph
GoI	Government of India

Abbreviations	Full form
GSDP	Gross State Domestic Product
H&FW	Health and Family Welfare
HSRP	High Security Registration Number Plates
I & C Centre	Inspection & Certification Centers
IAW	Internal Audit Wing
ICP	Inductively Coupled Plasma Spectrometer
ICR	Interest Coverage Ratio
IDTR	Institute of Driving Training and Research
IRs	Inspection Reports
MD	Managing Director
MoEF	Ministry of Environment and Forests
MoRTH	Ministry of Road Transport and Highways
MVI	Motor Vehicle Inspector
NABL	National Accredited Board for Testing and Calibration Laboratory
NIC	National Informatics Centre
NOC	No Objection Certificate
PAC	Public Accounts Committee
PADCO	Puducherry Adi dravidar Development Corporation Limited
PAPSCO	Puducherry Agro Products, Food and Civil Supplies Corporation Limited
PASIC	Puducherry Agro Service and Industries Corporation Limited
PBCMDCL	Puducherry Backward Classes and Minorities Development Corporation Limited
PCDWDAP	Puducherry Corporation for the Development of Women and Differently Abled Persons Limited
PCI	Pondicherry Chamber of Industries
PCZMA	Pondicherry Coastal Zone Management Authority
PDL	Puducherry Distilleries Limited
PELECON	Pondicherry Electronics Limited
PFA	Prevention of Food Adulteration
PIPDIC	Pondicherry Industrial Promotion Development and Investment Corporation Limited
PMV Rules	Pondicherry Motor Vehicles Rules, 1989

Abbreviations	Full form
PMVT Act	Pondicherry Motor Vehicles Taxation Act, 1967
PONTEX	Pondicherry Textile Corporation Limited
PPCC	Pondicherry Pollution Control Committee
PPCL	Puducherry Power Corporation Limited
PRTC	Puducherry Road Transport Corporation Limited
PSUs	Public Sector Undertakings
PTDC	Puducherry Tourism Development Corporation Limited
PV	Present Value
PWD	Public Works Department
PWRO	Puducherry Water Resources Organisation
RDTC	Regional Driver Training Centre
ROCE	Return on Capital Employed
ROE	Return on Equity
ROI	Return on Investment
RTOs	Regional Transport Offices
RTUOs	Regional Transport Unit Offices
SBTML	Swadeshee-Bharathee Textile Mills Limited
SLD	Speed Limiting Devices
UT	Union Territory
UTOPHO	Union Territory of Puducherry Hydrology Organisation
VAT	Value Added Tax

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