

## OVERVIEW

This Audit Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Government of Goa for the year 2005-06 and five others comprising five reviews/long paragraphs and 16 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government and the Government Companies and Corporation.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

A summary of the financial position of the State Government of Goa and the audit findings is given below.

### 1. Financial position of the State Government

The revenue receipts of the State Government during 2005-06 were Rs.2,169 crore, registering an increase of 19 *per cent* over 2004-05. The revenue expenditure during the year was Rs.2,191 crore, an increase of 13 *per cent* over 2004-05. Though mobilisation of revenue from own resources increased in absolute terms, it decreased from 87 *per cent* in 2004-05 to 86 *per cent* of revenue receipts during the year. Eighty one *per cent* of the revenue expenditure was under non-plan. Fiscal deficits grew from Rs.550 crore in 2004-05 to Rs.603 crore in 2005-06 and fiscal liabilities grew from Rs.4,350 crore in 2004-05 to Rs.5,018 crore in 2005-06.

*(Paragraphs 1.1 to 1.11)*

### 2. Appropriation audit and control over expenditure

Appropriation Accounts present the details of amounts actually spent *vis-à-vis* the amount authorized by the State Legislature. During 2005-06, expenditure of Rs.2,891.25 crore was incurred against the total grants and appropriations of Rs.3,926.36 crore resulting in a savings of Rs.1035.11 crore. Supplementary provision of Rs.104.08 crore made in 18 cases was excessive, resulting in savings of Rs.22.36 crore. In 14 cases, expenditure fell short by rupees two crore or more in each case and also by more than 10 *per cent* of the total provision, resulting in savings of Rs.66.39 crore. In two cases (Appropriation Debt Services and 38 – Government Polytechnic), there was an excess of Rs.17.68 crore which required regularisation.

*(Paragraphs 2.1 to 2.6)*

### **3. Performance Review on Tourism Department**

The Tourism Department, Government of Goa is responsible for promotion of tourism in Goa by way of planning and development of basic infrastructure and marketing of Goa as tourist destination.

Tourism Master Plan-2011 (TMP-2011) was approved in principle in 2001 but action plan for its implementation was not prepared. As a result, development of new tourism products envisaged in it had suffered. A Tourism Commission/Board – a high level decision making body as recommended in the TMP-2011 for planning, development and marketing of tourism, was not constituted. A comprehensive tourism promotional plan had not been prepared and activity of advertisement and publicity suffered from non-adherence to procedures, deficiency in system of awarding of contract etc.

Improper handling of removal of a stranded ship “River Princess” resulted in its becoming an environmental hazard in addition to enormous increase in removal cost (Rs.5.5 crore). Arrangements for security of tourists on the beaches were inadequate and ineffective and 241 deaths of tourists due to drowning were reported during 2001-05.

While the total tourist arrival for the period 2001-05 exceeded the projected numbers in TMP-2011, the arrival of foreign tourists was significantly less than the projected figures.

*(Paragraph 3.1)*

### **4. Review on functioning of Goa University**

Goa University was established in June 1985 to impart instructions in various branches of learning, undertake research, conduct examinations, grant and confer degrees, diplomas, certificates etc. The review was conducted to assess the effectiveness of Goa University in discharging its objectives. It revealed that the University did not adopt the accrual system of accounting. The accumulated deficit amounted to Rs.7.73 crore. The infrastructure for Distance Education created at a cost of Rs.2.15 crore remained largely unutilized. The enrolment of students for many of the Post Graduate programmes was low resulting in low student faculty ratio. Thirty one *per cent* of the academic posts were vacant. The continuance of full fledged works division with increased expenditure on pay and allowances even after completion of major works was unjustified. The University did not take action to get the land (163.02 hectares) taken over from Public Works Department, transferred and mutated in its name leading to uncertainty of its ownership.

*(Paragraph 3.2)*

### **5. Internal Control System in Public Works Department**

An evaluation of Internal Control System in public works department revealed weakness of internal control in vogue in the department such as non-compliance to rules, manual and codes in the area of budget preparation, expenditure and operational controls. No action was taken to dispose off obsolescent/unserviceable items purchased during 1970-2001. The stock purchases of the sub-divisions were not incorporated in the monthly accounts (Form 73) during 2003-06. The Budgets during 2001-06 were drawn up by Accounts Section without estimates from the Divisions.

The percentage of the expenditure in March ranged from 25 to 61 indicating poor financial management by the divisions. Physical verification of the stock of receipt books had not been conducted though the General Financial Rules prescribe physical verification of stock at least once a year. The three PWD Divisions had not renewed 19 Bank Guarantees amounting to Rs.0.58 crore though these had expired during April 2003 – July 2006.

*(Paragraph 5.1)*

## **6. Audit of Transactions**

Besides the above, audit of financial transactions test checked in various departments of the Government and their field offices revealed instances of wasteful expenditure, avoidable expenditure, blocking of funds, uneconomical expenditure involving Rs.11.16 crore as mentioned below:

Wasteful expenditure of Rs.3.80 crore on salary on work charged staff in Water Resources Department, wasteful expenditure on consultancy services of Rs.18.17 lakh in Public Works Department and nugatory expenditure (Rs.38.49 lakh) on surplus staff in Rural Development Department were noticed.

Blocking of funds of Rs.88.27 lakh on purchase of pipes, Idle investment of Rs.80.18 lakh on construction of office building at Quepem, Rs.98.06 lakh on construction of residential barrack for Police Training School at Valpoi besides, uneconomical expenditure (Rs.2.99 crore) on event management of IFFI 2005 and delay in receipt of sponsorship amount of Rs.99 lakh from EMA pertaining to Information and Publicity Department and excess disbursement of pension to the tune of Rs.15.55 lakh were noticed.

*(Paragraphs 4.1 to 4.4)*

## **7. Audit of Revenue Receipts**

### **1. General**

The revenue receipts of the State Government during the year 2005-06 were Rs.2169 crore. The revenue receipts increased by Rs.349 crore registering an increase of 19 *per cent* over the revenue receipts of previous year. The increase in revenue was mainly due to switching over to value added tax (VAT) system. The non tax revenue increased by four *per cent* over the previous year.

*(Paragraph 6.1)*

The arrears in revenue under principal heads amounted to Rs.425.28 crore as on 31 March 2006 as against Rs.321.93 crore at the end of March 2005.

*(Paragraph 6.1.6)*

### **2. Mines and minerals**

Scrutiny of receipts under mines and minerals revealed that the assessment procedure for royalty was not finalized resulting in assessments since 1 January 2000 remaining in abeyance. The department also did not correlate the production of mineral ore from the State with the quantity actually exported resulting in short recovery of royalty of Rs.3.83 crore.

*(Paragraph 6.2.3)*

Non finalisation of amount of anticipated royalty for levy of stamp duty resulted in loss of revenue of Rs.31.14 lakh to the State Government.

*(Paragraph 6.2.4)*

### **3. Entertainment Tax**

Scrutiny of entertainment tax paid by cable operators revealed that only 33,196 cable connections (10.67 per cent of total households in the state) were on the records of the department in the year 2005-06. The number of cable operators registered with the department was found to be 163 in June 2006 as against 189 cable operators registered with Commissioner of Service Tax during the same period. Thus, 26 cable operators continued business without registration with Entertainment Tax Department.

*(Paragraph 6.3)*

## **8. Commercial activities of Government companies and corporation**

There were 17 Public Sector Undertakings (PSUs) comprising 16 Government companies and one Statutory corporation (all working) as on 31 March 2006 as against 16 working PSUs (15 Government companies and one Statutory corporation) as on 31 March 2005. The total investment in working PSUs decreased from Rs.615.16 crore as on 31 March 2005 to Rs.568.76 crore as on 31 March 2006.

*(Paragraphs 7.1.1 and 7.1.2)*

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs.30.33 crore in 2004-05 to Rs.124.76 crore in 2005-06. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2006 was Rs.453.23 crore.

*(Paragraph 7.1.5)*

Of the 17 PSUs, 14 PSUs had not finalised their accounts for the year 2005-06 and accounts of these PSUs were in arrears for periods ranging from one to five years as on 30 September 2006.

*(Paragraph 7.1.6)*

According to the latest finalised accounts 12 PSUs had incurred an aggregate loss of Rs.26.71 crore.

*(Paragraph 7.1.7)*

Even after completion of five years of their existence, the individual turnover of five working Government companies was less than rupees five crore in each of the preceding five years as per their latest finalised accounts. Further, two working companies had been incurring losses for five consecutive years as per their latest finalised accounts, leading to negative net worth.

*(Paragraph 7.1.22)*

## **Performance Reviews**

### **Review of operational performance of Kadamba Transport Corporation Limited**

The Company has been incurring losses continuously and the accumulated losses increased from Rs.35.72 crore to Rs.64.86 crore during last five years. The cost per kilometer was higher than the earnings per kilometer in past five years. Under recovery of cost of operation due to non-revision of fares in time also contributed to the losses.

*(Paragraphs 7.2.6, 7.2.9)*

The mileage obtained from tyres was very low compared to the All India Average during the period 2001-06 resulting in excess consumption/expenditure of Rs.33.90 lakh on tyres. Due to over-aged fleet, the maintenance and repair expenditure increased from Rs.1.51 crore to Rs.2.28 crore during the period. Further, delays in repairs and maintenance of buses at workshops/depots resulted in loss of contribution of Rs.57.93 lakh during the period.

*(Paragraphs 7.2.15, 7.2.16, 7.2.17 and 7.2.18)*

The fleet utilisation of the Company ranged between 78 to 82 *per cent* as against the All India Average of 92.1 and 92 *per cent* in 2002-03 and 2003-04. The load factor decreased from 55.94 *per cent* in 2001-02 to 53.19 *per cent* in 2005-06 against the All India Average of 62.45 and 59.92 *per cent* in 2002-03 and 2003-04. Due to low fleet utilization, poor load factor, cancellations due to want of buses/crew etc., the Company incurred heavy losses.

*(Paragraphs 7.2.12, 7.2.20 and 7.2.23)*

## **Transaction Audit Observations**

Failure to include performance guarantee clause in a high value contract and release of payment in violation of the contract conditions resulted in the investment of Rs.1.11 crore made by Goa Antibiotics and Pharmaceuticals Limited in Heating, Ventilation and Air Control system remaining unproductive for more than two years adversely affecting the business of the Company.

*(Paragraph 7.3)*

Sanction of loan by EDC Limited without proper appraisal, inadequate security and delay in recovery action resulted in waiver/loss of principal of Rs.40 lakh and interest of Rs.2 crore under OTS scheme.

*(Paragraph 7.4)*

Injudicious decision of the Government to form Sewage and Infrastructural Development Corporation Limited to take over the works carried out by the State PWD, without any planning resulted in unfruitful expenditure of Rs.1.97 crore.

*(Paragraph 7.6)*

Operation of ferryboats in two shifts of twelve hours each instead of three shifts of eight hours each by River Navigation Department resulted in avoidable expenditure on overtime wages of Rs.3.55 crore in the last three years.

*(Paragraph 7.9)*