

CHAPTER III

Public Sector Undertakings and Government Commercial and Trading Activities

3.1 Functioning of State Public Sector Undertakings

3.1.1 Introduction

There were 16¹ State Public Sector Undertakings (PSUs) as on 31 March 2022 in sectors other than Power Sector². These State PSUs were incorporated during the period 1965 and 2016 and included 14 Government Companies and two Statutory Corporations *i.e.*, Goa Industrial Development Corporation and Goa Information Technology Development Corporation. The Government Companies included one active subsidiary company (*i.e.*, Goa Electronics Limited) of Economic Development Corporation Limited (EDC). The State Government provides financial support to the State PSUs in the form of equity, loans and grants/subsidy from time to time. Of the 16 State PSUs, the State Government invested funds in all except in Goa Electronics Limited. Audit comments on the accounts of the State PSUs have been incorporated in the Audit Report on State Finances for the year 2021-22 separately.

3.1.2 Coverage of this chapter

This chapter contains the result of compliance audit on the functioning of the State PSUs, Electricity Department and River Navigation Department. For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2022, one compliance audit paragraph was issued to the Secretary of the River Navigation Department with a request to furnish reply within four weeks. The reply was awaited from the State Government (April 2024). The total financial impact of this compliance audit paragraph is ₹ 11 lakh.

3.1.3 Lack of responsiveness of Government to Audit

Inspection reports outstanding

The Principal Accountant General (PAG) arranges to conduct periodical inspections of PSUs and auditable units under the Electricity Department to test-check their transactions. The PAG also verifies the maintenance of important accounting and other records as per prescribed rules and procedures. These are followed up with inspection reports (IRs) which

¹ Excluding Goa Auto Accessories Limited, which was under liquidation process since August 2019 has been dissolved by National Company Law Tribunal as per order dated 28 February 2022.

² The State Government's Electricity Department executes the functions of power purchase, distribution and maintenance.

are issued to the heads of the PSUs inspected with copies to the Administrative departments. Half yearly reports of pending IRs are sent to the Secretaries of the concerned departments, to facilitate monitoring of the action taken on the audit observations included in these IRs.

As of June 2022, 134 IRs (669 paragraphs) were outstanding for want of compliance from the PSUs, Electricity Department and River Navigation Department. Details of IRs and paragraphs outstanding are given in **Table 3.1**.

Table 3.1: Details of IRs and paragraphs outstanding

(Figures in number)

Name of PSU/Department	June 2020		June 2021		June 2022	
	IRs	Paras	IRs	Paras	IRs	Paras
EDCL	04	21	06	29	07	22
GSIDCL	04	23	04	23	05	29
GAAL	01	04	01	04	01	04
GSSTFDCL	00	00	01	07	01	07
GEL	02	13	02	04	02	02
GFDCL	03	06	04	15	04	15
GSSCOBCFDCL	00	00	02	19	03	16
GHRSSIDCL	01	08	01	08	01	08
GMCL	01	02	00	00	00	00
GSHCL	03	09	04	18	04	11
ITCGL	03	16	05	31	05	31
SIDCGL	03	10	03	10	03	07
GTDCL	04	18	04	18	05	22
KTCL	00	00	01	09	02	16
GIDC	08	83	09	95	10	104
GITDC	01	02	01	02	01	02
Electricity Department	76	353	76	365	74	336
River Navigation Department	06	38	06	37	06	37
Total	120	606	130	694	134	669

(Source: Compiled from Audit records)

3.1.4 Follow up action on Audit Reports

Replies outstanding

The Report of the Comptroller and Auditor General of India is a product of audit scrutiny and it is imperative that they elicit appropriate and timely response from the executive. All the Administrative departments of PSUs are required to submit explanatory notes indicating the corrective/remedial action taken or proposed to be taken on paragraphs and Performance Audits (PAs) included in the Audit Reports. The Finance Department, Government of Goa issues every year, instructions to all Administrative departments to submit replies/explanatory notes on paragraphs/PAs within a period of three months of presentation of the respective Audit Reports to the Legislature, in the prescribed format

without waiting for any questionnaire from the Committee on Public Undertakings (COPU). The status of explanatory notes not received as on 31 March 2023 is given in **Table 3.2** below.

Table 3.2: Position of explanatory notes not received (as on 31 March 2023)

(Figures in number)

Year of the Audit Report (PSU) ³	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2015-16	07/08/2017	1	1	0	1
2017-18	07/02/2020	1	1	0	1
2018-19	29/01/2021	1	1	1	1
2019-20	22/07/2022	0	2	0	0
Total		3	5	1	3

(Source: Compiled based on explanatory notes received from respective departments)

Explanatory notes on one follow up audit of 'Estate Management of Goa Industrial Development Corporation' and three compliance audit paragraphs, one each from Sewerage and Infrastructural Development Corporation of Goa Limited, Goa Industrial Development Corporation and Goa Electricity Department are pending for submission.

Discussion of Audit Reports by COPU

The status of discussion of Performance Audits and paragraphs relating to Economic Sector that appeared in Audit Report by the Committee on Public Undertakings (COPU) as on 31 March 2023 is given in **Table 3.3**.

Table 3.3: PAs and paragraphs appeared in Audit Reports vis-à-vis discussed as of 31 March 2023

(Figures in number)

Year of the Audit Report (PSU)	Number of PAs/Paragraphs			
	Appeared in Audit Report		Discussed by COPU	
	PAs	Paragraphs	PAs	Paragraphs
2016-17	0	4	0	4
2017-18	1	1	1	1
2018-19	1	1	0	0
2019-20	0	2	0	0
Total	2	8	1	5

(Source: Compiled based on the discussions of COPU on the Audit Reports)

The discussion on Audit Reports (PSUs) up to 2020-21 is currently ongoing.

³ Combined Audit Report 2020-21 was placed before the Legislature in August 2023.

Compliance to Reports of COPU

Action Taken Notes (ATNs) on five reports of the COPU presented to the State Legislature in February 2011, December 2017, January 2019 and January 2021 are awaited (March 2023) as indicated in **Table 3.4**.

Table 3.4: Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Reports	Number of recommendations where ATNs not received
2009-11	1	4	4
2014-15	1	8	8
2017-18	1	6	6
2018-19	2	12	12
2019-20	1	4	4

(Source: Compiled based on recommendations of COPU)

These Reports of COPU contained recommendations in respect of paragraphs which appeared in the Audit Report of the CAG of India for the year 2003-04, 2009-10, 2010-11, 2011-12, 2012-13 and 2013-14 respectively.

Recommendation 1: The State Government may ensure that replies to Paragraphs/Performance Audits and ATNs on the recommendations of COPU are furnished as per the prescribed time schedule.

RIVER NAVIGATION DEPARTMENT

3.2 Major irregularities in Cash book leading to misappropriation of revenue (₹ 11 lakh)

Failure of the Head of the Office to exercise mandatory checks of Cash book transactions weakened the internal control system and resulted in non-detection of fraudulent entries and misappropriation of ₹ 11 lakh by the cashier.

The Government of Goa (Receipts and Payments) Rules, 1997 stipulate that all monetary transactions should be entered in the Cash book as soon as they occur and should be attested by the Head of Office (HoO) as token of check (Rule 13) and deposited into accredited bank for inclusion in the Government account without undue delay (Rule 5). The Cash book should be closed regularly and checked by the HoO every month. All the remittance of receipts to the bank should also be attested by the HoO after verifying them. When the credit appears in the receipt scroll from the bank, the actual date of realisation of the cheque or draft should be indicated by cheque drawing DDOs against the original entry in the Cash book so as to keep track of outstanding items.

The River Navigation Department (RND) had various sources of revenue receipts, viz., traffic receipts, workshop receipts, renting of jetties and

ramps, Right to Information fees, etc. The cashier was responsible for issuing printed receipts for all inflows of cash/Demand Draft/financial instruments on Government account and recording them in the subsidiary Cash book. All transactions in the subsidiary Cash book were to be subsequently recorded in the main Cash book and thereafter periodically deposited (remittance) into the treasury. Audit scrutiny (04 October 2021) of the Cash book and other records of RND for the period from April 2018 to September 2021 revealed the following irregularities:

1. Under reporting of cash received: The transaction value recorded in every receipt was to be posted in subsidiary Cash book and thereafter, the sum-total of the day was to be posted in the main Cash book. However, it was observed that the transaction values of cash received as recorded in receipt-books were under reported in the Cash book by ₹ 3,39,651 (**Appendix 3.1**).

2. Recording of remittance without recording receipt of cheque/DD: Two⁴ cheques/DD of ₹ 1.20 lakh pertaining to hiring charges revenue in May 2018⁵ were not accounted for, on the receipt side of the Cash book, while the remittance was accounted on the payment side (14 August 2018) so as to fraudulently reduce the overall cash balance by ₹ 1.20 lakh. In another case, a DD of ₹ 10,000 in May 2018⁶ was not accounted for, on the receipt of the Cash book, while its remittance was accounted for, on the payment side (14 August 2018) as ₹ 1,00,000 (instead of ₹ 10,000) to fraudulently reduce the overall cash balance by ₹ One lakh (₹ 90,000 under remittance *plus* ₹ 10,000 unaccounted receipt). This resulted in depiction of the short receipt of cash amounting to ₹ 2.20 lakh in the Cash book.

3. Recording of same remittance twice: An Abstract Contingent (AC) bill⁷ of ₹ eight lakh was drawn in cash (01 October 2019), of which ₹ 3,21,925 was remitted back (14 October 2019) and ₹ 4,78,075 was spent (30 October 2019) on fuel (Indian Oil Corp.). The remittance of ₹ 3,21,925 was accounted twice on the payment side (one under the cash column and the other under the AC-bill column). This resulted in fraudulent reduction of the overall cash balance by ₹ 3,21,925.

⁴ Ribco Constructions Pvt. Ltd. ₹ 90,000 & High Street Cruises and Entertainment Pvt. Ltd. ₹ 30,000

⁵ DD no. 602625 dated 18 May 2018 of ₹ 90,000 & Cheque no. 501163 dated 22 May 2018 of ₹ 30,000

⁶ DD no. 602648 dated 22 May 2018 of ₹ 10,000

⁷ For consumption of diesel for ferry boats.

4. Remittances recorded without actual payments: During 2019-20, two remittances⁸ of value ₹ 2,18,905 were recorded on the payment side of the Cash book without actually effecting payments as revealed from the details of remittances/challans from the Directorate of Accounts, Goa for the year 2019-20. This also resulted in fraudulent reduction of the overall cash balance by ₹ 2,18,905.

It was also observed that all the entries of Cash book and monthly cash verification certificates were attested by the Drawing and Disbursing Officer⁹ (DDO) alone without monthly attestation¹⁰ of the remittance reconciliation and cash balance by the HoO, as required under the rules. Additionally, the DDO did not carry out reconciliation with the Treasury, which ultimately led to the misappropriation of Government money amounting to ₹ 11,00,481¹¹ by the cashier.

After being pointed out by Audit, the Department replied (07 April 2022) that the official concerned was placed under suspension (17 December 2021) and a summary of unaccounted money would be prepared. Further, the Department informed (31 August 2023) that an inquiry was ongoing and compliance would be intimated once the same was concluded.

Thus, the failure of the HoO in exercising the mandatory checks on Cash book transactions as prescribed in the financial rules weakened the internal control and facilitated misappropriation of revenue amounting to ₹ 11 lakh.

⁸ ₹ 90,573 (challan No. 201900974043; dated 21 August 2019) and ₹ 1,28,332 (dated 26 November 2019; challan not found) entered in Cash book as payments on 17 September 2019 and 26 November 2019 respectively.

⁹ Assistant Account Officer


¹⁰ As prescribed in Rule 13 (iv) & (v) of the Receipts and Payments Rules, 1997

¹¹ ₹ 3,39,651 + ₹ 2,20,000 + ₹ 3,21,925 + ₹ 2,18,905

The matter was referred to the Government in May, June and October 2023; their reply is awaited (April 2024).


Recommendation 2: Responsibility may be fixed on the delinquent official(s) for misappropriation of Government receipts by adopting fraudulent practices and for failing to perform mandatory checks.

Panaji
The 17 February 2025


(ETI SHUKLA)
Accountant General

Countersigned

New Delhi
The 20 February 2025


(K. SANJAY MURTHY)
Comptroller and Auditor General of India