सत्यमेव जयते

Report of the Comptroller and Auditor General of India

for the year ended March 2021

लोकहितार्थ सत्यनिष्ठा

Dedicated to Truth in Public Interest

Government of the Union Territory of Puducherry

Report No. 2 of 2022

Report of the
Comptroller and Auditor General of India

for the year ended March 2021

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PREFACE

This Report for the year ended March 2021 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 Adi-Dravidar Welfare and Scheduled Tribes Welfare, Commercial Taxes, Home, Housing, Local Administration, Public Works and Town and Country Planning.

The instances mentioned in this Report are those, which came to notice in the course of test audit for the period 2020-21 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 2020-21 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 three Compliance Audits on (i) Urban Water Supply in the Union Territory of Puducherry, (ii) Implementation of Beneficiary Led Construction component of Pradhan Mantri Awas Yojana – Urban by the Union Territory of Puducherry and (iii) Subject Specific Compliance Audit on processing of GST Refund claims and four compliance audit paragraphs.

The overall receipts and expenditure of Union Territory of Puducherry for the year 2020-21 was ₹ 9,325 crore[1] and ₹ 9,293 crore[2] respectively.

We observed several deficiencies in critical areas, which had adverse impact on effective functioning of Government Departments. Key audit findings contained in this report are as under:

Compliance Audit on Urban Water Supply in the Union Territory of Puducherry

Compliance Audit on Urban Water Supply in Union Territory of Puducherry revealed that Public Works Department did not prepare a comprehensive water supply plan, but has been executing the works only on demand. The available sources of water like water bodies/lakes were not considered for augmentation of supply of water. Even though the rain water harvesting was an effective solution for management of water problem, the same was not insisted before issuing completion certificates to the buildings.

There were instances of wastage of water without secondary use due to non-installation of sewage treatment plant. Execution of 14 water works examined during the course of Audit revealed that all the works were suffering from avoidable delays due to deficient planning/execution. Management of water supply suffered from non-carrying out desilting of reservoirs and non-installation of energy efficient water pumps, *etc*.

There was undue benefit to a contractor who was supplying the purified water within UT of Puducherry.

The quality of water being supplied to public was poor due to non-chlorination, non-cleaning of overhead tanks and existence of high levels of TDS/chloride, etc. There were arrears of ₹ 49.44 crore of water charges to be collected from the public, but PWD was unaware of the periodicity of pendency.

(Paragraph 2.1)

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[1] Revenue receipts - ₹ 5,890 crore; Recovery of Loans and Advances - Nil; Public Debt receipts - ₹ 2,529 crore and Public Account receipts - ₹ 906 crore.

[2] Revenue expenditure - ₹ 7,260 crore and Capital expenditure (inclusive of Public Account Disbursements) - ₹ 2,033 crore.

Compliance Audit on Implementation of Beneficiary Led Construction component of Pradhan Mantri Awas Yojana – Urban by the Union Territory of Puducherry

Compliance Audit on Implementation of Beneficiary Led Construction component of Pradhan Mantri Awas Yojana (PMAY) – Urban by the UT of Puducherry revealed that even though 44,315 beneficiaries were found to be eligible for the scheme, the scheme was implemented only to 14,826 beneficiaries, thereby denying the scheme benefits to 29,489 beneficiaries. Further, 16,013 beneficiaries who had applied for the other two components were not considered for grant of subsidy under the scheme. Hence, the objective of providing houses to the houseless households within the mission period i.e., up to 2022 could not be fulfilled and denial of the scheme benefits to the targeted beneficiaries.

In respect of selection of beneficiaries, proper scrutiny of applications was not done which resulted in deletion of 2,120 beneficiaries from the approved list. Out of the 12,706 beneficiaries finalised, 1,175 male beneficiaries who were not eligible were selected for grant of subsidy in violation of the scheme guidelines. Eleven beneficiaries whose annual income was in excess of prescribed ceiling limit of rupees three lakh were granted subsidy in contravention to the scheme guidelines.

(Paragraph 2.2)

Subject Specific Compliance Audit on processing of GST Refund claims

Subject Specific Compliance Audit on processing of GST Refund claims was conducted in respect of 96 refund cases relating to Puducherry Commissionerate. Audit revealed instances of delay in sanction of refunds, non-sanctioning of provisional refunds pertaining to zero-rated supply, allowing double payments for a single refund sanction order and excess refund due to incorrect adoption of Input Tax Credit.

(Paragraph 3.7)

Audit Paragraphs

Injudicious rejection of lowest tender resulted in avoidable extra expenditure of ₹ 63.37 lakh on re-tendering.

(Paragraph 2.3.1)

Award of work without building plan approval and failure to hand over clear site to contractor resulted in wasteful expenditure of ₹ 43.08 lakh towards payment of arbitration award.

(Paragraph 2.4.1)

Idle investment due to inordinate delay in completion of housing project resulting in non-allotment of 464 dwelling units - ₹ 16.44 crore.

(Paragraph 2.5.1)

Non-construction of Coastal Police Station at Mahe led to blocking of funds to the tune of ₹ 81.86 lakh besides failure to strengthen coastal security.

(Paragraph 2.6.1)

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.

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 commensurate with the nature, volume and magnitude of transactions. The audit observations are expected to enable the Executive to take corrective action 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 contains findings arising out of Compliance Audit of Government Departments and Chapter III contains the trend of revenue receipts and Subject Specific Compliance Audit on processing of GST Refund claims.

1.2 Profile of audited entities

There are 42 Departments in the Union Territory headed by Development Commissioners/Secretaries, who are assisted by Directors and subordinate officers. There are 13 Government Companies and 72 Autonomous Bodies.

The entities in Union Territory of Puducherry are audited by the Principal Accountant General (Audit-II), Tamil Nadu and Puducherry.

Abbreviations used in this Report are listed in the Glossary at Page No. 90.

The comparative position of receipts of the Union Territory Government and expenditure incurred by the Union Territory Government during the year 2020-21 and in the preceding two years are given in **Tables 1.1** and **1.2** below:

Table 1.1: Comparative position of receipts

(₹ in crore)

Receipts	2018-19	2019-20	2020-21
Revenue receipts	**6,400**	**6,781**	**5,890**
Tax revenue	3,188	2,475	1,948
Non-tax revenue	1,584	1,638	1,460
Grants-in-aid and contributions	1,628	2,668	2,482
Capital receipts	**Nil**	**Nil**	**Nil**
Recovery of loans and advances	1	Nil	Nil
Public Debt receipts	**1,007**	**1,044**	**2,529**
Public Account receipts	**778**	**928**	**906**
Total receipts	**8,186**	**8,753**	**9,325**

(Source: Finance Accounts of respective years)

Table 1.2: Comparative position of expenditure

(₹ in crore)

Expenditure	2018-19	2019-20	2020-21
Revenue expenditure			
General services	2,154	2,313	2,432
Social services	2,401	2,440	2,450
Economic services	1,832	2,083	2,378
Grants-in-aid and contributions	Nil	Nil	Nil
Total	**6,387**	**6,836**	**7,260**
Capital expenditure			
Capital expenditure	313	327	240
Loans and Advances disbursed	3	Nil	5

Expenditure	2018-19	2019-20	2020-21
Repayment of Public Debt	639	762	838
Contingency Fund	Nil	Nil	Nil
Public Account disbursements	1,335	807	950
Total	**2,290**	**1,896**	**2,033**
Grand Total	**8,677**	**8,732**	**9,293**

(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 the 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/Local 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 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)

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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.

of the Companies Act, 2013. The audit observations on the financial performance of Government Companies as revealed from their accounts are included in Chapter V of the Union Territory Finances Audit Report of the Comptroller and Auditor General of India for the year ended March 2021, which is being presented separately.

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 Department, 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 2021 revealed that 3,399 paragraphs relating to 715 IRs remained outstanding at the end of September 2021 (**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

Seven Audit Paragraphs including two Compliance Audits on (i) Urban Water Supply in the Union Territory of Puducherry, (ii) Implementation of Beneficiary Led Construction component of Pradhan Mantri Awas Yojana – Urban by the Union Territory of Puducherry and one Subject Specific Compliance Audit on

processing of GST Refund claims were forwarded demi-officially to the Secretaries of the Departments concerned between October 2021 and April 2022 to send their responses within six weeks. Government replies were received in respect of six paragraphs. The replies 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 2022)

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		
		Civil	Revenue	Commercial	Civil	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	3	4	--
2015-16	15.06.2017	8	2	1	4	--	--

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		
		Civil	Revenue	Commercial	Civil	Revenue	Commercial
2016-17	18.07.2018	7	1	1	5	--	1
2017-18	30.03.2020	8	3	1	6	3	1
2018-19	02.09.2021	5	2	1	5	2	1
Total		**77**	**26**	**11**	**23**	**9**	**3**
Grand Total		**114**			**35**		

From **Table 1.3**, it could be seen that out of 114 paragraphs, explanatory notes to 35 paragraphs were awaited (August 2022).

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

Table 1.4: Reviews/Paragraphs appeared in Audit Reports vis-a-vis discussed (as of March 2022)

Period of the Audit Report	Number of paragraphs appeared in Audit Report				Number of paragraphs discussed/yet to be discussed
	Civil	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	Not yet discussed
2015-16	8	2	1	11	
2016-17	7	1	1	9	
2017-18	8	3	1	12	
2018-19	5	2	1	8	
Total	**77**	**26**	**11**	**114**	

From **Table 1.4**, it may be seen that 55 paragraphs, present in the Audit Reports for the period from 2014-15 to 2018-19 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		
		Civil	Revenue	Commercial	Civil	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 Reports on PAC recommendations not received during 2015-16 to 2021-22							
Total	**20**	**1,263**	**113**	**183**	**362**	**50**	**85**
Grand Total		**1,559**			**497**		

As of June 2022, Action Taken Notes in respect of 497 recommendations made by PAC pertaining to Audit Reports for the period 1988-89 to 2008-09 are still pending. From the year 2009-10 to 2013-14, the recommendations of PAC are awaited.

1.7 Scope of this Report

This Report of the CAG relates to matters arising from the Audit of seven Government Departments. The findings include two Compliance Audits on Urban Water Supply in the Union Territory of Puducherry and Implementation of Beneficiary Led Construction component of Pradhan Mantri Awas Yojana – Urban by the Union Territory of Puducherry and one Subject Specific Compliance Audit on processing of GST Refund claims. Apart from the above, there are also four paragraphs. These are discussed in Chapter II and III. The Chapter III also discusses about the trend of revenue receipts and response of the Departments/Government towards audit. The audit observations discussed in the paragraphs in the chapters are observed from the test-check of records in the selected offices.

CHAPTER II

COMPLIANCE AUDIT

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COMPLIANCE AUDIT

This Chapter contains Compliance Audit on Urban Water Supply in the Union Territory of Puducherry, Compliance Audit on Implementation of Beneficiary Led Construction (BLC) component of Pradhan Mantri Awas Yojana - Urban by the Union Territory of Puducherry and the 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 are presented in the succeeding paragraphs.

LOCAL ADMINISTRATION AND PUBLIC WORKS DEPARTMENTS

2.1 Compliance Audit on Urban Water Supply in the Union Territory of Puducherry

2.1.1 Introduction

Water, a prime natural resource, an essential environment for sustaining all life forms, is a scarce and precious national asset. Realising the importance and scarcity, it is the most crucial element in developmental planning to develop, conserve and manage the water resources in a sustainable manner guided by the natural perspective. Sustainable Development Goal – 6 of UNO envisaged to ensure safe and affordable drinking water to all, improve water quality, increase water efficiency, protect and restore water related ecosystems and participation of local communities in improving water management. Efficient and effective water management with integrated or conjunctive utilisation of ground and surface water resources are the immediate need to increase productivity. It is the responsibility of any welfare Government to provide permanent, protected and potable water to all the citizens and other inhabitants with adequate attention to the growing needs.

The Union Territory of Puducherry comprises of four regions *viz*., Puducherry, Karaikal, Mahe and Yanam. The drinking water requirement in the urban areas of Puducherry and Karaikal regions are met from ground water resources. Mahe purchases treated drinking water from the Kerala Government, which is supplemented by ground water resources through wells and ponds. Yanam gets its drinking water from Godavari River supplied by Andhra Pradesh

Government, which is treated by the Public Works Department (PWD) of Yanam. In certain wards of the Oulgaret Municipality, the water supply and maintenance works are carried out by the Municipality itself.

The UT Government of Puducherry (UT Government) formulated its Water Policy (May 2017) which is derived from National Water Policy 2012. The Central Public Health and Environmental Engineering Organisation (CPHEEO) Manual on Water Supply and Treatment and the CPHEEO Operation and Maintenance (O&M) Manual prescribe guidelines for economical designing of Water Supply Schemes (WSS)[1], norms for drinking water supply and maintenance of WSS. Public Works Department implements water supply augmentation schemes by adopting these guidelines.

Audit aims to bring out whether the Urban Water Supply Schemes cater to the needs of the public at large.

2.1.2 Organisational set up

The PWD headed by the Chief Engineer is the Implementing Department for the Urban Water Supply Schemes (UWSS). The Executive Engineer of the Public Health (PH) Division at Puducherry is in-charge of the implementation of the schemes exclusively in Puducherry region, while the Executive Engineers of the other regions of Karaikal, Mahe and Yanam are responsible for implementation of water supply schemes in their respective areas. At the Government level, the Secretary to the Government, PWD and the Commissioner, Local Administration Department are the Administrative Heads of PWD and Oulgaret Municipality respectively.

2.1.3 Audit Objectives

The Audit was conducted to assess whether:

- the water supply schemes were properly planned to meet the existing and future requirement;
- the water supply schemes were executed and managed efficiently;
- the quality of water supplied was upto the required standards; and
- the revenue management was efficient and robust.

[1] WSS includes water supply lines, overhead tanks, reservoirs, sumps, etc.

2.1.4 Audit criteria

Audit findings were benchmarked against the criteria derived from the following documents:

- State Water Policy of the UT of Puducherry
- The Pondicherry Municipalities Act, 1973
- CPHEEO Manual on Water Supply and Treatment and the O&M Manual
- Central Public Works Department Manual 2014 and
- Detailed Project Reports of Selected Schemes/Works.

2.1.5 Scope and methodology

The Audit was conducted between June 2021 and December 2021 covering the period of five years from 2016-17 to 2020-21. Audit covered the implementation of the UWSS and other related schemes like Atal Mission for Rejuvenation and Urban Transformation (AMRUT) and Smart City Mission, etc. The audit commenced with an Entry Conference (June 2021) with the Secretary, PWD in which the audit objectives, scope and methodology were explained to the Government. The audit methodology included scrutiny of records at the Office of the Chief Engineer, PWD, Offices of the Executive Engineer in Puducherry, Karaikal, Mahe and Yanam, Oulgaret Municipality besides other Departments[2]. The audit findings were also discussed with the Government in an Exit conference held in March 2022 in which the Secretary, PWD and Commissioner of Municipal Administration participated. The views expressed by the Government in the Exit conference and the reply received from the Government in May 2022 were duly considered and incorporated in the report wherever found appropriate.

Audit findings

2.1.6 Current water scenario in the UT of Puducherry

The UT Government of Puducherry has adopted the norm of 135 litres per capita per day (lpcd) for supply of water for the urban population as prescribed by CPHEEO. The urban population of UT of Puducherry and the corresponding water demand during the year 2011 and 2021 are given in **Table 2.1**.

[2] Town and Country Planning and Public Health Division.

Table 2.1: Water demand for projected population

Region	Population as per 2011 census	Water demand (mld) @ 135 lpcd	Projected population for 2021	Water demand (mld) @ 135 lpcd	Percentage of increase in water demand
Puducherry	6,57,209	88.72	8,49,832	114.72	29.31
Karaikal	98,102	13.24	1,15,015	15.53	17.30
Mahe	41,816	5.65	47,480	6.41	13.45
Yanam	55,626	7.51	98,562	13.31	7.72
Total	**8,52,753**	**115.12**	**11,24,746**	**149.97**	**30.27**

(Source: Statistical data from Directorate of Economics and Statistics)

It could be seen from **Table 2.1** that there was an increase to the extent of 30.27 *per cent* in demand for water over the last ten years which is equivalent to 34.85 million litres per day (mld). Even though the UT Government claimed that the entire demand in respect of Puducherry and Karaikal Region were met from Ground Water Sources during the period 2016-2021, it did not have the source-wise data on actual supply of water to these regions. In the absence of installation of bulk flow meters in any of the extraction points or at the Over Head Tank (OHT)/Pumping stations, no data was available regarding the quantum of ground water extracted and supplied to the public. Due to non-availability of requisite data, Government could not ascertain whether the quantum of water supplied was commensurate the actual demand.

2.1.7 Planning for augmentation of water resources

As per the District Ground Water Brochure released (December 2013) by the Central Ground Water Board (South Eastern Coastal Region) (CGWB) of the Ministry of Water Resources, Government of India (GoI), the ground water in Puducherry region was over exploited and recommended that no further ground water development was to be encouraged. The Vision 2020 document of the UT also pointed out that the utilisation of water has been done without careful consideration of the consequences. In the Composite Water Management Index (CWMI) developed and released for the year 2017-18 by the NITI Aayog in 2019, the UT of Puducherry was ranked at 21 out of the 25 States and two UTs regarding its performance of ground water management.

In the context of ever-growing demand for water and continued depletion of ground water in the UT of Puducherry, there was an urgent need for rules and regulations for streamlining the extraction of ground water and a comprehensive master plan for augmentation of water resources. However, audit found lacuna in governance of water resources and planning for augmentation of water as detailed below:

2.1.7.1 Non-preparation of long-term strategic plan

Paragraph 3.3.1.4 of CPHEEO Manual stipulate that for water works, Long term plan and Strategic plan in consistent with the future overall development plans for the areas are to be prepared. Long term plan may be prepared for a period of 25 to 30 years to provide target service coverage and standards at affordable costs. The Strategic plan to be implemented over the plan period would prioritise the focus areas of the implementing entity.

The District Ground Water Brochure for Puducherry released (December 2013) by the CGWB stated that water with high salinity and medium sodium hazard were reported in the coastal areas of Puducherry region due to sea water intrusion. Hence, it had recommended that a long term strategy was necessary to control and reverse the sea water ingress.

However, Audit noticed that no such long term and strategic plans had so far been prepared by the PWD for the UT of Puducherry. Thus, the UT of Puducherry neither complied with the provisions of CPHEEO Manual nor fulfilled the recommendations of the CGWB. In the absence of these plans and also the growing urban population, the water supply needs of the public could not be addressed by the UT Government as envisaged.

Government stated (May 2022) that action would be taken for formulation of long term strategic plan in consistent with the future development plan. However, in the absence of Strategic plan, the extraction of ground water remained unchecked.

2.1.7.2 Lack of planning for augmentation of water supply sources

(a) Sourcing of surface water from Bahour Lake and Chunnambar River

On a perusal of the results of the water tests conducted by the Puducherry Pollution Control Committee (PPCC) during the period 2016 to 2020 in the three major water bodies *viz*., Oussudu Lake, Bahour Lake and Chunnambar River in the Puducherry region, it was noticed that these water bodies meet the primary water quality criteria specified by the Central Pollution Control Board.

Audit, however, noticed that the Public Health (PH) Division had not explored the possibilities of utilising the surface water from Bahour Lake and Chunnambar River. As the Bahour Lake has a potential to hold 193.50 million cubic feet (mcft) of water and the Chunnambar (Gingee River) has an unprecedented flood level of 2.60 metres along its length of 34 km within the UT of Puducherry, the utilisation of the same for drinking water needs, could have reduced the dependency on ground water to that extent. It would be pertinent to mention that in the Vision 2020 document also, it had been stated

that the UT Government had formulated scheme to tap surplus water from the Bahour lake to augment water supply. However, no fruitful action had been initiated till date.

Government stated (May 2022) that Bahour Lake is situated 20 kms from the town, supplying water to the public requires comprehensive plan. Further, bringing water from the Chunnambar river will be uneconomical to bring the water from far-away place and treating it. The reply was not acceptable as the Government was yet to explore the feasibility of utilising the surface water resources in view of the increasing water demand.

(b) Sourcing of water from Oussudu Lake

The PWD, Puducherry sanctioned (March 2015) a project of source augmentation by utilisation of surface water from Oussudu Lake in Puducherry region, through treatment plant and pipelines at a cost of ₹ 47.47 crore by availing loan from NABARD. The sub-work of construction of intake well near Pallaraikal at Oussudu in Puducherry was awarded (February 2017) to the successful tenderer for ₹ 11.50 crore with the scheduled completion of the work by 18 months. The contractor commenced the work (March 2017) and laid the pipeline for a length of 1,025 metres within the Puducherry area for which an amount of ₹ 1.56 crore was paid (May 2017).

At this juncture, the Puducherry Environment Protection Association (an NGO) filed a suit (March 2017) before the National Green Tribunal (NGT) as the lake site is a notified Bird Sanctuary. NGT, in its order (April 2017) directed to maintain *status quo* till the matter is finalised and the work was stopped. The work was finally foreclosed (April 2018) and the balance 311 metres of pipes were stacked (**Picture 2.1**) in the Muthirapalayam yard of the Department.



Picture 2.1 : Stacked pipes

Audit scrutiny revealed that the work was taken up without factoring in the vital fact that it is a notified Bird Sanctuary. The Joint Committee to conduct an Environmental Impact Study was constituted by the Government only in January 2021 that too after the same was pointed out by the NGT in October 2020.

Thus, implementation of Oussudu Lake Water Supply Project without considering the environmental issues resulted in opportunity being lost for

utilisation of the surface water as contemplated besides wasteful investment of ₹ 1.56 crore.

Government stated (May 2022) that action would be taken as per the recommendations of the Joint Committee. The reply was not tenable as the Government should have conducted Environmental Impact Assessment before taking up the project of such nature.

2.1.7.3 Poor planning in recharging of ground water

(a) Non-implementation of Rainwater Harvesting System effectively

In order to conserve rainwater, the UT Government amended the Building By-laws and Zoning Regulations (2017) and included Rainwater Harvesting Structure (RWHS) as a mandatory requirement. As per this amendment, all buildings having a plot size of more than 100 sq.m., shall mandatorily include RWHS in their plan.

The Puducherry Planning Authority (PPA) shall also constitute RWH Cell, responsible for enforcement and monitoring of the RWHS and that the authorities concerned shall not extend power, water supply and sewer connections to the buildings unless occupancy certificate is obtained from the PPA.

In this connection, Audit observed the following:

- The PPA had accorded 5,491 numbers of building permission during 2017-21, out of which occupancy certificates had been applied and obtained for only five buildings (JIPMER: three and Commercial units: two).
- It is pertinent to note that the PH Division had given 4,702 of new water connections during 2017-21, without ensuring the receipt of occupancy certificates.
- The RWH Cell was constituted belatedly in August 2019. The Member Secretary, PPA directed RWH Cell to inspect the buildings for which approval has been accorded and to submit monthly enforcement and monitoring report within first week of every month, but no such regular inspections were conducted by PPA till date.
- The Karaikal Planning Authority (KPA) issued 2,202 numbers of permit for construction of various types of buildings during 2017-21. Audit noticed that during 2017-21, 1,438 new water connections were given by I&PH Division, Karaikal without ensuring the occupancy certificate from KPA.

- Out of 300 Government schools of Puducherry, RWHS had been created only in 158 schools till 2021, of which 41 numbers of RWHS were not in working condition. Similarly, in Karaikal, in respect of 60 schools for which the details were received, the RWHS had been created only in five schools.
- The Government Buildings in Puducherry which were under the maintenance of PWD having RWHS were non-functional due to non-maintenance. The RWHS had not been created even in any of the Government buildings maintained by the Divisions of PWD in Karaikal and Yanam regions so far.

The above stated facts indicated the lack of enforcement mechanism by PWD and Planning Authorities in recharging the ground water through RWHS in the UT.

Government stated (May 2022) that water connections are being extended to households considering that water is a basic amenity to human life. Due to paucity of funds, the RWHS in Government Buildings could not be maintained. Further, action plan would be prepared to install new RWHS in all Government Buildings based on their feasibility. The reply was not tenable as the Government had failed to implement its own regulations which would result in further depletion of ground water in the absence of proper implementation of RWHS.

(b) Non-commencement of run-off harvesting in Mahe

Mahe region which has a total geographic area of about nine sq.km was exploited to a great extent and the possible ways of developing water resources were limited to rain fall and run-off harvesting. Hence, Mahe Division of PWD, conducted a detailed field investigation and feasibility study for water harvesting through the Centre for Water Resources Development and Management (CWRDM), Kozhikode in the year 2000, which gave a recommendation for doing run-off harvesting[3] at Pandakkal with a full tank capacity of 54,712 cu.m.

Based on the recommendation, the land acquisition proceedings for acquiring an area of 4.69 hectares at Pandakkal was initiated and the approval for acquiring wet land was obtained (January 2002) from Chief Secretary, but the proposals could not be sanctioned owing to fund constraints. After long gap of 18 years, revised land plan schedules to acquire land to an extent of 2.16 hectares were forwarded (May 2020) to the Land Acquisition Officer.

[3] Run-off is the flow of water occurring when excess rain water cannot infiltrate into the soil.

However, no further progress was made in this regard till February 2021 and the intended objective of harvesting rain water still remain a mirage.

Government stated (May 2022) that proposal for acquisition of land was under progress and expenditure sanction for ₹ 21.26 crore was yet to be issued. The fact, however, remained that the proposal for acquisition of land was yet to materialise even after a lapse of more than 20 years resulting in continued depletion of ground water and also avoidable purchase of water from Government of Kerala.

2.1.7.4 Lack of planning in recycling of water

The Water Policy of the UT of Puducherry emphasised recycling of useable water from sewage through treatment and use the same for plantation and other purposes.

The PH Division, Puducherry is supplying 114 million litres per day (mld) of water to the public. Though 92 mld of sewage was being generated, the PWD had only five Sewerage Treatment Plants (STPs) with a treating capacity of 56 mld with an output of 31 mld of treated water. The remaining 36 mld (39 *per cent*) of sewage water was let into sea without any treatment, violating the Coastal Regulation Zone notification of 2019, which prohibits the same.

Out of the treated water of 31 mld, the PWD could use only 14.5 mld water for its own plantation activities and recharging of ground water and sell only 0.8 mld to a private industrial firm. As such, the remaining treated water of 15.7 mld was let into open drains while there are 13 water intensive industrial units in Puducherry region requiring 3.19 mld of water for their operation which was drawn from the ground water sources.

Audit observed that in the absence of any Government norms to enforce the usage of treated water for industrial purposes, these firms continue to exploit the ground water which resulted in depletion of the scarce ground water. Further, it was noticed that PWD had failed to utilise the surplus treated sewage water for various civil works executed. As such, the wastage of 15.7 mld of treated water by PWD resulted in a revenue loss of ₹ 8.02 crore[4] *per annum*. Further, audit could not calculate the operational cost of these STPs.

In respect of Karaikal, Mahe and Yanam, though a total of 35 mld of water was being supplied to the public, no STPs had so far been established in these regions.

Government stated (May 2022) that the project for utilising four mld of treated water was under progress and the Industries and Commercial firms would be

[4] Calculated at the rate of ₹ 13.99 per 1,000 litres fixed by the Government.

insisted to use the treated water. In respect of Karaikal, preliminary works are under progress to implement Comprehensive Underground Sewerage System. In Mahe and Yanam, feasibility study would be conducted for installation of STPs. The fact, however, remained that in the absence of proper treatment of sewage and its utilisation, the objective of recycling of waste water remained unachieved.

***Recommendation**: The UT Government should have a long term plan to utilise the available alternative water sources like surface/treated water. Further, the Government should also come up with an action plan for effective implementation of rainwater harvesting system and fix responsibility on the officials responsible for non-enforcement.*

2.1.8 Execution of Centrally Sponsored Schemes

The execution of Centrally Sponsored Schemes by the PWD revealed non-utilisation of funds sanctioned by the GoI as discussed below:

2.1.8.1 Implementation of Centrally Sponsored Scheme - Atal Mission for Rejuvenation and Urban Transformation (AMRUT)

Under the Centrally Sponsored Scheme - Atal Mission for Rejuvenation and Urban Transformation (AMRUT, a revised version of JNNURM), six water supply projects were sanctioned for Puducherry and Karaikal region with a Central Assistance of ₹ 47.46 crore during 2017-20. However, only three projects[5] were commenced within the project period by the PWD, by availing a central assistance of ₹ 24.64 crore. The AMRUT Scheme validity period fixed by the GoI was March 2020. Audit scrutiny of the records relating to remaining three projects revealed the following:

Though the Request for Proposal for the project of Installation of the Supervisory Control and Data Acquisition (SCADA) system in Zone I of the Water Supply System of Puducherry prepared by a private firm was submitted to the Pondicherry Engineering College (PEC) for perusal and technical advice in June 2019, the PEC finally vetted the RFP only in October 2020. As there was no responses in the first call made (December 2020) by the department, the second call was made (February 2021) for which two tenders were received. Bids were sent to PEC for evaluation in April 2021, but the same was still pending (December 2021).

Thus, the inability of PWD to finalise the RFP and the tenders within the scheme validity period of March 2020 fixed by the GoI had resulted in non-availing of

[5] Improvement of water supply to Kompakam Source Augmentation (₹ 9.47 crore), Angalamman Nagar (₹ 3.42 crore) and Karaikal North (₹ 11.75 crore).

central funds. Further, non-installation of the SCADA system, which could have helped in the achievement of the intended objective of effective management of operation and maintenance of a water supply scheme and location of areas of leakage immediately.

Government stated (May 2022) that the delay in implementation of the work was mainly due to delay in approval of RFP. The reply was not tenable as the AMRUT Mission period had already expired in March 2020 and hence the opportunity to obtain funds under the scheme from GoI was lost.

2.1.8.2 Non-commencement of desalination plants in Puducherry

The work of establishing three numbers of Brackish Water Desalination Plants each of 2.5 mld at Thirukanji, Karamanikuppam and Rainbow Nagar at a total cost of ₹ 14.08 crore was proposed (November 2016) under AMRUT. The scheme envisaged to treat the brackish ground water of these areas and supply the same to the public.

The Request for Proposal (RFP) called for (April 2017) by the PH Division was cancelled four times due to (i) opposition from local NGOs, (ii) non-response in the second call made (August 2018), (iii) the third call made (February 2019), for which a single tender was received for a cost of ₹ 49.60 crore, which was much higher than the allocated funds of ₹ 14.08 crore.

Due to higher cost of the proposals, the PH Division decided to reduce plant size to one mld each. The lowest tenderer offered a price of ₹ 32.48 crore. While obtaining approval for the above quotation (May 2021), it was also opined by the AMRUT Committee that the above plans require the services of technical people for operation and two mld of ground water would be required for producing one mld of purified water which would further deplete the ground water level and hence the project may not be viable. Accordingly, the tender was cancelled in July 2021.

In this connection, Audit observed that:

- PWD embarked on the new project of water desalination plant without conducting feasibility study or preparation of Detailed Project Report (DPR), but decided to execute the project within the available allocation of ₹ 14.08 crore which later became an unrealistic estimation.
- For all the tenders published, there was a liability of ₹ 35.91 lakh as advertisement charges due to dropping of the project on the grounds of impossibility of implementation.

Audit observed that the delay resulted in not achieving the objective of providing of potable water to the needy public.

Government stated (May 2022) that the proposal has been dropped owing to higher costs and alternate proposals have been identified for execution under AMRUT. The reply was not tenable as the AMRUT Mission period had already expired in March 2020 and hence the opportunity to obtain funds under the scheme was lost by the Government.

2.1.8.3 Non-utilisation of ₹ 75.29 crore due to non-execution of works under Smart City Project even after a lapse of three years

Under the Smart City Project of the GoI, the Puducherry Municipal Area was selected (March 2017) for enhancement of quality of life by improving smart civic infrastructure including provision of water supply. The Puducherry Smart City Development Limited (PSCDL) established (September 2017) for this purpose, proposed various schemes which included Urban Water Supply schemes at an estimated cost of ₹ 75.29 crore.

Audit noticed that even after lapse of more than four years of formation of PSCDL and receipt of the first instalment of ₹ 158 crore, none of the components of water supply schemes had been identified and taken up for execution till date. As such, ₹ 75.29 crore meant for these water supply works had been parked in bank by PSCDL for more than three years resulting in deprival of facilities identified under GoI funding.

Government stated (May 2022) that DPRs for two Water Supply Schemes are being prepared as per the Board meeting held in March 2022 and the scheme would be implemented effectively. The fact, however, remained that the intended objective of creation of water supply facilities remained unachieved.

2.1.8.4 Inordinate delay in implementation of water supply project under funding from Agence Francaise de Development

The Government of Puducherry entered into an agreement (June 2017) with Agence Francaise de Development (AFD) (A French financing agency) to undertake the project "Augmentation of Water Supply Source and Rehabilitation of System in Urban Area of Puducherry District (Phase-I)" at a total project cost of ₹ 534 crore. As per the agreement, the scheme would be implemented by availing a loan of ₹ 455 crore from AFD and by meeting the balance amount of ₹ 79 crore from UT Government Fund. The administrative approval for availing the loan was issued in November 2018. An amount of ₹ 49.61 crore was released by AFD (March 2019) as the first instalment.

Audit noticed that the Social Impact Assessment (SIA) report has been accepted by AFD (May 2020) and the appointment of Long Term Technical Assistant (LTTA) is under progress.

Thus, the AFD Credit Facility Agreement, which has the deadline for drawal of funds upto 30 June 2022 was not even commenced even after a lapse of more than two years from availing of the first instalment of ₹ 49.61 crore due to delay in appointment of project technical consultant. It is pertinent to note that cancellation of loan would attract a cancellation cost of ₹ 9.87 crore.

Government stated (May 2022) that the request for extension of the project period upto June 2027 has been made to AFD in February 2022 and the same is awaited. The fact, however, remained that the objective of augmentation of water supply remained unachieved.

2.1.9 Execution of Union Territory Water supply schemes

To provide protected and safe drinking water to the people of urban areas of Puducherry and Karaikal regions, the PWD had been executing infrastructure works *viz*., construction of overhead tanks, reservoirs, sumps, laying of main and distribution lines, etc., under several Water Supply Schemes (WSS). In Mahe and Yanam regions, no such infrastructure creation works were executed. In this connection, the following observations are made:

Paragraph 2.2.6 of the CPHEEO Manual stipulate that the time lag between design and completion of the project should not exceed two to five years depending on the size of the project. The PWD had taken up 13 new works in Puducherry and one work in Karaikal at a cost of ₹ 212.65 crore (which included ₹ 98 crore loan from HUDCO) during the period 2016-17 to 2020-21. However, Audit noticed that all the water works taken up during the review period were either not completed or completed with avoidable delays. The details of these works and the audit observations on their implementation are detailed in **Appendix 2.1**.

The illustrative cases of avoidable delays and the resultant extra expenditure are given in the succeeding paragraphs:

2.1.9.1 Non-finalisation of lowest tenders within the validity period

As per Paragraph 20.3.1 of the CPWD Works Manual, a time schedule of 45 days was given for scrutiny of tenders and their finalisation. It was, however, noticed that in respect of the following three works, the tenders were not finalised/work orders were not issued within the validity/extended validity periods. The works are detailed in **Table 2.2**.

Table 2.2: Works awarded through second call at higher cost

Sl. No.	Name of work /sub work	Division	Date of opening of first call and Date of acceptance of tender by the WAB	Rates obtained in the First call / Second call	Difference in the tendered cost	Reasons for the cancellation of first call
1	Comprehensive water supply scheme at Dr. Dhanabalan Nagar, Muthirapalayam	PH Division, Puducherry	February 2016 / January 2017	₹ 12.11 crore (February 2016)/ ₹ 15.51 crore (March 2019)	₹ 3.40 crore	The tender was having an extended validity till 31 January 2017 but the communication regarding the acceptance of tender had reached the contractor on 9 February 2017, forcing the contractor to reject the offer and the second tender was finalised only in March 2019 after a lapse of more than two years for which no recorded reasons were available resulting in extra expenditure.
2	Comprehensive Water Supply Scheme for Core Urban Area - Rajathi Nagar, Karaikal	I & PH Division, Karaikal	June 2017 / Not submitted to WAB	₹ 9.76 crore (May 2017) / ₹ 10.25 crore (December 2017)	₹ 0.49 crore	After the receipt of tenders in May 2017, the GST Act was implemented by the GoI from July 2017. The Division addressed the contractor for giving his acceptance to execute the work at the quoted rates without any extra claim to cover GST. As no reply was received from the contractor, the tender was cancelled in November 2017. Since any additional payment due to the contractor due to introduction of GST would have been automatically regulated under the provisions of the Clause 38 of the Agreement for reimbursement of statutory levies, cancellation of the tender was unwarranted.
3	Comprehensive Water Supply Scheme for Velrampet and the surrounding areas in Puducherry	-do-	February 2017 / Not submitted to WAB	₹ 5.15 crore / ₹ 5.44 crore (December 2018)	₹ 0.29 crore	Based on the second tender in December 2018, the work was awarded. Work order was not issued even within the extended tender validity period. The work of providing and laying distribution grid, pumping main and road restoration and commissioning was commenced in March 2022.
Total					**₹ 4.18 crore**	

WAB : Works Approval Board

The above facts resulted in undue delay in commencement and completion of water supply schemes which in turn resulted in direct supply of water without intermediate storage and treatment.

Government stated (May 2022) that since the contractor had not extended the tender validity, the first call had to be cancelled. The reply was not tenable as the Department is responsible for reimbursement of any statutory levy as per

Clause 38 of the contract agreement and the request of the Department for extension of tender validity was unwarranted.

2.1.9.2 Inordinate delay in execution of water supply work

The tenders for the work of Comprehensive water supply scheme for Muthirapalayam, Sanarapet and adjoining areas was called for (January 2016) and the lowest bid was accepted for ₹ 12.37 crore. The site was not handed over without any valid reasons and the work order was cancelled by the Division (December 2017).

Subsequently, the second tender for ₹ 12.39 crore was accepted in February 2019. The scope of the work included road cutting permission to be obtained from Oulgaret Municipality by PWD. Though the PH Division sought for road cutting permission from the Municipality in April 2019, the same was declined, as 75 *per cent* of the roads in the said area were newly laid. Again based on the Division's request (July 2020), the Municipality agreed (August 2020) for laying pipes in old roads, in a phased manner. The contractor had executed 65 *per cent* of work at a cost of ₹ 7.10 crore as of July 2022. Thus, the work was not completed even after a lapse of more than six years of commencement of work and the intended objective of providing water supply to the targeted public was not achieved till July 2022 and direct supply of water without intermediate storage and treatment continued.

Government stated (May 2022) that due to delayed execution on the part of the contractor and non-availing of road cutting permission from Municipality, the work could not be completed. The reply was not tenable, as the non-handing over of site in the first tender call and delay in getting the road cutting permission had ultimately resulted in delay in execution.

2.1.9.3 Delay in construction of OHT

The construction of Double Decker circular OHT of one mld capacity and three lakh litres sump at Swadeshi Textile Mill campus, Puducherry was awarded (July 2014) for ₹ 4.45 crore and was to be completed in 24 months *i.e.,* by August 2016. However, the work could not be commenced for want of funds, until loan arrangement was made with HUDCO (March 2015).

The work was finally completed in January 2020 *i.e.,* after 41 months delay which was attributable to the following:

Sl. No.	Reasons for delay	Period
1.	Delay on account of Departmental hindrances	12 months
2.	Execution of additional works	7 months
3.	Delay attributable to the contractors	22 months

However, the Assistant Engineer of the division had recommended for grant of extension of time for the period from August 2016 to January 2020 without imposing the liquidated damages at 10 *per cent* of the tendered amount which was an undue benefit to the contractor. Audit further observed that, though the work was completed in January 2020 at a final cost of ₹ 4.97 crore, the OHT was inaugurated only in July 2020. Thus, the work was delayed due to avoidable reasons by more than 46 months.

Government stated (May 2022) that the extension of time was granted without any specific recommendation as the same lies within the scope of engineer in-charge and the work was delayed due to various administrative reasons and practical difficulties. The reply was not tenable as grant of extension of time without specific reason resulted in undue benefit to the contractor and administrative delays could have been avoided.

2.1.9.4 Non-commencement of work due to non-removal of stay wires available in the site

The work of construction of 3.5 lakh litre capacity underground reservoir at Kurinji Nagar, Lawspet, was awarded (September 2015) to the lowest tenderer for ₹ 38.54 lakh and was scheduled to be completed by March 2016.

However, the work could not be commenced by the contractor due to the presence of stay wire of the transformer in the site. The stay wires were removed only in November 2016. The same was intimated to the contractor only in January 2017 who demanded (August 2017) current rates as the cost of the construction materials had increased. Citing fund constraints, the Division proposed (December 2018) for foreclosure of the work and refunded the Earnest Money Deposit to the contractor. The work was not taken up till July 2022 due to paucity of funds.

From the above, it is evident that the Division had failed to physically visit the site before handing over the site and had issued letter to the Electricity Department (October 2016) only after a lapse of seven months from the stipulated date of completion. These factors contributed to suspension of the work and the water scarcity problem remained unresolved till date.

Government stated (May 2022) that the work could not be taken up due to fund constraints and now fresh estimate is being prepared for taking up the work. The reply was not tenable as improper planning on the part of the Department had led to escalation of cost and resulted in non-implementation of the work.

Thus, due to inordinate delay in implementation of water supply schemes, the actual demand of water could not be met as envisaged. It is pertinent to mention that the audit survey also disclosed that there was inadequate supply of water in certain areas, which has been discussed in Paragraph 2.1.11.8.

Recommendation: *An effective monitoring and follow up mechanism should be established in the Department and responsibility should be fixed on the officials responsible for the delayed execution of the works.*

2.1.10 Management of Water Supply

Efficient and effective management of water supply systems is most essential for their proper functioning. The efficiency and effectiveness of the operation and maintenance system depends on drawal of water to the optimum level and delivery of the same without leakages and wastages. The deficiencies noticed in operation and maintenance of water supply schemes are discussed below:

2.1.10.1 Non-carrying out desilting of reservoirs

The desilting, strengthening of the bunds of the storage reservoirs are to be undertaken so as to increase/maintain its water storage capacity. Due to salinity of the ground water, the Yanam region is fully dependent on the river water received from the Andhra Pradesh Government through earthen canals. There are 13 Ground Level Reservoirs (GLRs) with total storage capacity of 578.10 million litres at four places in Yanam region.

It was, however, noticed that during the audit period 2016-21, out of 13 GLRs, the PWD had carried out desilting work only in one GLR in March 2015. Thus, PWD failed to maintain the storage capacity of the GLRs.

Government stated (May 2022) that desilting would be proposed subject to availability of funds.

2.1.10.2 Supply of purified water through contractor

In Puducherry and Karaikal Regions, in order to provide potable drinking water to public, the PWD had established 54 Community Water Purification Systems in the urban and rural areas. Accordingly, during the period from 2010, a total of 38 purification systems were established in urban areas of Puducherry.

The above work was awarded between June 2010 to October 2018 to a contractor who would also operate and maintain the purification plants for 10 years. The scheme envisaged sale of 20 litres of purified water to general public at a price of ₹ 7. Out of this amount, ₹ 2 would be remitted to PWD divisions and balance of ₹ 5 would be retained by the contractor. As per the contract conditions, PWD would provide raw water and site free of cost and the balance capital expenditure would be borne by the contractor. The audit examination of the contract arrangement revealed the following:

- The Reverse Osmosis (RO) purification plants required electricity for its operation and the contract did not contain any clause regarding as to who

would pay the electricity charges. In this regard, Chief Engineer (CE), PWD issued orders (August 2016) to deduct ₹ 0.40 per can towards electricity charges from the contractor. Accordingly, sharing the cost of the purified water between the firm and the Department was to be done at ₹ 4.60 and ₹ 2.40 per can. Though the firm paid the sale proceeds as per the revised pattern from August 2016, the firm failed to pay the pending arrears of ₹ 44.70 lakh for the period from August 2011 to July 2016. The PWD failed to recover the arrear amount of electricity charges from the firm for more than five years.

- Though the electricity charges of ₹ 5.10 per unit was increased to ₹ 5.75 per unit from April 2018 onwards and further increased ₹ 6.60 per unit from June 2020 onwards, the PWD did not correspondingly increase the share of ₹ 0.40 per unit (for electricity charges), which was unjustified and led to undue favour to the contractor.
- The revenue sharing between the contractor and the PWD was based on actual number of water cans sold per day. The plants should have a working water meter to watch the quantity of water purified per day to ensure the correctness of sale proceeds provided by the firm. However, the PWD issued instructions to install water meters only in May 2018. Despite the orders, the inspection conducted by the division (August 2020) revealed that four purification plants did not have water meters housed. Thus, PWD relied only on the data provided by the contractor without any cross verification.
- Even though the water was sold by the contractor to the public from the year 2010 onwards, it was only in July 2020, the PWD considered the activities of contractor as a commercial activity and decided to charge an additional amount of ₹ 0.30 per can from the firm. This indicated that the firm had been extended with the undue benefit of free water for more than nine years which was not justifiable.
- As per the contract conditions, the firm has to conduct monthly post-installation quality audits and water tests by independent laboratories, thereby confirming to Indian Standards IS-10500 which prescribed pH levels between 6.5 to 8.5. However, it was observed that such tests were not conducted by the firm during the period of audit. When PWD had collected water samples from these plants (August 2019) and tested, it was found that pH levels at 13 plants were beyond the desirable levels with a maximum of 9.17 at Raja Nagar and 6.12 at Ashok Nagar, making the water alkaline and acidic respectively and thus unfit for drinking purposes. Further, the PWD conducted (June 2022)

water tests for 20 plants and it was found that the water samples were below the prescribed pH levels ranging from 4.74 to 5.97.

- Audit visited five purification plants being operated in the test-checked zones and found that there was no provision for utilising the rejected water and it was let into open drain. As per norms, 40 litre of raw water would be required for producing 20 litre of purified water. As per the factual note on purification plant submitted by PWD to the Government (January 2021), it was stated that a minimum of 12,500 cans are being sold per day in Puducherry region which requires five lakh litres of raw water per day. It would be pertinent to note that the water supplied to these purification plants were not raw water, but treated water sourced from nearby OHTs which would otherwise be directly supplied to the households. Thus, treated water to an extent of 91 million litres per year had been wasted into drains which was a clear case of mismanagement of scarce water by PWD.

Government stated (May 2022) that since the agreement did not contain provision for current consumption charges, the Department could not collect the pending charges. Further, action would be taken to install water meters in all the purification plants to ensure the correctness of sale made by the contractor. The reply of the Government indicated lack of planning in implementing the scheme thereby resulting in undue benefit to the contractor and absence of plan to utilise the rejected water.

2.1.10.3 Non-implementation of energy efficiency measures for water pumps

The UT Government had entered into an agreement with the Energy Efficiency Services Ltd. (EESL) (a joint venture under Ministry of Power, GoI) (March 2017) for preparation of Investment Grade Energy Audit (IGEA) for energy efficiency in Public Water Works/Sewerage Systems under AMRUT implemented by Local Administration Department, Puducherry (LAD). The proposal was to replace old inefficient pump sets with energy efficient pump sets in Puducherry (PH Division, PWD), Oulgaret and Karaikal Municipal areas. The proposal did not involve any upfront cost to UT Government as EESL would recover the investment made in the form of fixed annuity.

- Accordingly, the EESL conducted the Energy Audit of 360 water pumps of PH Division, Puducherry, 49 water pumps of Oulgaret Municipality and 28 water pumps of Karaikal Municipality and submitted its reports in May 2018. Out of the total 437 water pumps, the EESL proposed for replacement of 358 water pumps (82 *per cent*), which had low efficiency due to higher consumption of power as detailed in **Table 2.3**.

Table 2.3: Expected energy/cost saving through replacement of pumps

Number of pumps audited	Pumps proposed for replace-ment	Existing Annual energy consump-tion (kWh/ *annum*)	Expected consump-tion on replace-ment (kWh/ *annum*)	Expected energy saving (kWh/ *annum*)	Monetary energy cost savings *per annum* (₹ in crore)	Cost of invest ment (₹ in crore)	Pay back period	Savings (*per cent*)
437	358	313.44 lakh units	172.14 lakh units	141.30 lakh units	7.66	8.41	13 months	45

(Source: Details furnished by EESL project report)

In this regard, the EESL through LAD, Puducherry had requested (December 2018) certain details for finalising the IGEA report. Despite their repeated requests to furnish the same before March 2020, the same were not furnished by the PWD. As such, the water supply was continued to be made with the old inefficient pumps thereby foregoing the energy cost saving of ₹ 7.66 crore *per annum*. This resulted in increased operational cost of the water supply schemes and running time.

Government stated (May 2022) that action would be taken to replace the water pumps in a phased manner.

***Recommendation**: As the quantum of rejected water from the water purification plants accounts for 50 per cent of raw water, the possibility of utilising the same for secondary usage may be explored. Further, to improve operational efficiency, the UT Government should replace the old water pumps with energy efficient water pumps thereby saving the energy cost.*

2.1.11 Quality of drinking water

2.1.11.1 Non-cleaning of overhead tanks and sumps

As per CPHEEO Manual on Operation and Maintenance of Water Supply System (Paragraph 7.3), routine inspection is the best way to determine when a tank requires maintenance and cleaning. During the cleaning of tanks, water samples and silt/mud accumulated in the tank need to be collected for the biological analysis and for presence of snails and worms.

The details of cleanings done during the past five years (2016-2021) in respect of 42 numbers of OHTs and 38 numbers of sumps in Puducherry region are as detailed in **Table 2.4**.

Table 2.4: Details of OHT/sumps cleaned during 2016-21

No. of OHTs cleaned during 2016-21						Total No. of OHTs
0 times	Once	Twice	Thrice	Four times	Five or more times	
11	12	4	3	4	8	42
No. of sumps cleaned during 2016-21						Total No. of sumps
11	12	3	3	3	6	38

(Source: Details furnished by Department)

As seen from **Table 2.4**, 11 OHTs and 11 sumps were not cleaned at all, 12 OHTs and 12 sumps were cleaned only once, during the period 2016-21. Thus, no plan of action was prepared by the PWD Divisions for cleaning of OHTs and sumps at periodical intervals. It is pertinent to note that during the field survey, the public complained the existence of colour and odour in the water supplied which was due to non-cleaning the OHTs and sumps. On the other hand, in respect of Karaikal, Mahe and Yanam regions, all the OHTs and sumps which are under the control of PWD had been cleaned at least once in a year during 2016-21. This resulted in supply of unsafe water to the public.

Government stated (May 2022) that action plan for periodical cleaning of OHTs and sumps is being prepared and the same will be implemented at the earliest.

2.1.11.2 Supply of drinking water without chlorination

As per CPHEEO Manual (Paragraph 8.1), disinfection of water has to be done to ensure safety of water supplied for drinking purpose. The Water Supply Divisions in Puducherry and Karaikal region were using Sodium Hypochlorite Solution (Liquid Chlorine) as a disinfectant for the water supplied to the public.

Audit visited eight selected OHTs of PWD in Puducherry region and two OHTs in Karaikal region and found that none of them had maintained registers to watch the quantum of chlorine dosed into the water. On a scrutiny, it was found that during the five years ending 2016-21, water was supplied without dosing of chlorine for 181 days. During the entire month of April 2020, water was supplied to public without any chlorine treatment. Audit further noticed that there was no uniformity in usage of chlorine in the nine selected OHTs in Puducherry and Karaikal regions. Thus, due to not following any scientific approach in the dosing of chlorine, the PWD continued to supply water to the public without ensuring adequate chlorination as prescribed. This resulted in supply of unsafe water to the public.

Government stated (May 2022) that registers would be maintained to monitor the receipt and usage of chlorine and tests will be conducted on regular intervals to ascertain the adequacy of chlorine. In this regard, it is pertinent to mention that the UT Government had declared Karaikal Region as Pandemic affected

due to outbreak of Cholera in July 2022 which was attributed to water contamination.

2.1.11.3 Supply of water directly from borewells

Audit scrutiny revealed that water from 57 out of 263 borewells in Puducherry region was being supplied directly to the households as no infrastructure for intermediate storage *viz*., sump, OHT/reservoirs was created in these areas. It is pertinent to mention that in three areas test-checked by audit, *viz*., Velrampet Engineers Colony, Thiruppur Kumaran Nagar and Boomianpet were under direct pumping for more than 3 decades since 1987. Similarly, in one out of 18 borewells in Karaikal and 12 out of 36 borewells of Oulgaret Municipality, water was being supplied directly to the consumers.

As seen from the last test reports of water supplied from such borewells in Puducherry region by the PH division, high Total Dissolved Solids (TDS) in seven places, high Iron content in one place, high Chloride content in four places and high Nitrate content in six places more than the permissible limits were noticed, which made the water supplied to those areas unfit for consumption and putting the public at high health risk.

Government stated (May 2022) that due to water being tapped from confined aquifer, the water contains high amount of TDS and inorganic salts like calcium and water is being supplied after chlorination at most places. Further, in places where iron content is more, iron removal plants were installed and treated water being supplied. The reply was not tenable as in the absence of intermediate storage facility, the possibility of chlorination/treatment could not be ensured in Audit.

2.1.11.4 Dormancy of the Puducherry Water Resources Organisation for more than a year

The Union Territory of Puducherry Hydrology Organisation established with the financial assistance of International Bank for Reconstruction and Development in April 2006 was renamed as Puducherry Water Resources Organisation (PWRO) under the Societies Registration Act from December 2012. The State Water Policy for the UT of Puducherry 2016 states that it will be the Nodal Agency to collect, collate and disseminate all data relating to water especially its quality. The Policy further states that the State Level Water Quality Review Committee constituted by the Government in March 2003 will periodically meet and monitor water quality.

However, the activities of the PWRO had almost come to a standstill since March 2020 due to non-availability of fund and hence the responsibilities entrusted to the society as per the Water Policy were not discharged by the

PWRO since then. This had resulted in non-collection, collation and dissemination of data relating to water especially its quality being supplied to public.

Government stated (May 2022) that the required funds have been provided and action is being taken to revive the organisation.

2.1.11.5 Establishment and functioning of Water Testing Laboratories

As per Paragraph 15.1 of CPHEEO Manual, the objective of the Water Works Management was to ensure that the water supplied is palatable and free from undesirable taste and odour, for which laboratories with adequate facilities and qualified personnel are essential. Mention has been made in Paragraph 2.1.2 of the Report of the Comptroller and Auditor General of India for the year ended March 2019 regarding the idling of the Inductively Coupled Plasma Spectrometer (ICP) and Gas Chromatograph (GC) at PWRO.

In this connection, Audit observed the following:

- The PWD had established only District Level Laboratories, but these laboratories do not have the facility/equipment to analyse the presence of heavy metals and pesticides, *viz*., ICP and GC. Though, these equipments are available at PWRO, they were not used for testing water quality by PWD though qualified chemist were available at the Water Testing Laboratory of the PH Division, PWD.
- As per Uniform Drinking Water Quality Monitoring Protocol (UDWQMP), the testing laboratories at all levels should strive for accreditation in a phased manner. Though the laboratory at Puducherry had obtained the National Accreditation Board for Testing and Calibration Laboratories, such accreditation was not obtained for laboratory at Karaikal which was functioning since 1992 and the reports generated were not authenticated by a Bio-chemist.
- As per UDWQMP, every district laboratory, in order to establish the base line status of water quality, had to conduct an analysis of all parameters once during pre-monsoon and post-monsoon season. Though the pre-monsoon survey had to be conducted before June every year, the laboratory had conducted the survey only after onset of the monsoon every year which defeated the very purpose of checking. Moreover, post-monsoon survey was not conducted during the period 2016-21. The number of water samples of public taps/household taps tested by the Lab of the PH Division decreased from 396 to 25 during 2016-21.

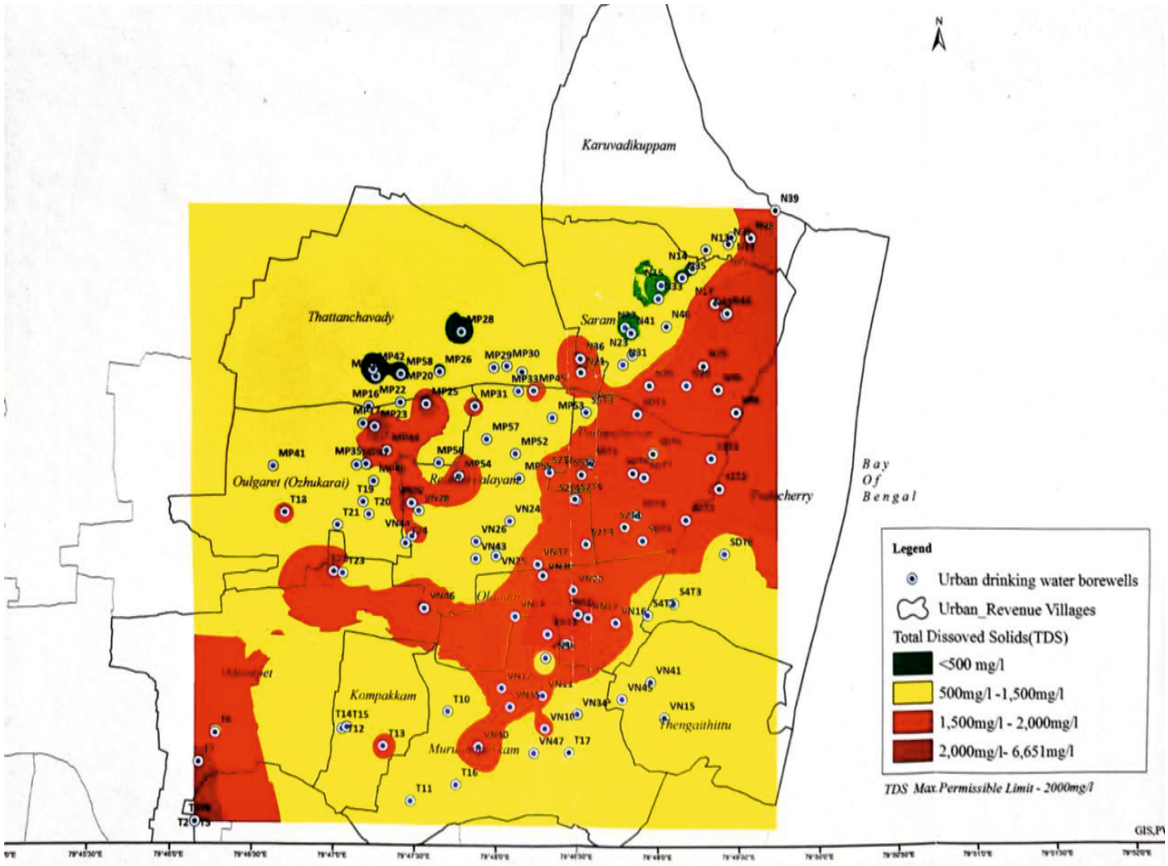
Government stated (May 2022) that regular tests are being conducted as per the guidelines. The reply was contrary to the fact that tests conducted were not as per the targets fixed by UDWQMP. Thus, it could not be ascertained whether the objective of ensuring that the water supplied is palatable was achieved.

2.1.11.6 Non-ensuring of water quality parameters

(i) High level of TDS

The desirable and permissible limit of TDS as per BIS - IS - 10500 - 2012 is 500 mg/l and 2,000 mg/l respectively. The PWRO, a society functioning under the Government of Puducherry obtained water quality datasets (for pre-monsoon 2019) for the Puducherry region **(Picture 2.2)** in respect of 121 borewells located in the urban areas of the Puducherry region from the Water Testing Lab of PWD and conducted Geographical Information System and Mapping of water quality.

Picture 2.2: TDS of Borewells of Public Health Division, Puducherry (Pre-monsoon 2019)



Results of the analysis showed that 25 *per cent* of the urban drinking water borewells had TDS values between 2,000 mg/l and 6,665 mg/l which was unfit for drinking and 50 *per cent* of the same had TDS values between the desirable limit of 500 mg/l and the permissible limit of 2,000 mg/l.

Further, out of 119 borewells in the urban areas for which water tests were last conducted in 2020, the top 10 borewells which had TDS levels beyond the permissible limit of 2,000 mg/l as detailed in **Appendix 2.2 (a)**. It could be seen that though the TDS levels were on an increasing trend which ranged between 3,043 mg/l and 6,754 mg/l making the water unfit for drinking.

(ii) High level of Chloride

The permissible level of chloride in drinking water is 1,000 mg/l. However, Chloride concentrations in excess of about 250 mg/l (acceptable limit) can give rise to detectable taste in water. The top 10 borewells which had chloride levels beyond the permissible limit are detailed in **Appendix 2.2 (b)**. It could be seen that the chloride level was on an increasing trend which ranged between 1,462 mg/l and 2,942 mg/l which was unfit for drinking.

(iii) High level of Nitrate

The acceptable and permissible level of Nitrate in drinking water is 45 mg/l. The presence of Nitrate in excess of 45 mg/l can cause methemoglobinemia (known as blue baby syndrome). It was seen that 26 borewells had the presence of Nitrate beyond the permissible limit. The top 10 borewells which had Nitrate levels beyond the permissible limit are detailed in **Appendix 2.2 (c)**. It could be seen that the Nitrate level was on an increasing trend which ranged between 52 mg/l and 74 mg/l making the water unfit for drinking.

(iv) Other parameters

It was seen that 30 out of 261 borewells in Puducherry had Iron content beyond 1.0 mg/l and 36 borewells had the presence of Calcium Carbonate beyond 600 mg/l, making them unfit for drinking.

Government stated (May 2022) that action would be taken to bring water from far away sources and supply to urban areas under AFD Scheme and poor quality borewells would be closed. The fact, however, remained that the PH Division continued to supply sub-standard quality water to public, thereby putting the consumers at high health risks.

2.1.11.7 Water quality in the test-checked areas

Audit collected samples of drinking water supplied to public from selected eight OHTs in Puducherry, two in Karaikal and five in Oulgaret and tested the same at PH Division Lab, Puducherry. The results of the water samples tested are as given in **Appendix 2.3**.

Based on the sample collection, Audit found that:

- None of the water samples in the above test-checked areas had TDS within the acceptable limit of 500 mg/l, except in Periyakalapet.
- The TDS in five areas were even beyond permissible limits of 2,000 mg/l, of which Rainbow Nagar had a maximum of 3,512 mg/l, making it unfit for drinking.
- The water in T.M. Nagar had an iron content of 1.56 mg/l which was beyond the acceptable/permissible limits.
- Further, there were presence of calcium, magnesium, chloride and sulphate in majority of the areas beyond the acceptable limits.

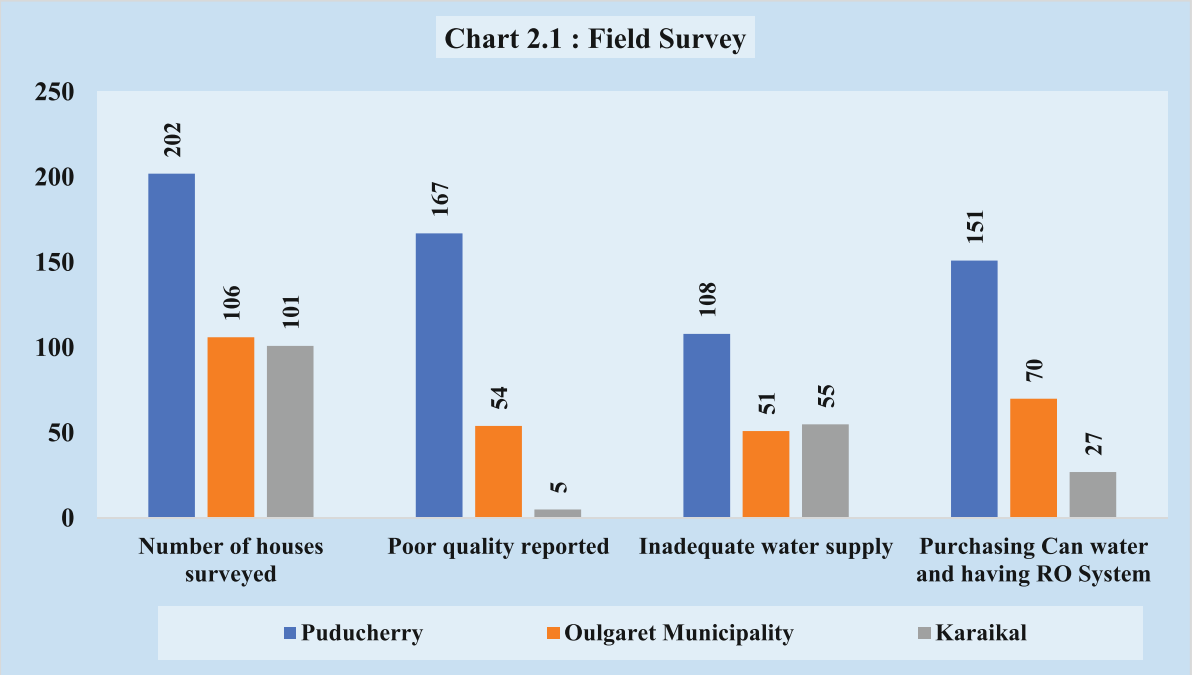
The above instances proved that the quality of water supplied was not upto the standards prescribed.

Government stated (May 2022) that action is being taken to reduce the TDS level and set up iron removal plants.

2.1.11.8 Field Survey conducted in the selected zones

Audit conducted field survey in two zones of PWD in Puducherry, one each in Karaikal and Oulgaret Municipal area of Puducherry.

People reported poor quality and inadequate supply of water besides purchasing of purified water from private vendors as shown in **Chart 2.1**.



Government stated (May 2022) that necessary action would be taken for supply of quality water to the public.

***Recommendation**: To ensure public health and hygiene, the water supplied should be of specified standards which can be ensured by conducting regular tests through accredited laboratories and periodical treatments.*

2.1.12 Revenue management

Paragraph 13.1 of the CPHEEO Manual states that the revenue management system is an important aspect of any water supply so as to ensure long term sustainability. Besides fixing a tariff structure, billing and collection of revenue plays an important role in revenue management. A review of the revenue management disclosed the following:

2.1.12.1 Absence of mandate to PWD for supply of water

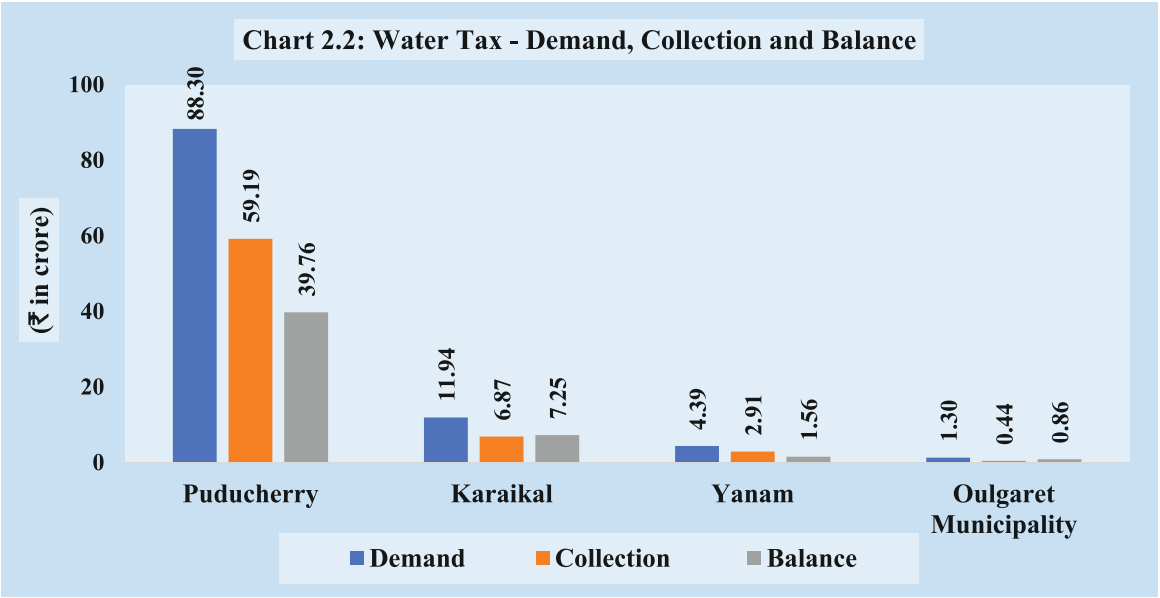
The Pondicherry Municipalities Act, 1973 states that the administration of all public sources of water shall vest in the Municipal council. However, the creation, operation and maintenance of the WSSs for supplying water to the public, continued to remain with the PWD without any mandate.

Audit, however, observed that neither there was any mandate to PWD by the Government nor any Statutory Water Supply Board has been set up by the UT Government so far. Further, there was no separate water supply rules notified by the UT Government for governing the existing and new water connections, but are following only the existing practice in vogue. Thus, there was no authority to the PWD for taking any legal action on the defaulters and illegal tappers of water. Further, as the Local Bodies are already having their own revenue wing, the maintenance of a parallel revenue wing in the PWD with a huge establishment cost was unwarranted.

Government stated (May 2022) that action was being taken to constitute a committee for formulation of water policy and framing of water rules for the UT of Puducherry.

2.1.12.2 Non-collection of arrears of water charges - ₹ 49.44 crore

The water charges fixed at different tariff as per usage for various categories of consumers like domestic, non-domestic commercial, commercial, Government, public taps, etc., by the UT Government based on which the quarterly demands for each water connection are being raised by the Department. The details of total demand raised and collected during the audit period 2016-21 and the balance outstanding (March 2021) is given in the **Chart 2.2**.



In Puducherry, the balance of ₹ 39.76 crore which included an old arrear of ₹ 10.65 crore relating to the past three decades is pending from 1990-91 to 2015-16.

In Mahe, the Department had not raised the quarterly demands in respect of all the existing connections (3,913). The consumers had themselves made voluntary payments to the tune of ₹ 4.11 crore during the years 2016-21. In the absence of any demand raised and non-maintenance of demand, collection and balance details by PWD, Mahe, Audit could not ascertain the actual revenue pending collection as of March 2021.

Due to failure to take appropriate action, huge amount of arrears of ₹ 49.44 crore from the year 1991 remained outstanding which was not justified.

Government stated (May 2022) that due to acute shortage of staff, the collection of revenue was hampered in all the four regions and possible efforts are being taken to increase the revenue collection.

2.1.12.3 Non-collection of water charges from the municipalities

As per the orders issued by the UT Government (February 2017), the water tariff has been revised from ₹ 1,000 to ₹ 2,000 per quarter per public tap. As of November 2021, the water charges pending to be collected from the Puducherry (927) and Oulgaret Municipality (462) for 1,389 public taps was ₹ 11.63 crore which was pending as early as 1997.

The Puducherry Municipality, however, claimed (December 2021) that there are only 409 public taps within their jurisdiction as against 927 taps specified by PWD. The Oulgaret Municipality stated (July 2022) that PWD had raised a demand of ₹ 3.66 crore for 462 public taps and necessary reconciliation of the number of active public taps would be done with PWD since there were only

17 public taps as against 462 stated by PWD. In respect of Karaikal and Yanam regions, demands were neither raised nor the dues included in the arrears statement in respect of public taps.

Thus, the dues claimed by PWD from the Municipalities were neither authentic nor confirmed by the clients which revealed that PWD did not have any control over the arrears of water charges from the local bodies for more than a decade.

Government stated (May 2022) that the local bodies were reluctant to pay the dues due to their financial constraints and action would be taken to reconcile the number of public taps and to collect pending dues accordingly.

2.1.12.4 Non-replacement of defective water meters resulting in persistent loss of revenue

Paragraph 2.2.8.2 (e) of the CPHEEO Manual specifically states that the consumption of water is less when the supply made is metered. Further, Paragraph 4.3.1.4 (a) of the CPHEEO Manual states that it is preferable to use only magnetic meters for domestic consumers, which are magnetically driven and hermetically sealed.

There was continued increase in the number of non-working meters which resulted in loss of revenue as per actual utilisation as detailed in **Table 2.5**.

Table 2.5: Details of defective meters

Region	Total number of connections	Number of metered connections	Meters not working		Percentage of defective meters
			Month	Number	
Puducherry	1,10,249	1,04,237	March 2021	79,839	76.59
Karaikal	18,099	17,592	March 2021	3,769	21.42
Mahe	3,913	3,274	March 2021	NA*	NA*
Yanam	8,356	8,093	March 2021	8,093	100

NA: Not available

(Source: Details furnished by the Department)

Though the percentage of defective meters was very alarming, the PWD did not insist change of defective meters then and there. It was observed that majority of the meters are not working for years together and some of which dated back to 30 years. Resultantly, the department is collecting only minimum charges in the disguise of collecting average charges for the connections which resulted in loss of revenue.

Further, the data collected in respect of meters fitted to commercial units like hotels, lodges, restaurants, etc., in Puducherry revealed that 84 out of 122 meters were not in working condition (69 *per cent*). This would not only result in persistent non-accounting of water, but also in loss of revenue to the

Government which has been executing its water supply schemes availing loan on interest.

Government stated (May 2022) that action is being taken to provide Electro Magnetic Meters to commercial institutions in phased manner under Smart City Project.

2.1.12.5 Absence of periodical revision of water tariff

Paragraph 13.2 of the CPHEEO Manual states that water charges are to be revised periodically to meet the cost of operation of water supply. The Department revised water tariff in 1990, 2000, 2010 and last in 2017. Audit observed that the water tariff for domestic consumers was ₹ 0.50 paise per unit[6] in 1990 which was revised to ₹ 3 per unit only in 2017 after a period of 27 years indicating that periodical revision was not done. Thus, the water charges collected from the domestic consumers was not commensurate with the expenditure being incurred on the operation and maintenance.

Government stated (May 2022) that periodical revision of water charges would be made on formation of specific rules and guidelines.

Recommendation*: To enforce collection of water charges and to take action on the defaulters, the Government should formulate a water policy and rules and responsibility may be fixed on the officials concerned for non-collection of water charges. Defective water meters should be replaced on priority to avoid loss of revenue.*

2.1.13 Conclusion

Provision of adequate quantity of safe and potable drinking water to the public is the main aim of water supply agencies of the UT of Puducherry. However, the function of the water supply being undertaken by the PWD was not robust and efficient. This was despite the fact that the demand for drinking water had increased by more than 30 *per cent* during the last ten years in UT of Puducherry.

PWD did not prepare a comprehensive water supply plan but has been executing the works only on demand. The available sources of water like water bodies/lakes were not augmented for increased supply of water. Even though the rain water harvesting was an effective solution for management of water problem, the same was not insisted before issuing completion certificates to the buildings. There were instances of wastage of water without secondary use due to non-installation of sewage treatment plant. Execution of 14 water works examined during the course of Audit revealed that all the works were suffering

[6] One unit = 1,000 litres.

from avoidable delays due to deficient planning/execution. Management of water supply suffered from non-carrying out desilting of reservoirs and non-installation of energy efficient water pumps, etc. There was undue benefit to a contractor who was supplying the purified water within UT of Puducherry. The quality of water being supplied to public was poor due to non-chlorination, non-cleaning of overhead tanks and existence of high levels of TDS/chloride, etc. There were arrears of ₹ 49.44 crore of water charges to be collected from the public, but PWD was unaware of the periodicity of pendency.

2.2 Compliance Audit on Implementation of Beneficiary Led Construction component of Pradhan Mantri Awas Yojana – Urban by the Union Territory of Puducherry

ADI-DRAVIDAR WELFARE AND SCHEDULED TRIBES WELFARE, HOUSING AND TOWN AND COUNTRY PLANNING DEPARTMENTS

2.2.1 Introduction

"Pradhan Mantri Awas Yojana (PMAY) (Urban) – Housing for All" Mission for Urban area was introduced (June 2015) by the Government of India (GoI) to be implemented during 2015-2022 with Central Assistance to implementing agencies through States and Union Territories (UT) for provision of *Pucca*[7] house to the beneficiaries. PMAY is mapped by the NITI Aayog in the target for the achievement of Sustainable Development Goals (SDGs) to 'End poverty in all its forms everywhere' (SDG-1) and 'Make cities and human settlements inclusive, safe, resilient and sustainable' (SDG-11).

2.2.2 Objective of the Scheme

The objective of the Scheme was to provide *Pucca* houses with basic amenities to all the houseless households and those households living in *Kutcha*[8] and dilapidated houses by 2022.

The Scheme envisages preparation of holistic Housing for All - Plan of Action (HFAPoA) for its implementation till the Mission period of 2022, to address the housing requirements of the slum dwellers and urban houseless poor in respect of each city.

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7 *Pucca* means permanent houses.

8 *Kutcha* means temporary and semi-permanent houses.

The mission seeks to address the housing requirement of urban poor including slum dwellers through the following programme verticals:

- Slum rehabilitation of slum dwellers with participation of private developers using land as a resource (In-Situ Slum Redevelopment).
- Promotion of Affordable Housing for weaker section through credit linked subsidy.
- Affordable Housing in Partnership with Public and Private sectors.
- Subsidy for beneficiary-led individual house construction/ enhancement.

Out of the above four verticals, only two verticals, *viz*., Beneficiary Led Construction Housing Scheme (BLC) component and Credit Linked Subsidy Scheme (CLSS) are being implemented in the UT of Puducherry. The erstwhile housing schemes implemented by Government of Puducherry (GoP) *viz.,* Perunthalaivar Kamarajar Housing Scheme and the Bharat Ratna Rajiv Gandhi Housing Scheme (BRRGHS) had been dovetailed (merged) (March 2017) by the UT Government with the BLC of PMAY-Urban.

Financial assistance under BLC would be given to eligible beneficiaries who own a plot and residing in dilapidated houses, huts and rented houses. Unit assistance of ₹ 1.50 lakh by GoI and Unit assistance of ₹ 2.50 lakh for SC/ST beneficiaries and ₹ 0.50 lakh for non-SC beneficiaries by Government of the Union Territory of Puducherry (GoP) were given in three instalments. The details of funds released by the GoP (both Central and State share) to the Nodal Agency and by Nodal Agency to Implementing Agencies and disbursement of subsidy to beneficiaries by the Implementing Agencies as on 30 November 2021 are given in the **Appendix 2.4**. Under CLSS, interest subsidy of 6.5 *per cent* on housing loans can be availed from the banks and the interest subsidy is met by GoI.

2.2.3 Organisational Structure

The scheme is implemented in the whole of Union Territory (UT) of Puducherry. The State Level Sanctioning and Monitoring Committee (SLSMC)[9] with the Chief Secretary as Chairman is monitoring the overall progress. Under the scheme, the UT signed a Memorandum of Agreement (MoA) to participate in the Mission by agreeing to mandatory conditions and other modalities. The SLSMC obtains approval of the Detailed Project Report (DPR) from the Central Sanctioning and Monitoring Committee (CSMC) of the Ministry of Housing and Urban Affairs (MoH&UA), Government of India

[9] Comprising of six members at secretary level of various Departments of GoP and one member from State level bankers committee and one member from nodal agency.

(GoI). The State Level Appraisal Committee (SLAC)[10] with the Secretary to Government (Housing) as the Chairman is entrusted with Techno-Economic Appraisal of the Projects. The HFAPoA and Annual Implementation Plans (AIPs) are to be submitted to the Ministry after the approval of SLSMC for assessment of the overall plan and required central financial assistance. The Town and Country Planning Department is the Nodal Agency and Puducherry Slum Clearance Board (PSCB) and Adi-Dravidar Welfare and Scheduled Tribes Welfare Department (ADW) are the implementing agencies for General/OBC and for SC/ST categories respectively.

2.2.4 Audit Objectives

The objectives of Compliance Audit were to ascertain:

- whether the system of identification and selection of beneficiaries under the scheme was transparent and adequate;
- whether physical progress of construction of houses including provisioning of other amenities were in compliance with the targets as per the scheme guidelines; and
- whether the mechanism for monitoring and evaluation of the scheme was adequate and effective and whether third party is engaged for quality assurance of the houses constructed.

2.2.5 Audit Criteria

The audit criteria for assessing the achievement of the objectives were derived from the following:

- Guidelines of PMAY issued by the MoH&UPA, GoI (March 2016) and amendments issued from time to time
- Orders, Notifications and circulars issued by the GoI and GoP
- Applications of the beneficiaries and selection therefrom
- Minutes of CSMC, SLSMC and SLAC
- Detailed Project Reports
- Physical and financial progress reported under the Management Information System (MIS) - Geo-tagging

[10] Comprising of Secretary (Housing), three members at Deputy/Under Secretary level of various Departments of GoP and one member each from PWD, Local Administration, Nodal Agency and Pondicherry Engineering College.

2.2.6 Audit Coverage and Methodology

Out of the two verticals of the scheme implemented in the UT of Puducherry, Audit of the BLC component of scheme alone was taken up for Audit as the interest subsidy under CLSS was paid to beneficiaries directly by GoI into their bank accounts. Under the BLC component of the PMAY mission, the assistance is given to eligible individual families belonging to Economically Weaker Section[11] (EWS) categories to either construct new houses or enhance existing houses who are not able to take advantage of other components of the Mission. The Audit was conducted during July 2021 to February 2022 covering the period from 2016-17 to 2020-21. The scope and methodology of the compliance audit were explained during the Entry Conference held in July 2021 with the Secretary to GoP (Welfare and Housing). Audit examined various activities carried out under PMAY at Nodal Agency (Town and Country Planning Department) and Implementing agencies (PSCB and ADW). A field survey covering 282 beneficiaries of PSCB and 184 beneficiaries of ADW totalling 466 beneficiaries out of 12,706 beneficiaries (PSCB: 9,445 and ADW: 3,261) was conducted. The audit findings were reported to the UT Government in February 2022 and discussed in the Exit Conference held in April 2022. The reply received (September 2022) from the Government has been incorporated at appropriate places.

Audit Findings

2.2.7 Selection of beneficiaries

2.2.7.1 Identification of Beneficiaries

PMAY guidelines stipulated the following criteria for availing assistance under BLC vertical.

- Families belonging to EWS categories may avail Central Assistance of ₹ 1.50 lakh under BLC component to either construct new houses or enhance existing houses.
- Beneficiaries in slums were also eligible to avail assistance under this component if they have a *Kutcha* [or *Semi-Pucca*] house. The condition of the houses should be checked with Socio Economic Caste Census (SECC) data to ensure beneficiary's eligibility for construction of new house.

[11] Annual household income upto ₹ three lakh.

As per census 2011, the population of UT of Puducherry was 12,47,953 and the households was 3,01,276 which comprised of 65,794 non-permanent households[12] including 9,334 households in slums.

In the Demand Survey conducted by UT Government during September to November 2016, 75,956[13] applications were received from beneficiaries. Out of this, 44,315 applications were found eligible under the scheme and included in the Plan of Action for Housing for All. The component-wise categorisation of applications is given in **Table 2.6**.

Table 2.6: Category of applications

Sl. No.	Component	Number of Applications
1	In-Situ Slum Redevelopment	1,088
2	Credit linked subsidy scheme	13,352
3	Affordable Housing in Partnership	14,925
4	Beneficiary-led construction/enhancement (BLC)	14,950
Total		**44,315**

(Source: Data Provided by Nodal Agency)

Audit observed the following deficiencies in beneficiary identification process:

- The data obtained through demand survey was not validated by cross verifying with the SECC 2011 data.
- Out of 14,950 applications received under BLC, 14,826 eligible beneficiaries[14] constituting 99.17 *per cent*, had been considered for grant of assistance so far under PMAY. Under CLSS, the eligible beneficiaries were provided interest subsidy by GoI directly. Hence, 16,013 potential beneficiaries identified under the other two components[15] were deprived of the benefits, as these components were not implemented in the UT.

In reply, UT Government stated (September 2022) that the SECC 2011 data obtained did not contain any identity proof *viz*., Aadhar card, Ration card or Voted ID for validating the applications received. Hence, validation of SECC 2011 data was not carried out by implementing agencies as the validation has to be done with name field which was a cumbersome process. The fact, however, remained that the eligibility of the beneficiaries was not ensured as validation of SECC 2011 data was not carried out as prescribed. Government also stated

12 Semi-permanent households: 29,992 and temporary households: 35,802.

13 Puducherry: 42,036, Karaikal: 26,454, Mahe: 1,746 and Yanam: 5,720.

14 PSCB: 11,491, ADW: 3,335.

15 (i) In-situ Slum Redevelopment and (ii) Affordable Housing in Partnership with Public and Private Sectors.

that due to non-availability of land and paucity of funds, In-situ Slum Redevelopment and Affordable Housing in Partnership components were not executed. The fact, however, remained that the objective of housing for all was still unachieved.

2.2.7.2 Selection of Beneficiaries

The applications received from the beneficiaries are scrutinised by the implementing agencies for grant of assistance through the following validation process:

- Verification of all the documents *viz*., proof of identification, address, income, ownership of the land, etc., submitted by the beneficiaries.
- Weeding out duplicate applications and eliminating the beneficiaries who had availed assistance under the State sponsored housing schemes.
- The applications are then shortlisted based on the site verification report to ensure availability of land.

Thereafter, based on the eligibility criteria, proposal for grant of assistance forwarded to State Level Appraisal Committee (SLAC) and SLSMC for their recommendations. On the basis of recommendations of the SLAC and SLSMC, approval is accorded by CSMC.

CSMC accorded approval for 14,826 beneficiaries between December 2016 and February 2021. However, the number of beneficiaries had been reduced to 12,706 after deleting 2,120 beneficiaries as detailed in **Table 2.7**.

Table 2.7: Details of beneficiaries finalised

Implementing Agency	Number of beneficiaries approved	Number of beneficiaries deleted	Number of beneficiaries finalised
PSCB	11,491	2,046	9,445
ADW	3,335	74	3,261
Total	**14,826**	**2,120**	**12,706**

(Source: Data Provided by Nodal Agency)

The reasons assigned for deletion of beneficiaries were analysed and audit observed the following:

- The approval for grant of assistance was obtained without proper verification of records relating to ownership of land in respect of 361 beneficiaries and 107 persons whose land belonged to temple.
- 128 beneficiaries have commenced/completed construction of houses before geo-tagging and hence not eligible for grant of assistance.

- Even though beneficiaries belonging to EWS alone were eligible for assistance under PMAY, 86 beneficiaries of higher income group were included.
- 19 persons included in the proposal of ADW Department had to be subsequently deleted as they did not belong to SC/ST community.

The above analysis indicated deficiencies in validation process as there were instances of non-verification of documents, ineligible beneficiaries, failure to ascertain ownership of land by conducting site verification, etc.

Audit verification also revealed that 11 beneficiaries who were extended financial assistance under the scheme were found ineligible as their annual income was in excess of ceiling limit of ₹ three lakh prescribed for EWS and hence, were ineligible for assistance under the BLC component of the scheme.

The scheme guidelines (Paragraph 2.5) stipulated that the house constructed/ acquired with central assistance under the mission should be either in the name of the female head of the household or in the joint name with the male head. Audit observed that out of 12,706 beneficiaries finalised, 5,191 male beneficiaries constituting 40.85 *per cent*, were selected for grant of subsidy in violation of the above guidelines. This was also confirmed during the field survey conducted by audit that the houses were in the name of male head of household in respect of 90 PSCB beneficiaries and 74 ADW beneficiaries.

UT Government stated (September 2022) that PSCB reported 254 out of 361 beneficiaries had land related issues which were not reported by the beneficiaries. The remaining 107 beneficiaries were dwellers of temple land, for which the assigning tenure rights would take more time. Since, the selection was initially based on self-declaration by the beneficiaries, the same was subsequently found incorrect and these beneficiaries were subsequently deleted. Further, it was stated that 4,016 male beneficiaries have been modified into joint ownership as specified in the guidelines. The reply was not tenable since the beneficiaries should have been selected only after verifying the genuineness of the information provided. Further, the scheme benefits were extended to 1,175 male beneficiaries which still remained unregularised.

***Recommendations*:**

1. *The Department should ensure that potential beneficiaries who were not covered under the other two components of the scheme should also be accommodated under other UT housing schemes to achieve the objective of housing for all.*

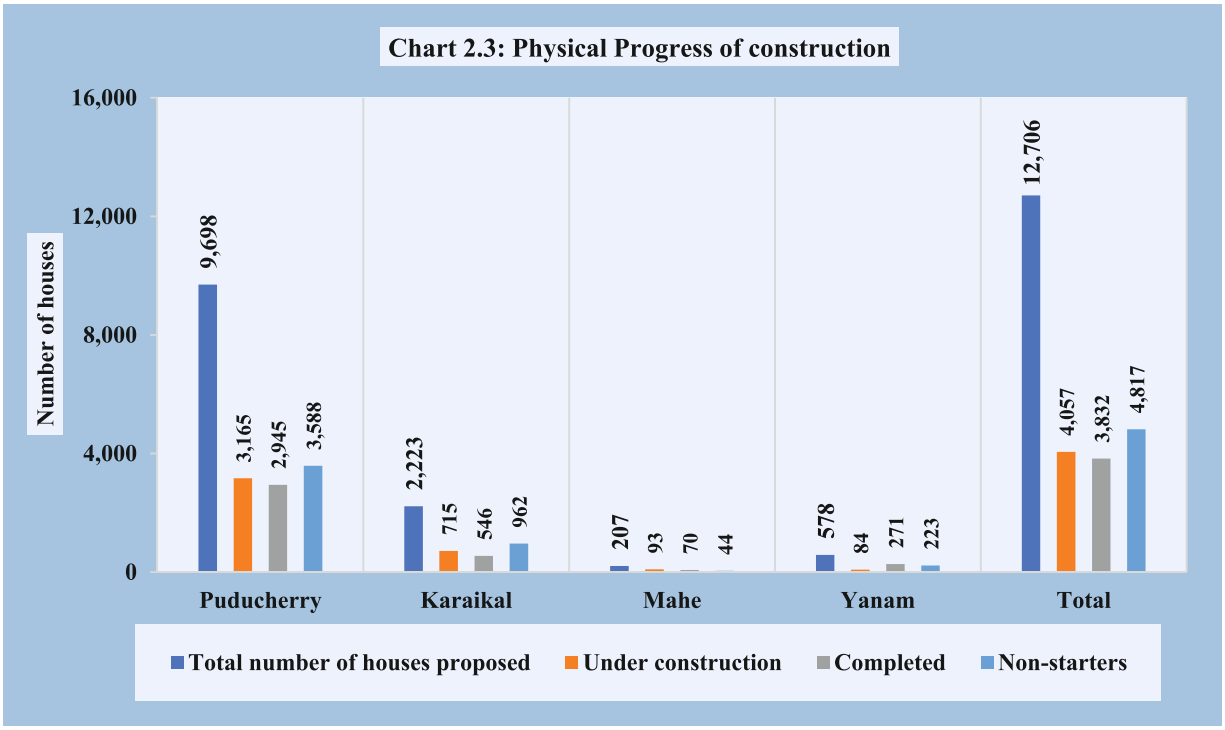
2. The department should have a flawless procedure for selection of eligible beneficiaries to avoid deletion at subsequent stage or inclusion of

ineligible beneficiaries. Responsibility should be fixed on the officials concerned for improper selection of beneficiaries.

2.2.8 Implementation

2.2.8.1 Physical progress of construction by beneficiaries

CSMC accorded final approval for 12,706 beneficiaries and the details of stages of construction of houses as of October 2021 is given in **Appendix 2.5** and the same is depicted in **Chart 2.3** indicating physical progress under the PMAY in the UT of Puducherry.



(Source: Data provided by Nodal Agency)

It could be seen from **Chart 2.3** that 4,817 beneficiaries (37.91 *per cent*) had not commenced the construction. A joint field survey by the audit team along with the officials of the Implementing Agencies was undertaken to assess the progress of construction made by the beneficiaries. The team covered 282 PSCB beneficiaries and 184 ADW beneficiaries (**Appendix 2.6**) by interviewing them and by filling up questionnaires. The outcome of the joint survey is detailed below:

(a) Under construction

The survey team visited 108 PSCB beneficiaries and 115 ADW beneficiaries who had commenced construction, but were at different stages of construction. While many of them had shown good progress in construction, 18 PSCB beneficiaries **(Appendix 2.7)** who received first instalment of subsidy did not progress further even after lapse of 28 to 48 months. Further, 12 out of the above

18 beneficiaries also received second instalment and still had not progressed further even after lapse of 16 to 32 months.

UT Government stated (September 2022) that cases of slow progress would be pursued with the implementing agencies for early completion of the houses.

(b) Non-starters

Out of 39 PSCB beneficiaries, 34 beneficiaries stated that they would commence construction after monsoon period *i.e.,* by January/February 2022 which has to be followed up closely by the PSCB. In Karaikal, some of the ADW beneficiaries during field survey stated that they could not commence construction since they have no access to their land and due to passing of overhead electricity line. During exit conference (April 2022), the Chief Town Planner stated that the field follow up has been geared up to ensure speedy completion.

UT Government stated (September 2022) that since the land lacks approach roads, PSCB is taking action to develop the area under the Slum Upgradation Programme to provide approach roads at an estimated cost of ₹ 39.30 lakh and in respect of ADW beneficiaries in Karaikal, the issue would be sorted out. The fact remained that the houses continued to be non-starters.

2.2.8.2 Blocking up of funds due to disbursement of first instalment of subsidy upfront without ensuring initial investment by beneficiaries - ₹ 7.81 crore

PMAY guidelines (Paragraph 7.7) stipulated that the financial assistance received in lumpsum from Central Government should be released by the State/UT Government to the beneficiaries in three to four instalments, linked with progress of construction of the house. The last instalment of GoI assistance of ₹ 30,000 should be released only after completion of the house. However, upto 2017-18, funds were released by the implementing agencies to the beneficiaries without ensuring commencement of construction by the beneficiaries. Audit observed that funds were released to 807 beneficiaries (PSCB) who had not commenced construction so far (November 2021) and the funds kept unutilised with them amounted to ₹ 5.65 crore[16]. Similarly in case of ADW, the amount not utilised in respect of 144 beneficiaries amounted to ₹ 2.16 crore[17]. Thus, a sum of ₹ 7.81 crore was blocked up with beneficiaries due to release of funds upfront as detailed in **Table 2.8**.

[16] 807 x ₹ 70,000 (Central Share of ₹ 60,000 and UT Share of ₹ 10,000).

[17] 144 x ₹ 1,50,000 (Central Share of ₹ 60,000 and UT Share of ₹ 90,000).

Table 2.8: Amount blocked with non-starters

Region	PSCB		ADW		Total	
	Nos.	₹ in crore	Nos	₹ in crore	Nos	₹ in crore
Puducherry	491	3.44	123	1.84	614	5.28
Karaikal	254	1.78	21	0.32	275	2.10
Mahe	19	0.13	0	0.00	19	0.13
Yanam	43	0.30	0	0.00	43	0.30
Total	**807**	**5.65**	**144**	**2.16**	**951**	**7.81**

It was noticed that though the implementing agencies had issued notices to the beneficiaries, effective follow-up action was not taken to induce them to commence construction or refund the money.

UT Government stated (September 2022) that 918 beneficiaries have commenced construction and PSCB and ADW have initiated action to persuade the remaining beneficiaries to commence and complete the construction of houses. The reply was not tenable as release of instalments before commencement of construction was in violation of scheme guidelines.

2.2.8.3 Release of UT share of assistance to SC/ST beneficiaries in the form of materials - blocking up of funds with Societies and beneficiaries

Apart from Central Share of ₹ 1.50 lakh[18], the UT share of ₹ 2.50 lakh[19] was granted as subsidy to SC/ST beneficiary. While the Central Share was directly credited to beneficiaries in three instalments, the UT share was given by way of materials. The ADW Department was transferring the UT share to the Pondicherry Co-operative Building Centre Limited (PCBC) for beneficiaries of Puducherry region and to the Marketing Committees (MCs) for beneficiaries of Karaikal and Yanam regions. The beneficiaries were permitted to draw any of the nine building materials of their choice such as bricks, cement, sand, iron rods, etc., upto the value transferred pertaining to the beneficiaries.

It was observed that the ADW Department lacked control over materials issued to the PCBC and MCs for further transfer of material. It is pertinent to note the data on date of despatch of material/value of material despatched, acknowledgement from the beneficiaries were not compiled and furnished to Audit. It was also found that as on 31 October 2021, materials worth ₹ 1.06 crore to be disbursed to 893 beneficiaries were lying without utilisation which included 81 beneficiaries in respect of whom the financial assistance

[18] In three instalments of ₹ 60,000, ₹ 60,000 and ₹ 30,000 respectively.

[19] In three instalments of ₹ 90,000, ₹ 90,000 and ₹ 70,000 respectively.

given to the extent of ₹ 90,000 remained unutilised. The ADW neither ensured issue of materials to the beneficiaries nor insisted the PCBC to refund the amount.

UT Government admitted and stated (September 2022) that ADW would take necessary action to recover the amount lying idle with PCBC, Puducherry and MCs in Karaikal and Yanam.

2.2.8.4 Non-adherence to the scheme guidelines resulted in blocking up of ₹ 18.95 crore

As the process of dovetailing of UT scheme with PMAY took time, the beneficiaries validated under the erstwhile scheme Bharat Ratna Rajiv Gandhi Housing Scheme (BRRGHS) for the year 2016-17 had been considered under PMAY Phase I and financial assistance were released by ADW Department even before the approval of the Phase I by SLSMC and CSMC. The Phase II was implemented in 2017-18, followed by Phase III in 2018-19 and Phase IV 2019-20. The number of beneficiaries and the release of assistance for the Phases I to IV implemented in Puducherry planning area is detailed in **Table 2.9**.

Table 2.9: Stages of Construction – ADW beneficiaries

Sl. No	Phase	Puducherry		Progress of the project					
		No. of Beneficiaries	Central share (₹ in crore)	Non-starters	Foundation	Lintel	Roof	Completed	Total
1	I	576	6.91	59	99	90	180	140@	568*
2	II	530	3.18	92	117	93	166	61	529**
3	III	540	3.24	136	174	70	101	59	540
4	IV	666	4.27	586	57	11	8	4	666
		2,312	**17.60**	**873**	**447**	**264**	**455**	**264**	**2,303**

@ Includes 123 out of 144 beneficiaries mentioned in **Table 2.8**.
* Data not available for 8 beneficiaries
** One Non-geo tagged
(Source: Data provided by the Department)

(a) Blocking up of subsidy with non-starters (Phases I to III) - ₹ 4.31 crore

In respect of Phases I to III, out of 1,646 beneficiaries, only 1,156 beneficiaries had received second instalment. The first instalment of ₹ 1.50 lakh was released to beneficiaries between August 2017 and August 2019. Audit observed that since resumption of construction was uncertain in respect of 287 beneficiaries,

the assistance released in the form of first instalment resulted in blocking up of ₹ 4.31 crore for more than two years.

(b) Huge number of non-started houses (Phase IV) - ₹ 8.79 crore

Out of 666 beneficiaries sanctioned for the Phase IV in February 2021, only four beneficiaries had completed construction, whereas 586 beneficiaries had not commenced construction which constituted 88 *per cent.* The assistance of ₹ 8.79 crore[20] remained blocked up for almost a year depriving prospective beneficiaries of assistance under the scheme.

(c) Uncertainty of progress of construction of houses - ₹ 5.85 crore

Audit noticed that there was no milestone fixed for stages of completion of houses *i.e.,* basement level, plinth and super structure etc. Consequently, the number of beneficiaries who had constructed only upto foundation level was 390 in respect of Phases I to III. Though these beneficiaries did not progress to lintel level even after a lapse of two to four years, the Department could not enforce the beneficiaries to complete the next stage of construction. Hence, the subsidy released to the 390 beneficiaries amounting to ₹ 5.85 crore (390 x ₹ 1.50 lakh) had become unfruitful.

In spite of knowing the performance of the earlier phases, the practice of disbursement of upfront funds was not stopped, which not only defeated the purpose of the scheme but also locked up Government funds to the tune of ₹ 18.95 crore[21].

UT Government stated (September 2022) that non-starters in respect of Phase I to III and Phase IV have been reduced to 224 and 337 respectively and that the non-starter beneficiaries would be pursued by ADW Department for earlier completion of construction. The fact, however, remained that in view of non-completion, the amount was still blocked up with the beneficiaries.

Recommendation: *As no time frame was fixed for completion of the houses by the beneficiaries, the Department should put in place an effective monitoring mechanism to expedite the completion of the houses by beneficiaries who availed subsidy. Responsibility should be fixed on the officials concerned for not recovering the unutilised amount from the Committees and release of funds in advance.*

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[20] GoI grant of ₹ 3.52 crore and GoP grant of ₹ 5.27 crore.

[21] State share of ₹ 11.37 crore and Central share of ₹ 7.58 crore = Total ₹ 18.95 crore.

2.2.9 Monitoring and Evaluation

2.2.9.1 Quality Monitoring and Quality Assurance

Effective monitoring of ongoing project(s) is the key to successful completion of any project with monitoring of quality being most significant aspect. Pondicherry Engineering College was engaged (March 2019) by GoP as a State level mechanism for Third Party Quality Monitoring (TPQM) of projects sanctioned under PMAY. The third party agency was to undertake three site visits as per PMAY guidelines with the following objectives:

- Review and monitor quality of all projects.
- Provide a structured report on the quality of projects under PMAY.

Audit observed that TPQM had so far submitted 14 inspection reports which included the following observations:

- In most of the cases, the plinth area was more than the sanctioned area (21 to 30 m^2) by 45 to 93 m^2 resulting in additional expenditure of ₹ five lakh to ₹ seven lakh to the beneficiaries.
- Beneficiaries who depended only on PMAY fund could not complete the construction.
- Beneficiaries were not educated for Do's and Don'ts.
- The beneficiaries were aware of the quality of materials to be used in construction. However, materials used in the construction were not tested for quality.

Based on the report of TPQM, even though SLSMC claimed (April 2021) that construction of quality houses by poor beneficiaries was ensured, audit observed that MIS data with reference to the extent of construction area by beneficiaries was not maintained by the implementing agencies. Audit further observed that the second and third site visits were yet to be taken up by TPQM.

2.2.9.2 Unclaimed material kept out of Government account - ₹ 9.03 crore

In order to encourage the beneficiaries to construct a house on their own, the GoP had been supplying building materials to the beneficiaries through Pondicherry Co-operative Building Centre (PCBC).

The ADW Department after validating the application and approval, forward a copy of release order for the number of beneficiaries along with the corresponding amount by cheque. On receipt of payment, PCBC releases materials to the beneficiaries according to their requirements.

Subsequently, ADW Department decided to credit the amount, including the material portion directly to the beneficiaries account with effect from March 2020, which resulted in idling of the stock of materials valued at ₹ 9.03 crore for more than two years.

The details of materials drawn by the beneficiaries who had been dovetailed with PMAY scheme from UT scheme were not maintained distinctly by the PCBC and hence could not be quantified by audit. The Department has also not maintained any register/record for watching the releases and disbursements of material to the beneficiaries.

UT Government admitted and stated (September 2022) that ADW Department would take necessary action for getting refund of unspent/unutilised amount with PCBC.

2.2.9.3 Social Audit

As per PMAY Guidelines, Social Audit of the scheme is to be conducted to assess social and ethical performance and to systematically assess the progress of PMAY mission. GoP selected Pondicherry University for conducting the Social Audit and an MoU was signed between the Nodal Agency and Pondicherry University on 10 August 2021.

UT Government stated (September 2022) that the Pondicherry University had commenced Social Audit and the same is under progress. The draft report of Social Audit has not so far been placed, thus delaying the assessment of social and ethical performance of PMAY in UT.

Recommendation: *Social Audit should be conducted in a time bound manner as contemplated in the scheme guidelines.*

2.2.10 Conclusion

In UT of Puducherry, the fourth component of PMAY, *viz*., Beneficiary Led Construction Housing Scheme is being implemented by UT as centrally sponsored scheme. The audit of implementation of the Scheme revealed that 16,013 beneficiaries who had applied for the other two components were not considered for grant of subsidy under the scheme. Hence, the objective of providing houses to the houseless households within the mission period *i.e.,* upto 2022 could not be fulfilled and denial of the scheme benefits to the targeted beneficiaries. In respect of selection of beneficiaries, initial scrutiny of applications was not done properly which resulted in deletion of 2,120 beneficiaries from the approved list. Out of the 12,706 beneficiaries finalised, 5,191 male beneficiaries constituting 40.85 *per cent* who were not eligible were selected for grant of subsidy in violation of the scheme guidelines. Eleven beneficiaries whose annual income was in excess of prescribed ceiling limit of

₹ three lakh were granted subsidy in contravention to the scheme guidelines. Scheme guideline was not adhered to and ₹ 18.95 crore was released in advance to the beneficiaries who had not started construction and to semi-constructed houses. There were non-starters amongst ADW beneficiaries for whom the material valuing ₹ 1.06 crore is lying idle with PCBC for more than two years.

2.3 Avoidable Expenditure

PUBLIC WORKS DEPARTMENT

2.3.1 Avoidable expenditure on re-tendering

Injudicious rejection of lowest tender resulted in avoidable extra expenditure of ₹ 63.37 lakh on re-tendering.

The Public Works Department (PWD) instructed (February 2011) that the tenders quoted below the estimated cost may be accepted with a special condition, to collect additional performance bank guarantee amounting to 50 *per cent* of the difference in cost of tendered amount and estimated cost put to tender.

National Highways Division (Division) of PWD, Puducherry, proposed (March 2018) to execute two road works[22] under Central Road Fund (CRF) Scheme for which the Government of India accorded administrative approval (May 2018) for ₹ 4.41 crore and ₹ 1.42 crore respectively. The works were technically sanctioned by the Chief Engineer (CE) for Work 1 and Superintending Engineer (SE) for Work 2 (August 2018).

Tender for the works were called for (September 2018) with estimated cost put to tender at ₹ 4.24 crore and ₹ 1.20 crore for Work 1 and Work 2 respectively. The lowest tender for Work 1 (₹ 3.15 crore) and for Work 2 (₹ 0.88 crore) were recommended (October 2018) by the Executive Engineer (EE), PWD, Puducherry. The SE sought (29 October 2018) justification/genuineness of unrealistic rates for three[23] items of works quoted by the bidder. The bidder

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[22] **Work 1:** Strengthening the existing carriageway from Karuvadikuppam Ravine to Rajiv Gandhi Square.
Work 2: Periodical renewal of ECR road from Ganapathichettikulam to Kalapet reach.

[23] **Work 1:** **Item 4** - Providing and laying of hot applied thermoplastic compound 2.5 mm, **Item 5** - Providing and fixing of road studs of size 100 mm*100 mm*19.8 mm, **Item 6 -** Supplying and filling with gravel in approach road/eroded side.
Work 2: **Item 6 -** Providing and laying bituminous macadam with hot mix plant, **Item 8 -** Providing and laying of hot applied thermoplastic compound 2.5 mm, **Item 9 -** Providing and fixing of road studs of size 100 mm*100 mm*19.8 mm.

replied (November 2018 and December 2018) that all the items as in the agreement would be completed by adjusting the financial gains of high rate items by substituting them in the low rate items and further assured that required additional performance bank guarantee would also be submitted.

The EE, based on the instructions of SE, requested the bidder (11 December 2018) to give assurance for 100 *per cent* execution of under quoted items of works and further stated that the payment would be made only after completion of work and no part payment would be entertained. This was in contravention of Clause 30.1(1) of the CPWD Manual as it stipulates that the contractor on submitting the bills is entitled to receive monthly payment on the work or supplies estimated to cost more than ₹ 50,000. The request of the EE (December 2018) to extend the validity of bid for one month was refused by the bidder in January 2019. The SE rejected (January 2019) the lowest tenders and instructed the EE to go for fresh tenders.

Tenders were called for again in January 2019. The lowest tenders for ₹ 3.76 crore and ₹ 1.02 crore for Work 1 and Work 2 respectively were accepted and the works were awarded in February 2019 and March 2019. The works were completed in August 2019 and June 2019 at a cost of ₹ 3.99 crore and ₹ 1.02 crore respectively with additional expenditure of ₹ 63.37 lakh over the lowest rate quoted in the first call as detailed in the **Appendix 2.8**.

In this regard, the following observation is made:

Though it was decided by PWD (February 2011) to award work after collecting additional performance guarantee of 50 *per cent* towards the difference between the tendered and estimated cost, the action of the SE to reject the below quoted tenders despite the assurance by the bidder was in violation of instructions and was against the financial interests of the Government.

The Central Vigilance Commission Guidelines contemplate that decision on tenders should be taken within the validity period and the lowest tender should not be ignored on flimsy grounds.

Thus, the unjustified rejection of the lowest tenders of the first call resulted in avoidable extra expenditure of ₹ 63.37 lakh.

Government in its reply (April 2022) stated that the audit observation is noted and would be adhered to in future.

Recommendation: *Government must ensure that tenders should not be rejected contrary to the rule provisions and responsibility should be fixed on the officials concerned for such violations.*

2.4 Wasteful expenditure

PUBLIC WORKS DEPARTMENT

2.4.1 Wasteful expenditure

Award of work without building plan approval and failure to hand over clear site to contractor resulted in wasteful expenditure of ₹ 43.08 lakh towards payment of arbitration award.

Section 37 (2) (a) of the Puducherry Town and Country Planning Act, 1969 (PTCP Act) contemplated that intending Authority carrying out any development/construction work on any land shall obtain the prior permission from the Puducherry Planning Authority (PPA). Further, Section 15.1 (2)(i) of CPWD Manual stipulated that availability of clear site is desirable before inviting and approval of Notice Inviting Tender (NIT).

The Government of Union Territory of Puducherry proposed (August 2015) to construct a community hall with all amenities for conducting marriage and other functions by the residents of Oussudu Constituency at Pathukannu, Puducherry. The expenditure sanction of ₹ 5.95 crore under Scheduled Caste Sub-Plan (SCSP) was issued in August 2015 and technical sanction was accorded in October 2015. Executive Engineer (EE), Buildings and Roads (North), Public Works Department (PWD) submitted (December 2015) building plan for approval to the PPA.

Audit scrutiny (March 2020) of the records pertaining to Building and Roads Division (North), PWD, Puducherry (Division) revealed that without getting approval for building plan, tender was called for and the work was awarded (January 2016) to the lowest tender for ₹ 3.87 crore by PWD. The work was not executed as there were live trees in the site which required clearance from the Forest Department.

The EE requested (October 2016) the Chief Conservator of Forests (CCF) to grant permission to cut 19 trees stating that the building was re-oriented 105 metres away from proposed eco-sensitive zone. However, CCF accorded (December 2016) permission to remove only 10 trees.

In the meantime, the contractor (January 2017) expressed difficulty in executing the work as per quoted rates due to hike in labour and material and was willing to execute the work with enhanced rates with necessary supplemental agreement. The request of the contractor was not accepted by the EE and recommended (April 2017) foreclosure of the work.

The Work Board instructed to persuade the contractor to get the work executed and EE instructed (October 2017) the contractor to resume work. However, the

contractor refused stating that the agreement was not alive and issued (November 2017) Arbitration Notice. Sole Arbitrator appointed in February 2018, awarded (September 2018) ₹ 31.29 lakh[24] in favour of the contractor. It is pertinent to mention that major part of the award related to the loss on expected profit (₹ 27.51 lakh) for the work, which was not executed by the contractor due to the live trees existed in the proposed site.

Chief Engineer, PWD sought (November 2018) the opinion of the Law Department, which opined (December 2018) that there were grounds for appeal in respect of loss of expected profit. But the opinion of the Law Department was communicated to the Division only in January 2019 by the CE's office after the expiry of permissible time limit of 90 days for filing the appeal. Therefore, the Division could not proceed further. The Department paid the awarded amount of ₹ 31.29 lakh along with interest of ₹ 11.79 lakh to the contractor from the date of award to the date of payment.

The work was not executed as the Department failed to obtain necessary approval for building plan from PPA and clearance from the Forest Department before commencement of work in the proposed site which was notified (October 2008) as eco-sensitive zone. Further, the avoidable delay of the PWD in paying the arbitration award despite clear instructions (October 2014) from the Finance Department to settle the arbitration award expeditiously so as to avoid payment of interest. Thus, it has resulted in wasteful expenditure of ₹ 43.08 lakh including interest of ₹ 11.79 lakh. Despite this lapse, no action was taken against the erring officials who were responsible for the same.

Government in its reply (April 2022) stated that steps are being taken to provide funds for payment of arbitration award immediately to avoid payment of interest. Secretary to Government also instructed the PWD officials to adhere to the recommendations of audit.

***Recommendation**: The Government must ensure that all the requisite approvals and clearances are available before the commencement of projects and action should be taken in case projects are commenced without obtaining the necessary approvals. Arbitration awards should be paid within the prescribed period to avoid payment of interest which is an avoidable expenditure.*

[24] Towards wasteful expenditure - ₹ 50,000, Overhead establishment charges - ₹ 1,50,000, Loss of expected profit - ₹ 27,50,900 and Interest on EMD/PG - ₹ 1,77,629.

2.5 Idle Investment

TOWN AND COUNTRY PLANNING DEPARTMENT

2.5.1 Idle investment

Idle investment due to inordinate delay in completion of housing project resulting in non-allotment of 464 dwelling units - ₹ 16.44 crore.

Puducherry Slum Clearance Board (Board) proposed (September 2008) for construction of multi-storeyed tenement blocks for rehabilitation of pavement dwellers and houseless poor by availing financial assistance from Government of India (GoI) under the Scheme of Jawaharlal Nehru National Urban Renewal Mission (JNNURM). The project envisaged construction of 1,136 dwelling units (units) in 71 blocks including community hall, shopping complex, etc., at Reddiyarpalayam Village in the land transferred by the Town and Country Planning Department. The sanctioned amount of the project was ₹ 37.38 crore (GoI share - ₹ 28.05 crore and GoP share - ₹ 9.33 crore).

After due tender process, the lowest negotiated tender was accepted for ₹ 41.36 crore and the work order was issued in July 2009 with scheduled completion in July 2010. Land was already handed over (July 2004) by the Town and Country Planning Department with encroachments. However, considering encroachments and 100 temporary sheds constructed by the Board at the project site, the scope of the project was curtailed to construct 896 units in 56 blocks as per the decision (September 2014) of the Council of Ministers. Out of 896 units, 432 units in 27 blocks were completed at a cost of ₹ 17.34 crore (February 2015) and allotted to the beneficiaries.

The construction of balance 464 units which was completed upto structural level was abandoned (February 2019) by the contractor. In response to show cause notices issued (August 2020 and January 2021), the contractor replied (March 2021) that his company was admitted under Section 7 of Insolvency and Bankruptcy Code, 2016 and Corporate Insolvency Resolution Process (CIRP) was initiated in February 2021. As such, no work has been executed by the contractor since February 2019. Further, the Community Hall completed (February 2017) at a cost of ₹ 66.29 lakh and Shopping Complex completed (December 2012) at a cost of ₹ 17.04 lakh have not yet been put to use as internal electrification and water connection was not provided.

Audit scrutiny (October 2021) revealed that there were delays ranging from 6 to 13 months on the part of the department in approving the deviations/

substituted items[25]. In addition, there was delay of 3 to 12 months in payment of bills resulting in withdrawal of manpower by the contractor. Besides the above delays committed by the Department, the contractor went into insolvency process, due to which, the Board could not terminate the work and entrust the balance work to another contractor. In the meantime, JNNURM Scheme was wound up by GoI in March 2014 and after that, the project cost was to be borne by the Government of Puducherry (GoP).

Thus, the project which was scheduled for completion in July 2010, was not completed for the past twelve years (March 2022) due to non-handing over of clear site, delay in approval of deviations/substituted items and delay in making payments which led to idle investment of ₹ 16.44 crore[26] besides non-achievement of social objective of rehabilitation of slum dwellers in the UT of Puducherry.

Government in its reply (May 2022) accepted that the non-release of funds in time resulted in delay and contractor leaving the work site on many occasions which resulted in undue delay in completion of the project.

Recommendation: *Government must ensure timely release of funds at each stage to avoid delay in completion of the projects. Government may also obtain legal opinion regarding the possibility of recovering the loss incurred due to non-completion of work by submitting a claim to the Interim Resolution Professional.*

2.6 Blocking of fund

HOME DEPARTMENT

2.6.1 Blocking of fund of ₹ 81.86 lakh

Non-construction of Coastal Police Station at Mahe led to blocking of funds to the tune of ₹ 81.86 lakh besides failure to strengthen coastal security.

The Ministry of Home Affairs (MHA) approved (November 2010) the Coastal Security Scheme II with the objective of providing additional infrastructural support for coastal security to coastal States/Union Territories. In respect of UT

[25] Self-compacting concrete, Pre-painted Galvanised Iron door shutters and PVC doors for toilets.

[26] Payment of ₹ 32.95 crore *less* cost of 223 units ₹ 8.95 crore *less* cost of 209 units ₹ 8.39 crore = ₹ 15.61 crore *plus* Community Hall : ₹ 0.66 crore *plus* Shopping Complex : ₹ 0.17 crore.

of Puducherry, the scheme envisaged, among other things, construction of Coastal Police Station (CPS) at Mahe with full central assistance of ₹ 48 lakh. The MHA released the amount in September 2013. The scheme which was to be completed by March 2015, was not completed till date (June 2022) despite a lapse of eight years and the sanctioned amount was kept idle in the bank account maintained by the Department. Consequently, CPS, Mahe is at present functioning with skeletal staff at Palloor Police station which is four kilometres away from the seashore.

Audit analysis of the reasons for non-construction of CPS, Mahe revealed the following:

Based on the request (November 2010) of Superintendent of Police (SP), Mahe, two pieces of adjacent land at Valavil village were identified (January 2011) by the Deputy Collector (DC) Revenue and was approved by the Site Selection Committee in January 2012. However, draft 4(1)[27] notification was issued by Revenue Department only in February 2014 after a lapse of two years for want of fund availability certificate from Police Headquarters, Puducherry. As there were many objections for acquisition of the said private land, the DC Revenue identified (October 2014) another Government land owned by Fisheries Department. Even though the land was taken possession by the SP, Mahe in February 2016 and after clearance from authorities[28], the Director General of Police (DGP) recommended (May 2018) to change the site as the fishermen objected to the construction of CPS.

Revenue Department identified (May 2018) another land at Valavil area near the seashore and the land was transferred to Police Department in January 2019. The Police Department again approached the Mahe Planning Authority (MPA) (September 2019) and Puducherry Coastal Zone Management Authority (PCZMA) (December 2019) for fresh clearances for which the MPA and PCZMA requested (January 2021/April 2021) the Police Department to furnish additional details/documents which were not furnished by the Police Department till June 2022.

A preliminary estimate for ₹ 70 lakh forwarded (December 2016) by Mahe Division, PWD was revised (May 2021) to ₹ 2.43 crore based on the drawing furnished by the Police Department. The PWD requested (May 2021) administrative approval and expenditure sanction from the Police Department for the new estimate which are yet to be issued.

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27 A notification issued by the Land Acquisition Officer under Section 4(1) of Land Acquisition Act, 1894 to be published in the official Gazette.

28 Puducherry Coastal Zone Management Authority in October 2016 and Mahe Planning Authority in February 2017.

In this connection, the following observations are made:

- Though the land was identified in January 2011, Site Selection Committee approved the land in January 2012 after a delay of one year. Moreover, the fund availability certificate which was a prerequisite for private land acquisition, was issued by Police Department only in February 2014 after a delay of two years.
- Even after identification of new land in January 2019, there was eight months delay in applying for planning approval from MPA.
- Though the PCZMA required additional particulars for its clearance in April 2021, the same were not furnished by Police Department till October 2021. Due to non-receipt of clearance from PCZMA, planning approval could not be received for the new land.
- Poor planning in identification of suitable land resulted in non-construction of CPS despite availability of fund, besides cost escalation of ₹ 1.73 crore.

Thus, avoidable delays in land acquisition process and delay in decision making in construction of CPS at Mahe led to non-achievement of the objective of strengthening coastal security, besides blocking up of fund to the tune of ₹ 81.86 lakh[29].

The Government stated (June 2022) that all possible efforts are being taken to complete the work without further delay.

***Recommendation**: Government must ensure that necessary information required by the Statutory authorities should not be delayed in order to avoid delay in execution of works and responsibility should also be fixed on the officials responsible for such delays.*

[29] GoI release: ₹ 48.00 lakh; Interest: ₹ 33.86 lakh.

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 2020-21 and the corresponding figures for the preceding four years are given in **Table 3.1**.

Table 3.1: Trend of Revenue receipts

(₹ in crore)

Sl. No.	Category	2016-17	2017-18	2018-19	2019-20	2020-21
I	Revenue raised by the Government					
	(a) Tax revenue	2,401.21	2,805.55	3,188.75	2,475.48	1,947.83
	(b) Non-tax revenue	1,245.37	1,373.73	1,583.89	1,637.54	1,460.02
	Total (I)	**3,646.58**	**4,179.28**	**4,772.64**	**4,113.02**	**3,407.85**
II	Receipts from GoI – grants-in-aid	1,736.37	1,823.39	1,627.77	2,668.32	2,482.14
III	Total receipts of the Government (I + II)	5,382.95	6,002.67	6,400.41	6,781.34	5,889.99
IV	Percentage of I to III	68	70	75	61	58

(Source: Finance Accounts of the respective years)

During the year 2020-21, the revenue raised (₹ 3,407.85 crore) by the Union Territory Government was 58 *per cent* of the total revenue receipts (₹ 5,889.99 crore), as against 61 *per cent* in the preceding year. The balance (₹ 2,482.14 crore) 42 *per cent* of the receipts during 2020-21 was obtained from the GoI as grants-in-aid and contributions.

3.1.2 The details of tax revenue raised during the period from 2016-17 to 2020-21 are given in **Table 3.2**.

Table 3.2: Details of tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2016-17		2017-18		2018-19		2019-20		2020-21		Percentage of increase (+)/ decrease (-) in 2020-21 over 2019-20
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Goods and Services Tax	Nil	Nil	Nil	851.31	925.00	907.04*	1,723.00	781.54	1,850.00	432.89	(-) 44.61
2	Taxes on Sales, Trade, etc.	1,600.00	1,576.48	1,725.00	1,008.45	1,100.00	632.01	727.00	596.64	700.00	549.21	(-) 7.95

Sl. No.	Heads of revenue	2016-17		2017-18		2018-19		2019-20		2020-21		Percentage of increase (+)/ decrease (-) in 2020-21 over 2019-20
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
3	State Excise	775.00	671.27	700.00	769.92	800.00	850.81	1,100.00	868.11	850.00	798.12	(-) 8.06
4	Stamps and Registration Fees	100.00	65.50	80.00	70.50	100.00	91.89	100.00	87.92	110.00	81.95	(-) 6.79
5	Taxes on Vehicles	83.00	86.94	92.00	104.29	115.00	114.17	125.00	139.60	160.00	84.23	(-) 39.66
6	Land Revenue	1.75	1.02	2.62	1.08	2.62	0.83	2.63	1.67	2.99	1.43	(-) 14.37
7	Others	0.25	0.00	0.38	0.00	0.38	0.00	0.37	0.00	0.01	0.00	--
Total		**2,560.00**	**2,401.21**	**2,600.00**	**2,805.55**	**3,043.00**	**2,596.75**	**3,778.00**	**2,475.48**	**3,673.00**	**1,947.83**	

*excluding the incorrectly booked receipt of GST compensation of ₹ 592 crore during 2018-19
(Source: Finance Accounts of the respective years)

The tax revenue decreased from ₹ 2,475.48 crore in 2019-20 to ₹ 1,947.83 crore in 2020-21 by ₹ 527.65 crore over the previous year. The decrease in collection was under Goods and Services Tax (₹ 348.65 crore), Taxes on Sales, Trade (₹ 47.43 crore), State Excise (₹ 69.99 crore), Taxes on vehicles (₹ 55.37 crore), etc.

3.1.3 The details of non-tax revenue raised during the period from 2016-17 to 2020-21 are given in **Table 3.3**.

Table 3.3: Details of Non-tax revenue raised

(₹ in crore)

Sl. No.	Heads of revenue	2016-17		2017-18		2018-19		2019-20		2020-21		Percentage of increase (+)/ decrease (-) in 2020-21 over 2019-20
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	1,200.00	1,116.21	1,253.00	1,197.17	1,310.00	1,352.96	1,455.00	1,422.45	1,340.00	1,295.04	(-) 8.96
2	Interest Receipts, Dividends and Profits	97.10	66.45	72.10	98.90	92.58	95.05	79.07	101.89	113.25	82.83	(-) 18.71
3	Medical and Public Health	19.01	13.51	14.01	16.64	22.63	26.48	27.00	10.96	12.00	17.32	58.03
4	Education, Sports, Art and Culture	2.44	1.07	2.44	1.25	2.44	6.72	7.00	2.38	3.00	0.75	(-) 68.49
5	Crop Husbandry	0.72	1.23	1.32	1.13	1.32	0.93	1.00	0.98	1.20	0.38	(-) 61.22
6	Other receipts	50.73	46.90	57.13	58.64	98.03	101.75	67.93	98.88	104.55	63.70	(-) 35.58
Total		**1,370.00**	**1,245.37**	**1,400.00**	**1,373.73**	**1,527.00**	**1,583.89**	**1,637.00**	**1,637.54**	**1,574.00**	**1,460.02**	

(Source: Finance Accounts of the respective years)

The non-tax revenue decreased from ₹ 1,637.54 crore in 2019-20 to ₹ 1,460.02 crore in 2020-21 by ₹ 177.52 crore over the previous year. The decrease was mainly on account of decrease of receipts under Power, Interest Receipts, Dividends and Profits, Education, Sports, Art and Culture and Crop Husbandry.

3.2 Audit Planning

The unit offices under various Departments are categorised into A (high), B (medium) and C (low) units according to their revenue position, past trends of audit observations, nature/volume of transactions, etc. The annual audit plan is prepared based on the 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 2020-21, the audit universe comprised 40 auditable units; out of which, nine units were planned and audited during the year 2020-21, *i.e.,* 22.5 *per cent* of the total auditable units.

3.3 Response of the Departments/Government towards audit

3.3.1 Inspection Reports

Principal Accountant General (Audit-II), Tamil Nadu and 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 Principal 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 Principal Accountant General.

Inspection Reports issued upto 31 December 2020 disclosed that 948 paragraphs involving ₹ 273.10 crore relating to 223 IRs remained outstanding at the end of June 2021, along with the corresponding figures for the preceding two years, as mentioned in **Table 3.4**.

Table 3.4: Details of pending IRs

Inspection reports	June 2019	June 2020	June 2021
Number of outstanding IRs	217	227	223
Number of outstanding audit observations	807	951	948
Amount involved (₹ in crore)	259.13	266.93	273.10

Department-wise details of IRs and audit observations outstanding as on 30 June 2021 and the amounts involved are mentioned in **Table 3.5**.

Table 3.5: Department-wise details of IRs

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	44	257	108.10
2	Stamp Duty and Registration Fee	79	275	13.69
3	Taxes on Vehicles	56	313	9.06
4	State Excise	44	103	142.25
Total		**223**	**948**	**273.10**

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

3.4 Response of the Commercial Taxes 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 paragraph discuss the performance of the Commercial Taxes Department under revenue head '0006' and cases detected in the course of local audit and also the cases included in the Audit Reports during the last 10 years.

3.4.1 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 2021 are tabulated in **Table 3.6**.

Table 3.6: Position of Inspection Reports

(₹ in crore)

Year	Opening balance			Additions			Clearance			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2011-12	50	321	0.95	0	0	0.00	0	0	0.00	50	321	0.95
2012-13	50	321	0.95	7	93	0.19	1	46	0.12	56	368	1.02
2013-14	56	368	1.02	6	85	0.34	0	35	0.10	62	418	1.26
2014-15	62	418	1.26	3	34	0.23	3	27	0.09	62	425	1.40
2015-16	62	425	1.40	6	68	0.03	0	0	0.00	68	493	1.43
2016-17	68	493	1.43	4	53	0.31	2	16	0.19	70	530	1.55

Year	Opening balance			Additions			Clearance			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2017-18	70	530	1.55	5	31	0.04	1	67	0.04	74	494	1.55
2018-19	74	494	1.55	0	0	0.00	10	87	0.19	64	407	1.36
2019-20	64	407	1.36	3	8	0.00	10	99	0.26	57	316	1.10
2020-21	57	316	1.10	1	9	0.00	8	52	0.03	50	273	1.07

As against 50 IRs involving 321 paragraphs which were pending at the beginning of 2011-12, the number at the end of 2020-21 was 50 IRs and decreased to 273 paragraphs.

3.4.2 Recovery of accepted cases

During the last 10 years upto 2020-21, six draft paragraphs involving ₹ 2.71 crore pertaining to Commercial Taxes Department were included in the Revenue Receipts chapter of the Report of the Comptroller and Auditor General of India, Government of Union Territory of Puducherry. Further, the Department accepted audit observations involving ₹ 2.71 crore and recovered ₹ 23.56 lakh.

3.5 Results of audit

During the year upto 2020-21, the Subject Specific Compliance Audit on processing of GST Refund claims in Puducherry was conducted and the audit of other departments was not covered due to COVID pandemic situation.

During the course of the year, the Departments recovered a sum of ₹ 15.16 lakh in respect of ten cases[1] which were pointed out in earlier years.

3.6 Coverage of this Chapter

This Chapter contains one Subject Specific Compliance Audit on processing of GST Refund claims in GST Department involving refunds amounting to ₹ 52.20 crore in 96 cases.

[1] Sales Tax: ₹ 11.42 lakh (five cases), Transport: ₹ 0.91 lakh (two cases), Registration: ₹ 2.81 lakh (two cases) and Excise : ₹ 0.02 lakh (one case).

3.7 Subject Specific Compliance Audit on processing of GST Refund claims

3.7.1 Introduction

Timely refund mechanism constitutes a critical component of tax administration, as it facilitates trade through release of blocked funds for working capital, expansion and modernisation of existing business. The provisions pertaining to refund contained in the GST laws aim to streamline and standardise the refund procedures under GST regime. It was decided that the claim and sanctioning procedure would be completely online. Due to unavailability of electronic refund module on the common portal, a temporary mechanism was devised and implemented. A Standard Operating Procedure (SOP) was issued on 8 February 2018 by Government of Puducherry referring Circular Nos. 17/17/2017-GST dated 15.11.2017 and 24/24/2017-GST dated 21.12.2017 prescribing the detailed refund procedures. Further, it was also mentioned that the assessing officer shall go through all the Acts, Rules, Forms, Guidelines, Circulars issued from time to time by the Central Authorities. In this electronic-cum-manual procedure, the applicants were required to file the refund applications in Form GST RFD 01A on the common portal, take a printout of the same and submit it physically to the jurisdictional tax office along with all supporting documents.

The process was further simplified by allowing online submission of refund applications in Form GST RFD 01A, along with all supporting documents *vide* circular dated 31.12.2018. However, various post-submission stages of processing of the refund applications continued to be done by manual process.

For making the refund procedure fully electronic, wherein all the steps from submission of applications to processing thereof could be undertaken electronically, a system has been deployed on the common portal with effect from 26.09.2019 (also called Automation of Refund Process). Accordingly, the circulars issued earlier laying down the guidelines for manual submission and processing of refund claims have either been superseded or modified. In order to ensure uniformity in implementation of the provisions of law across field formations, several earlier Circulars have been superseded *vide* the Master Circular dated 18.11.2019. However, the provisions of the said circulars shall continue to apply for all refund applications filed on the common portal before 26.09.2019 and the said applications shall continue to be processed manually as were done prior to deployment of the new system.

The office of the Commissioner (State Tax), Puducherry is headed by the Commissioner who functions under the Secretary (Finance) to the Government. He is assisted by Joint/Deputy/Assistant Commissioners in the assessments and appeals. The office is divided into seven[2] divisions, each headed by a Commercial Tax Officer.

3.7.2 Audit objectives

Audit of refund cases under GST regime was conducted to assess:

- The adequacy of Act, Rules, Notifications, Circulars, etc., issued in relation to grant of refund;
- The compliance of extant provisions by the tax authorities and the efficacy of the systems in place to ensure compliance by tax payers; and
- The existence of effective internal control mechanism in disposing the refund applications.

3.7.3 Audit criteria

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

- Puducherry Goods and Services Tax Act, 2017;
- Central Goods and Services Tax Act, 2017;
- Integrated Goods and Services Tax Act, 2017;
- Puducherry Goods and Services Tax Rules, 2017;
- Central Goods and Services Tax Rules, 2017;
- Applicable G.Os, Circulars, Notifications related to GST Refunds.

3.7.4 Scope of Audit

During the audit conducted from 02.02.2021 to 02.03.2021, we examined the refund cases processed in the selected Commissionerate from July 2017 to July 2020.

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[2] Goods Division I, II, III - Puducherry, Service Division, Karaikal, Yanam and Mahe Divisions.

3.7.5 Audit sample and methodology

Goods and Services Tax Network (GSTN) provided pan-India Refund data from July 2017 to July 2020. The refund applications under each category in respect of pre-automation cases (filed prior to 26.09.2019) were sorted in descending order of refund amount claimed by tax payers, since no other relevant risk parameters were available. The sorted refund applications were divided into four quartiles and sample drawn. For selecting refund applications filed after 26.09.2019, a composite risk score was devised using risk parameters such as refund amount claimed (60 *per cent* weightage), delay in sanctioning refund (15 *per cent*), refund sanctioned/refund claimed ratio (10 *per cent*) and deficiency memo issued (15 *per cent*).

Out of 416 cases processed during July 2017 to July 2020 (322 pre-automation and 94 post-automation cases) amounting to ₹ 88.75 crore, 96 refund cases (62 pre-automation (19 *per cent*) and 34 post-automation (36 *per cent*) cases) amounting to ₹ 52.20 crore (59 *per cent*) relating to Puducherry Commissionerate were selected and examined.

Out of 96 refund cases, 10 cases of refund applications were rejected by the department due to non-receipt of physical copies from the dealers. Hence, audit findings are discussed in respect of 86 cases only in the succeeding paragraphs.

Entry conference was held on 02 February 2021 during which the objectives, scope and criteria of the audit were discussed with the Department. Exit conference was held on 02 March 2021 where audit findings were discussed and the views of the Department have been duly incorporated in the relevant paragraphs.

Audit Findings

The **Table 3.7** brings out the extent of deficiencies noticed during the audit of refund cases selected for detailed audit.

Table 3.7: Deficiencies noticed in refund cases

Nature of Audit Observation	Audit Sample	Number of Deficiencies noticed	Deficiencies as percentage of sample
Delay in issue of acknowledgement	96[3]	19	19.79
Delay in sanction of refund		21	21.88
Non-sanction of provisional refund		42	43.75
Generation of two payment advices		1	1.04
Excess refund		1	1.04

Audit findings are included in the subsequent paragraphs.

[3] Includes 10 cases of refunds which were rejected by the Department.

3.7.6 Non-adherence of time schedule

3.7.6.1 Delay in issue of acknowledgement

As per Rule 90(2) of Puducherry Goods and Services Tax Rules, 2017 (PGST Rules) the application for refund, other than claim for refund from electronic cash ledger, shall be forwarded to the proper officer who shall, within a period of fifteen days of filing of the said application, scrutinise the application for its completeness and where the application is found to be complete in terms of sub-rule (2), (3) and (4) of Rule 89, an acknowledgement in Form GST RFD 02 shall be made available to the applicant through the common portal electronically, clearly indicating the date of filing of the claim for refund.

During audit of 86 refund cases, it was observed that in 19 cases there was delay in issue of acknowledgement ranging from 1 to 18 days, of which, in 11 cases the delay was upto five days. This has resulted in non-observance of the provisions of Rule 90 of the PGST Rules, 2017.

On this being pointed out (February 2021), the department stated (March 2021) that the delay in issuing acknowledgements was due to the non-production of required documents during pre-automation period and connectivity problems/technical issues in the common portal during post-automation. However, the observation of audit is taken note of and will be ensured that such delay does not happen in future.

3.7.6.2 Delay in sanction of Refunds

According to Section 54(7) of Puducherry Goods and Services Tax (PGST) Act, 2017, the proper officer shall issue the sanction order RFD 06 under sub-section (5) within sixty days from the date of receipt of application complete in all respects.

During audit of 86 refund cases, it was observed that in 21 cases, there was delay in sanction of refunds ranging from one to 66 days. The delay was less than a month in 20 cases and in one case, it was more than one month. Further, the Department did not pay interest amounting to ₹ 9.71 lakh which was due to the claimants.

On this being pointed out (February and March 2021), the Department, in 17 cases, stated (March 2021) that the delay in sanction of refunds was due to non-furnishing of required documents for pre-automation cases and technical glitches and poor connectivity along with issue of RFD 08 for post automation. The Department further stated that the delay in sanction of refund was also due to delay by the dealer in submitting replies to show cause notice. Replies in the remaining four cases are awaited.

3.7.7 Provisional refund on account of zero-rated supply not sanctioned

Rule 91 of PGST Rules, 2017 provides that provisional refund on account of zero-rated supply shall be granted subject to certain conditions prescribed. The rules provide that the provisional refund is to be granted within seven days from the date of acknowledgement of the refund claim. An order for provisional refund is to be issued in Form GST RFD 04 along with payment advice in the name of the claimant in Form GST RFD 05.

During the test audit of 42 refund cases (from the sample of 86 cases) pertained to zero-rated supply, it was observed that in all these cases provisional refunds were not sanctioned. Final refund orders under RFD 06 were issued directly and this had resulted in non-observance of the provisions of Rule 91(2) of the PGST Rules, 2017.

On this being pointed out (March 2021), the Department replied (March 2021) that the concept of refund is a newer one and in order to restrict the fraudulent claim by the dealers, the Department resorted to pre-audit of cases before sanctioning of refund. Since provisional refund after pre-audit could not be done within seven days, the Department adopted the procedure of issuing only final refund order in RFD 06.

The reply is not acceptable as the provision stipulated in the Rules on sanction of provisional refund in respect of zero-rated supplies was not adhered to.

It is recommended that department may ensure compliance to provisions of Rule 91(2) of the PGST Rules, 2017.

3.7.8 Absence of validation controls in the system allowing double payments for a single refund sanction order

As per Rule 92(1) of PGST Rules, 2017, where, upon examination of the application, the proper officer is satisfied that a refund under sub-section (5) of Section 54 is due and payable to the applicant, he shall make an order in Form GST RFD 06 sanctioning the amount of refund to which the applicant is entitled, mentioning therein the amount, if any, refunded to him on a provisional basis under sub-section (6) of Section 54, amount adjusted against any outstanding demand under the Act or under any existing law and the balance amount refundable. Provided that in cases where the amount of refund is completely adjusted against any outstanding demand under the Act or under any existing law, an order giving details of the adjustment shall be issued in Part A of Form GST RFD 07.

The refund application filed on 07.11.2019 by MS Poclain Hydraulics Private Limited was processed and refund under RFD 06 was issued on 06.01.2020 for

₹ 1,78,93,055 as claimed by the dealer. On scrutiny of relevant refund files, it was observed that two payment advices for an amount of ₹ 1,78,93,055 were generated and paid to the dealer.

While generating payment advice in RFD 05 online on 22.01.2020, an error report in error number CM-BWWS-9018 was received and the system instructed to try again for generation of payment advice. Hence another payment advice was generated and it was successful during the second time. However, on verifying the 'audit history' it was noticed by the officer that two payment advice orders have been generated by the system. On the same day, this was brought to the notice of GSTN and GSTN vide email dated 01.02.2020 responded that the taxpayer had been asked to debit the excess amount in electronic cash ledger. The dealer had paid the excess amount of ₹ 1,78,93,055 to his cash ledger on 30.01.2020 and the Officer has also raised a demand in GST DRC 07 on 31.01.2020. The dealer cleared the demand amount of ₹ 1,78,93,055 by set off from the cash ledger on 03.02.2020. Thus, the excess payment made erroneously had been recovered.

In the instant case, the system allowed generation of double payment advice for a single refund order due to technical glitches and clearance was also effected by PFMS twice for identical ARNs without any validation check. Due to lack of validation check, 'Ease of businesses' to the taxpayer was compromised.

Further, it is also observed that the list of refunds sanctioned by the Division/Commissionerate is not available in the MIS reports enabled to the Assessing Officers to check the refunds issued by them.

On this being pointed out (February 2021), the Department stated (March 2021) that the error was due to technical issues in the GSTN and the same was identified and rectified and the issue will be taken up with the GSTN to resolve the technical problem to avoid future recurrence. It was also replied that there were no other incidents of unattended double payments in the department. Regarding MIS report for the list of refund sanctioned by the Division/Commissionerate, it was replied that GSTN would be addressed to provide the same.

It is recommended that the Division-wise/Commissionerate-wise list of refunds may be made available in the MIS Reports of the jurisdictional tax officers. This would facilitate the officers themselves to check whether refunds sanctioned have been paid to the dealers and whether there are any instances of duplicate payment advice generation.

3.7.9 Excess refund due to incorrect adoption of ITC

As per section 54 of PGST Act, 2017 read with Rule 89(5) PGST Rules, 2017, ITC on input services and capital goods are not eligible for refund on account of ITC accumulated due to Inverted Tax Structure (ITS). During audit check of 86 cases, excess refund was noticed in one case as detailed below.

M/s Texbond Nonwovens (GSTN 34AAEFT3643C1ZJ) was engaged in the manufacture of Non-Woven fabrics. The refund application filed for the month of November 2018 amounting to ₹ 14,49,672 on account of ITC accumulated due to Inverted Tax Structure (ITS) was processed and refund sanction order (RFD 06) was issued on 24.05.2019 for ₹ 14,49,672.

Audit observed that the ITC available to the dealer as per GSTR 3B for the month of November 2018 was ₹ 73,94,860. As per the list of input services, spares and assets furnished by the dealer, the ITC relating to this category was ₹ 8,69,500. Since the dealer had claimed refund on account of ITS, the ITC on input services and capital goods are not eligible for refund. Hence, out of ₹ 73,94,860 available as per GSTR 3B, the eligible ITC would be ₹ 65,25,360 only and the refund eligible would be ₹ 12,76,753 as against ₹ 14,49,672 claimed and sanctioned. This had resulted in excess refund of ₹ 1,72,919.

On this being pointed out (February 2021), the Department stated (March 2021) that the ITC taken by the dealer was ₹ 75,90,525 as per GSTR-2A, and after excluding the ITC on input services and capital goods of ₹ 8,69,500, net ITC of ₹ 67,21,025 (₹ 75,90,525 - ₹ 8,69,500) was considered for claiming refund.

The reply is not acceptable as the dealer himself had shown ITC of ₹ 73,94,860 as per GSTR 3B. Accordingly, the ITC as per GSTR 2A should have been reconciled before processing refunds. Further, GSTR 2A was neither produced to Audit nor could be downloaded due to technical issues. GSTR 3B could not be cross verified with GSTR 2A by Audit.

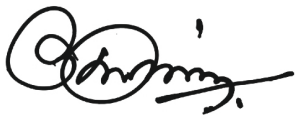
It is recommended that department may reconcile ITC as per GSTR 2A with GSTR 3B before granting refunds.

3.7.10 Conclusion

Audit observed delays in issue of acknowledgement and sanction of refunds. In cases of zero-rated supply, provisional refund was not sanctioned. The system allowed generation of double payment advice for a single refund order and the list of refunds sanctioned by the Division/Commissionerate was not available in the MIS reports.

3.7.11 Recommendations

It is recommended that Government may strengthen monitoring mechanism to ensure timely issue of acknowledgements and sanction of refunds. The Government may also ensure payment of interest in case of delayed refunds and payment of provisional refunds on account of zero-rated supply. Government may also take up the issue of double refund with appropriate authorities.



Chennai,
The 30 November 2022

(**K. P. ANAND**)
Principal Accountant General (Audit - II),
Tamil Nadu and Puducherry

Countersigned



New Delhi,
The 06 December 2022

(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 2021 and paragraphs pending as on September 2021

Sl. No.	Name of the Department/ Directorate/Societies	Inspection Reports	Paragraphs
1	Accounts and Treasuries	10	39
2	Adi-Dravidar Welfare	15	78
3	Agriculture	41	212
4	Animal Husbandry and Animal Welfare	8	34
5	Art and Culture	6	18
6	Backward Classes and Minorities	4	15
7	Civil Supplies and Consumer Affairs	14	70
8	Collegiate and Technical Education	59	263
9	Commercial Taxes	0	0
10	Co-operation	13	89
11	Economics and Statistics	2	3
12	Election	0	0
13	Electricity	22	98
14	Fire Service	0	0
15	Fisheries and Fishermen Welfare	22	81
16	Forest and Wild Life	1	9
17	Heads of State	7	42
18	Health and Family Welfare Services	51	208
19	Hindu Religious Institutions	5	27
20	Industries and Commerce	30	119
21	Information and Publicity	6	15
22	Information Technology	7	23
23	Jails	4	20
24	Labour and Employment	24	79
25	Law/Judicial	13	30

Sl. No.	Name of the Department/ Directorate/Societies	Inspection Reports	Paragraphs
26	Local Administration	47	335
27	Planning and Research	4	18
28	Police	10	58
29	Port	4	21
30	Public Works	65	437
31	Revenue and Disaster Management	42	197
32	Rural Development	14	112
33	Sainik Welfare	1	4
34	School Education	79	276
35	Science, Technology and Environment	9	27
36	Social Welfare	22	82
37	Stationery and Printing	4	11
38	Tourism	13	71
39	Town and Country Planning	22	127
40	Transport	4	21
41	Women and Child Development	11	30
Total		**715**	**3,399**

Appendix 2.1
(Reference: Paragraph 2.1.9; Page 21)

Execution of Water Supply Schemes

Sl. No.	Name of the Work	Project Cost (₹ in crore)	Work Order Date &Amount and Due date of completion	Present Status	Observations
1	Water supply scheme for Madurapet. JJ Nagar, Engineers Colony, Annai Theresa Nagar, Sivagami Nagar, Friends Nagar, Vayaveli Nagar, Kamal Nagar and sourrounding areas in Zone IX (Reddiyarpalayam)	10.00 (GO. Ms. No. 08 dated 18.04.2011)	10.02.2015 ₹ 6.82 crore 31.01.2017	Work completed on 06.01.2017. Expenditure incurred ₹ 6.93 crore.	Though the work of construction of overhead tank was completed in January 2017 and distribution main in April 2019, the Electricity connection was provided only in November 2021. As such, the work of giving household connections was not yet taken up, due to which the assets created were kept idle and deprival of intended benefit to the public.
2	Augmentation of water supply system for JJ Nagar, Annai Theresa Nagar, Nanbargal Nagar, Kamban Nagar, Vayalveli Nagar, Chellampappu Nagar, Mariyal Nagar, Deva Nagar and surrounding areas in Zone IX, Puducherry	15.96 (GO. Ms. 60 dated 16.07.2015)	02.06.2017 ₹ 3.03 crore 12.06.2018	Work completed on 10.04.2019. Expenditure incurred ₹ 6.72 crore.	
3	Providing and laying distribution grid and house service connection for Priyadharshini Nagar, Kamaraj Nagar, Dhanvanthiri Nagar and surrounding areas in Zone -VI (Thattanchavady), Puducherry.	15.50 (GO. Rt. No. 103 dated 26.03.2015)	02.12.2015 ₹ 11.44 crore 11.12.2016	Work completed on 09.10.2018. Expenditure incurred ₹ 10.37 crore	The work scheduled to be completed in December, 2016 was partially completed in October, 2018 due to non-availing of road cutting charges and non-release of State share. As such the work was foreclosed by dropping the work of borewell and to use the existing bore well and only 60 *per cent* of road restoration works were executed.

Sl. No	Name of the Work	Project Cost (₹ in crore)	Work Order Date &Amount and Due date of completion	Present Status	Observations
4	Augmentation of water supply scheme to Karuvadikuppam and adjoining areas in Zone - V (Lawspet), Puducherry.	13.00 (GO. Ms. No. 107 dated 27.03.2015)	November 2015 ₹ 11.81 crore 11.12.2016	Work completed on 29.06.2017. Expenditure incurred ₹ 10.37 crore	The work scheduled to be completed in December 2016 was completed only in October 2018 and there was delay in obtaining electricity connection and the water tank was inaugurated only in February 2020.
5	Augmentation of water supply to Shanthi Nagar and adjoining areas in Zone - V (Lawspet), Puducherry.	11.17 (GO. Rt. No. 101, dated 26.03.2015)	07.12.2015 ₹ 11.54 crore 16.12.2016	Work completed on 24.08.2017. Expenditure incurred ₹ 8.95 crore	As per Chapter 4.10 of CPWD Manual, availability of site and funds are required before approval of Notice Inviting Tender. The work was totally delayed by 251 days. Out of 251 days, 61 days of delay was due to non-payment of bills. The reasons for delay for the remaining 190 days were not recorded in the Hindrance Register. No compensation was levied as per the conditions of agreement. The work could be completed only in August 2017 with a delay of 251 days.
6	Water Supply for Ragavendra Nagar, Jhansi Nagar, Natesan Nagar, Mariamman Nagar and Adjoining areas of Boomianpet in Puducherry. **(OHT)**	8.50 (GO. Ms. No. 92 dated 06.03.2015)	07.05.2015 ₹ 552.93 lakh 16.05.2017	Work completed in all respects by 29.06.2018. Expenditure incurred ₹ 5.91 crore	The work of construction of overhead tank and sump, was completed in June 2018. However, distribution grid was completed only in September 2020. For effecting service connection, the Electricity Department was approached only in May 2019 and the estimated amount and security deposits were deposited in June/September 2020 and the Water Supply Scheme was commissioned in November 2021. Thus, the Water Supply Scheme could be commissioned only after a delay of more than three and half years from the actual date of completion of construction of overhead tank.

Sl. No	Name of the Work	Project Cost (₹ in crore)	Work Order Date &Amount and Due date of completion	Present Status	Observations
7	Augmentation of Water Supply System for Ragavendra Nagar, Jansi Nagar, Natesan Nagar, Mariamman Nagar and surrounding areas of Boomianpet in Puducherry (Distribution grid, Pumping main, Road Restoration and allied works).	8.37 (GO. Ms. No. 26 dated 29.09.2015)	07.02.2019 ₹ 210.47 lakh 16.11.2019	Work completed on 15.09.2020. Expenditure incurred ₹ 3.71 crore	The work due for completion in August 2017 was not completed even after a delay of more than four years due to non-execution of work by the contractor and delay in foreclosing the work by the Department As such the overhead tank constructed was lying idle due to non-execution of work of providing main and distribution lines for the service connections.
8	Comprehensive Water Supply scheme for Sudhana Nagar and Surrounding areas in Puducherry	13.13 (GO. MS. No. 30 dated 13.11.2015)	19.02.2016 ₹ 8.28 crore 28.08.2017	97 *per cent* of the work completed. Expenditure incurred ₹ 9.41 crore	
9	Construction of double decker circular OHT of 10 lakhs litres capacity at TB Sanatorium Campus in Gorimedu, Puducherry.	6.24 (GO. MS. 27 dated 30.09.2015)	27.01.2016 ₹ 4.43 crore 05.05.2017	60 *per cent* of the work completed. Expenditure incurred ₹ 1.50 crore.	Due to non-payment of bills to the contractor in time the work scheduled to be completed during May 2017 is under progress (January 2022).
10	Comprehensive Water Supply Scheme for Viswanathan Nagar in Zone II (Muthialpet), Puducherry	9.75 (G.O. Rt. NO. 35 dated 16.03.2017)	15.11.2018, ₹ 7.14 crore 24.02.2020	50 *per cent* of the work completed as of October 2021. Expenditure incurred ₹ 2.79 crore.	There was a total delay of 328 days up to 31.07.2021 (as recorded in Hindrance Register). The departmental delay was 328 days due to reasons such as conduct of Bhoomi Pooja, Model Code of Conduct, identification of source, lock down due to Covid-19. This 328 days delay includes contractor's delay of 196 days due to slow progress.
11	Comprehensive Water Supply scheme for Dr. Dhanabalan Nagar, Gandhi Thirunallur and adjoining areas in Zone - VII (Muthirapalayam), Puducherry	23.95 (G.O. MS. No. 8 dated 01.07.2016)	08.1.2020. ₹ 15.51 crore July, 2021	60 *per cent* of the work completed as of October 2021. Expenditure incurred ₹ 7.05 crore.	As per the Hindrance Register, the work was delayed by 147 days due to reasons such as delay in conduct of Bhoomi Pooja and Covid-19 lockdown. As such, the work scheduled to be completed in July 2021 is under progress.

Sl. No	Name of the Work	Project Cost (₹ in crore)	Work Order Date &Amount and Due date of completion	Present Status	Observations
12	Construction of OHT and sump at Swadeshi Mill Campus	4.77 (GO. Rt. No. 116 dated 13.02.2014)	24.07.2014 ₹ 4.45 crore 02.08.2016	Work completed on 02.01.2020. Expenditure incurred ₹ 4.97 crore	The work was completed with a delay of 1044 days, of which Departmental delay was 373 days. Out of 373 days, 193 days of delay was due to non- availability of fund which is against the provisions of the manual and the contractor's delay was 671 days. However, no penalty was levied as stipulated in agreement conditions.
13	Comprehensive Water Supply Scheme for Velrampet, Thiruppur Kumaran Nagar, Engineer's Colony, Jayamoorthirajanagar, Raman Nagar, PSCB Colony and the surrounding areas in Puducherry	22.86 (G.O. Rt. No. 4 dated 26.05.2016)	13.06.2019 ₹ 5.45 crore 22.09.2020	28 *per cent* of the work completed. Expenditure incurred ₹ 1.56 crore	Total delay as of 21 September 2021 was 361 days (as recorded in Hindrance register) The departmental delay was 357 days due to site clearance, awaiting piles design test etc. The contractor delay was four days
	Karaikal, I&PH Division, PWD				
14	Comprehensive Water Supply Scheme for Core urban area of Karaikal District, Puducherry, Central Zone, Karaikal Construction of OHT, sump at Rajathi Nagar	49.45 (GO. MS. No. 34 dated 10.03.2017)	22.02.2018 ₹ 10.25 crore 21.05.2019	60 *per cent* of the work completed Expenditure incurred ₹ 5.66 crore	The work was scheduled to be completed by May 2019. However, 100 *per cent* of work completed only in October 2021. The reasons for the delay are mainly due to slow progress of the work by the contractor. However, no penalty was levied or amount withheld as per General conditions of the contract.

Appendix 2.2
(Reference: Paragraphs 2.1.11.6 (i), (ii) and (iii); Page 33)

Water quality of top 10 borewells having high levels of TDS, Chloride and Nitrate

(a) Level of Total Dissolved Solids (mg/l)

Year	Anai-karai	Krishna Nagar 9th cross	Sokkana-thanpet	Saram School	Sithanan-dasamy Koil IV	Suthanthira Ponvizha Nagar	Raja Nagar	Kidengali Marriamman Koil	Sundara Maistry St	Chellan Nagar
2016	1,668	1,575	1,500	1,650	590	4,015	2,387	3,280	1,903	2,000
2017	2,647	2,060	1,920	1,650	590	4,660	2,387	3,280	1,903	4,010
2018	3,000	2,640	2,060	2,190	1,978	5,460	3,480	4,960	3,080	4,010
2019	3,963	4,259	2,772	2,388	2,992	5,460	3,667	6,754	3,465	6,357
2020	4,310	4,705	3,043	3,352	4,262	5,460	3,667	6,754	3,465	5,429

(b) Chloride level (mg/l)

Year	Suthanthira Ponvizha Nagar	Anaikarai	Krishna Nagar 9th cross	Raja Nagar	Chellan Nagar	Rainbow Nagar	Sokana-thanpet	Moogambigai Nagar	Saram School Campus	Sithanada-samy Koil
2016	2,256	1,026	629	1,294	1,658	2,106	584	764	564	198
2017	2,044	1,026	869	1,294	1,658	2,106	743	776	732	198
2018	2,490	1,172	1,024	132	1,658	2,106	764	776	870	701
2019	2,725	1,657	1,886	1,586	2,977	2,753	1,148	1,066	953	1,382
2020	2,725	2,248	2,305	1,586	2,942	2,753	1,528	1,462	1,833	2,096

(c) Nitrate level (mg/l)

Year	Muthira-palayam	Kadirkamam	Beema Nagar	Gandhi Nagar Old PS	Govt Press	VVP Nagar	Mahatma Nagar	Nesavalar Quarters	Sanarapet	GLR Muthira-palayam
2016	4.00	51.70	69.20	36.60	22.20	66.40	59.00	55.70	71.00	57.50
2017	50.80	45.40	55.60	76.80	69.00	62.70	61.70	51.40	75.16	55.24
2018	50.80	62.50	14.96	16.00	53.60	64.70	57.00	62.50	67.90	70.70
2019	52.00	65.00	17.00	18.00	70.00	72.00	47.40	67.00	74.00	64.00
2020	52.10	73.50	64.20	72.70	70.00	66.10	54.36	63.20	74.00	64.00

Appendix 2.3
(Reference: Paragraph 2.1.11.7; Page 33)

Water quality in test-checked areas

Sl. No.	Name of OHT	TDS	Alkalinity $CaCO_3$	Hardness $CaCO_3$	Calcium	Magnesium	Iron	Chloride	Sulphate
Acceptable limit		**500**	**200**	**200**	**75**	**30**	**0.3**	**250**	**200**
Permissible limit		**2,000**	**600**	**600**	**200**	**100**	**0.3**	**1,000**	**400**
Puducherry Region									
1.	North OHT, Muthialpet	2,554	164	465	92.8	56.7	BDL	596	325
2.	Karamanikuppam	2,960	63.2	832	157	107	BDL	1,259	632
3.	Krishna Nagar	792	96.2	284	69	27	BDL	257	215
4.	Rainbow Nagar	3,512	105	943	154	136	0.13	1,478	566
5.	Saram OHT	2,728	157	747	120	108	0.10	1,178	455
6.	Olandai OHT	1,764	208	540	104	67.8	0.43	649	304
7.	T.M. Nagar	2,412	219	600	108	80.2	1.56	967	400
8.	Health Colony	1,236	191	382	72.9	48.6	0.96	462	192
Karaikal Region									
1.	Nehru Nagar	772	327	66.4	19	4.59	0.19	203	32.3
2.	Karaikal Medu	1,200	408	85.5	16.4	10.8	BDL	348	151
Oulgaret Municipality									
1.	Sanjeevi Nagar	940	477	481	94.1	59.9	0.15	154	290
2.	Annai Nagar (Alankuppam)	884	248	293	71.9	27.6	0.15	187	430
3.	Alankuppam (near Temple)	720	428	352	70.02	43.1	0.20	124	165
4.	Alankuppam (near Lake)	716	434	337	65.8	41.9	0.25	110	155
5.	Periyakalapet	488	166	194	42.7	21.2	0.10	133	63.2

Appendix 2.4
(Reference: Paragraph 2.2.2; Page 40)

Statement showing receipt and disbursement of subsidy

(₹ in crore)

Year	PSCB					ADW				
	Released by GoP to Nodal agency	Released to PSCB	Balance to be released to PSCB	Disbursed to beneficiaries	Balance with PSCB	Released by GoP to Nodal agency	Released to ADW	Balance to be released to ADW	Disbursed to beneficiaries	Balance with ADW
2016-17	4.32	53.23	-48.91	44.78	8.45	8.96	0	8.96	0	0
2017-18	39.18	22.18	17.00	26.65	3.98	21.09	16.67	4.42	39.84	-23.17
2018-19	16.68	21.72	-5.04	28.51	-2.81	6.21	13.36	-7.15	13.32	-23.13
2019-20	38.37	8.40	29.97	1.38	4.21	29.19	18.44	10.75	13.00	-17.69
2020-21	20.93	2.51	18.42	6.84	-0.12	6.20	13.87	-7.67	0	-3.82
Grand Total	**119.48**	**108.04**	**11.44**	**108.16**		**71.65**	**62.34**	**9.31**	**66.16**	

Appendix 2.5
(Reference: Paragraph 2.2.8.1; Page 46)

Statement showing the status of construction of houses by beneficiaries

Sl. No.	Description	Pudu-cherry	Karaikal	Mahe	Yanam	Total
1	Total number of Projects	13	12	4	9	38
2	Total number of Houses proposed (A)	9,698	2,223	207	578	12,706
3	Stage of construction - Foundation Level (B1)	229	83	4	13	329
4	Stage of construction - Plinth Level (B2)	687	175	23	31	916
5	Stage of construction - Lintel Level (B3)	822	211	18	16	1,067
6	Stage of construction - Roof Level (B4)	1,427	246	48	24	1,745
7	Stage of construction - Completed (B5)	2,945	546	70	271	3,832
8	Completed and under-construction at different stages (B)	6,110	1,261	163	355	7,889
	Non-starters (C) (A-B)	3,588	962	44	223	4,817
	Percentage of non-starters to total beneficiaries	37.00	43.28	21.26	38.58	37.91

Appendix 2.6
(Reference: Paragraph 2.2.8.1; Page 46)

Statement showing coverage of beneficiaries during Joint Survey

(A) PSCB Beneficiaries

Sl. No	Date of Survey	Name of the Constituency	Completed houses	Under Construction	Non-Starters	Deleted	Total
1	7/10/21 8/10/21	Ariyankuppam	11	21	5	6	43
2	11/10/21 12/10/21	Manavely	14	18	4	4	40
3	20/10/21	Kalapet	12	12	4	3	31
4	21/10/21 22/10/21	Embalam	17	24	8	8	57
5	25/10/21 26/10/21	Villianur	21	18	4	4	47
6	27/10/21	Karaikal North	9	6	9	2	26
7	28/10/21 29/10/21	Thirunallar	18	9	5	6	38
Total			**102**	**108**	**39**	**33**	**282**

(B) ADW Beneficiaries

Sl. No	Date of Survey	Name of the Constituency	Completed houses	Under Construction	Non Starters	Deleted	Total
1	7/10/21 8/10/21	Ariyankuppam	8	12	1	-	21
2	11/10/21 12/10/21	Manavely	5	37	1	-	43
3	20/10/21	Kalapet	8	5	1	-	14
4	21/10/21 22/10/21	Embalam	15	6	5	-	26
5	25/10/21 26/10/21	Villianur	7	13	-	-	20
6	27/10/21	Karaikal North	2	14	12	-	28
7	28/10/21 29/10/21	Thirunallar	3	28	1	-	32
Total			**48**	**115**	**21**	**-**	**184**

Appendix 2.7
(Reference: Paragraph 2.2.8.1 (a); Page 46)

Statement showing delay in progress of construction by PSCB beneficiaries after receiving first and second instalment of subsidy

Sl. No.	Sl. No. of Constituency	Name of the beneficiary	Date of disbursement of first instalment	Date of disbursement of second instalment	Months lapsed since first instalment	Months lapsed since second instalment
Ariyankuppam						
1	1	Jayagowri	21.08.2018	01.08.2019	38	27
Manavely						
2	1	A. Rani	15.11.2017	-	48	-
3	2	G Viswanathan	15.11.2017	24.01.2020	48	21
4	3	Udayakumar	5.11.2017	21.2.2019	48	32
Kalapet						
5	1	T Deivasigamani	7.12.2017	13.01.2020	47	21
6	2	P Sellappan	25.10.2018	21.7.2020	36	16
7	3	R Sekar	25.10.2018	21.7.2020	36	16
Embalam						
8	1	Murugan	17.11.2017	21.2.2019	48	32
9	2	Sesuraj	14.12.2017	21.2.2019	47	32
10	3	R Putlai	25.9.2018	23.11.2020	37	24
11	4	S Suriya	25.9.2018	23.11.2020	37	24
Villianur						
12	1	M Puvaneswari	16.12.2017	27.2.2019	47	32
13	2	M Devi	25.9.2018	-	37	-
14	3	I Sevvizhi	2.7.2019	-	28	-
Karaikal North						
15	1	Devi	21.8.2018	17.11.2020	36	24
Thirunallar						
16	1	Shyamala	13.11.2017	-	48	
17	2	Sivashanmugham	21.8.2018	-	36	-
18	3	Velmurugan	21.8.2018	-	36	-

Appendix 2.8
(Reference: Paragraph 2.3.1; Page 54)

Difference in cost workings on actual quantity of work executed
Work 1

Sl. No	Description of Work	Quantity as per Agreement	Rate quoted in first call (₹)	Rate accepted in the second call (₹)	Difference (₹)	Quantity actually executed	Amount (₹)
1	Providing and applying tack coat	68,850 M^2	19	9	(-) 10	73,822 M^2	(-) 7,38,220
2	Providing and laying Bituminous Macadam	5,678 M^3	3,569	4,100	531	6,817 M^3	36,19,827
3	Providing and laying Bituminous Concrete	2,070 M^3	4,769	5,000	231	2,073 M^3	4,78,863
4	Providing and laying of hot thermoplastic compound	5,000 M^2	1	390	389	4580.95 M^2	17,81,989
5	Providing and fixing of Road Studs	2,930 Nos	1	350	349	Nil	0
6	Supply and filling with gravel in approach road	1,400 M^3	1	250	249	Nil	0
Total							**51,42,459**

Work 2

Sl. No	Description of Work	Quantity as per Agreement	Rate quoted in first call (₹)	Rate accepted in the second call (₹)	Difference (₹)	Quantity actually executed	Amount
1	Excavation for road works in soil	315 M^3	35	45	10	273 M^3	2,730
2	Construction granular sub-base	140 M^3	700	900	200	150 M^3	30,000
3	Providing and laying wet mix macadam	175 M^3	750	990	240	226 M^3	54,240
4	Providing and applying bitumen emulsion	700 M^2	10	15	5	638 M^2	3,190
5	Providing and applying tack coat	44,700 M^2	40	9	(-) 31	49,056 M^2	(-) 15,20,736
6	Providing and laying of Bituminous Macadam	390 M^3	10	4,000	3,990	482 M^3	19,23,180
7	Providing and laying of Bituminous Concrete	1,350 M^3	4,969	5,000	31	1,350 M^3	41,850
8	Providing and laying of hot applied thermoplastic compound	1,633 M^2	10	390	380	1,736 M^2	6,59,680
9	Providing and fixing of Road Studs	1,485 Nos	10	350	340	Nil	--
Total							**11,94,134**

Glossary of abbreviations

Abbreviations	Full form
ADW	Adi-Dravidar Welfare and Scheduled Tribes Welfare Department
AFD	Agence Francaise de Development
AMRUT	Atal Mission for Rejuvenation and Urban Transformation
ATNs	Action Taken Notes
BLC	Beneficiary Led Construction Housing Scheme
BPSC	Belated Payment Surcharge
BRC	Buildings and Roads Central Division
BRRGHS	Bharat Ratna Rajiv Gandhi Housing Scheme
CAG	Comptroller and Auditor General of India
CAG's (DPC) Act	CAG's (Duties, Powers and Conditions of Service) Act
CCF	Chief Conservator of Forests
CE	Chief Engineer
CEO	Chief Executive Officer
CGWB	Central Ground Water Board
CIRP	Corporate Insolvency Resolution Process
CLSS	Credit Linked Subsidy Scheme
CMD	Contracted Minimum Demand
CPHEEO	Central Public Health and Environmental Engineering Organisation
CPS	Coastal Police Station
CRF	Central Road Fund
CSMC	Central Sanctioning and Monitoring Committee
CWMI	Composite Water Management Index
CWRDM	Centre for Water Resources Development and Management
DC	Deputy Collector

Abbreviations	Full form
DGP	Director General of Police
DPR	Detailed Project Report
ED	Electricity Department
EE	Executive Engineer
EESL	Energy Efficiency Services Ltd.
EWS	Economically Weaker Section
GC	Gas Chromatograph
GLRs	Ground Level Reservoirs
GoI	Government of India
ICP	Inductively Coupled Plasma Spectrometer
IGEA	Investment Grade Energy Audit
IRs	Inspection Reports
JNNURM	Jawaharlal Nehru National Urban Renewal Mission
KPA	Karaikal Planning Authority
LAD	Local Administration Department
lpcd	litres per capita per day
LTTA	Long Term Technical Assistant
MCs	Marketing Committees
MHA	Ministry of Home Affairs
MIS	Management Information System
mld	million litres per day
MPA	Mahe Planning Authority
NGT	National Green Tribunal
NIT	Notice Inviting Tender
O&M	Operation and Maintenance

Abbreviations	Full form
OHT	Over Head Tank
PAC	Public Accounts Committee
PCBC	Pondicherry Co-operative Building Centre
PCZMA	Puducherry Coastal Zone Management Authority
PEC	Puducherry Engineering College
PH	Public Health
PMAY	Pradhan Mantri Awas Yojana
PPA	Puducherry Planning Authority
PPCC	Puducherry Pollution Control Committee
PSCB	Puducherry Slum Clearance Board
PSCDL	Puducherry Smart City Development Limited
PTCP Act	Puducherry Town and Country Planning Act, 1969
PWD	Public Works Department
PWRO	Puducherry Water Resources Organisation
RFP	Request for Proposal
RO	Reverse Osmosis
RWHS	Rainwater Harvesting Structure
SCADA	Supervisory Control and Data Acquisition
SCSP	Scheduled Caste Sub-Plan
SECC	Socio Economic Caste Census
SLAC	State Level Appraisal Committee
SLSMC	State Level Sanctioning and Monitoring Committee
STPs	Sewerage Treatment Plants
TDS	Total Dissolved Solids
TPQM	Third Party Quality Monitoring

Abbreviations	Full form
UDWQMP	Uniform Drinking Water Quality Monitoring Protocol
UFW	Unaccounted for Water
UWSS	Urban Water Supply Schemes
WSS	Water Supply Schemes

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