

## PREFACE

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.
2. Chapter I deals with the findings of performance audit in the Civil Supplies and Consumer Affairs and Health departments while Chapter II deals with the findings of transaction audit in the Urban Development, Rural Development and Public Works departments. Chapter III includes comments based on Chief Controlling Officer based audit of the Public Works Department.
3. The observations arising out of audit of revenue receipts of the State in the various tax departments are included in Chapter IV of this Report.
4. The observations arising out of audit of commercial and trading activities are included in Chapter V of this Report.
5. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2009-10 as well as those which had come to notice in earlier years but could not be dealt with in previous reports. Matters relating to the period subsequent to 2009-10 have also been included, wherever necessary.

## OVERVIEW

This Audit Report includes five chapters comprising five performance audit reviews and 14 transaction audit paragraphs relating to the State Government and its Companies and Corporations.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. Audit samples have been drawn, based on statistical sampling methods as well as on judgment basis. 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 audit findings is given below.

### 1.1 Public Distribution System

Though 3,342 ration card holders declared their income to be more than the limit fixed by the department, they were continued to be treated as Below Poverty Line. Shortfall in identification of beneficiaries under the Antyoday Anna Yojana deprived 1,186 families from the benefit of the scheme during 2005-10. Foodgrains valuing ₹ 6.78 crore were distributed to ineligible Above Poverty Line card holders. The department failed to ensure the availability of essential commodities at all Fair Price Shops within the first week of the month.

*(Paragraph 1.1)*

### 1.2 National Rural Health Mission

The State achieved targets in respect of Infant Mortality Rate, Maternal Mortality Rate and Total Fertility Rate. The State Health Society did not prepare annual village, block and district level Action Plans nor the Perspective Plans for the Mission period. Out of ₹ 25.26 crore received by the State Health Society, ₹ 10.30 crore was unutilised till March 2010. There was a shortage of specialists in Community Health Centres as per NRHM norms and the supporting staff in Primary Health Centres were in excess by 240 *per cent*. The absence of a State Health Monitoring Committee and unsatisfactory functioning of Mother NGOs resulted in poor monitoring and evaluation.

*(Paragraph 1.2)*

## 2. Audit of transactions

Audit of financial transactions test-checked in various departments of the Government and their field offices revealed instances of misappropriation, wasteful expenditure, idle investment etc. involving ₹ 8.49 crore in the Urban Development, Rural Development and Public Works departments.

*(Paragraphs 2.1.1 to 2.4.1)*

### 3. Chief Controlling Officer based audit of Public Works Department

There were persistent savings of grants indicating lack of proper budgetary control. The department incurred 27 to 41 *per cent* of its capital expenditure during the last months of the financial year. Delays in processing of tenders within the validity

periods necessitated re-tendering resulting in cost overruns of ₹ 2.89 crore. Inadequate financial control resulted in excess payment of ₹ 7.88 crore towards loan repayment.

*(Paragraph 3.1)*

#### **4. Audit of Revenue Receipts**

The revenue receipts of the State Government during the year 2009-10 were ₹ 4,100.27 crore. The revenue receipts increased by ₹ 572 crore, registering an increase of 16.21 *per cent* over the previous year.

##### **Finance Department**

- ❖ Delays in submission of returns under the Goa Value Added Tax Act were rampant. There was no mechanism for monitoring timely submission of returns in the initial years.

*(Paragraph 4.2.9.1)*

- ❖ The Goa Value Added Tax Act did not provide for submission of any supporting documents for claims for input tax credit as deductions from tax payable and claims were accepted as submitted by the dealers except in cases selected for detailed assessment.

*(Paragraph 4.2.9.5)*

- ❖ In the absence of provisions laying down the minimum number of cases to be selected for VAT tax audit, only 2.19 *per cent* of the total number of dealers were selected.

*(Paragraph 4.2.10.1)*

- ❖ Incorrect application of rate by the assessing authority resulted in short levy of VAT of ₹ 54.50 lakh.

*(Paragraph 4.3)*

##### **Revenue Department**

- ❖ Failure of the department to apply revised rates of stamp duty resulted in short levy of ₹ 22.27 lakh.

*(Paragraph 4.6)*

#### **5. Government companies and Statutory corporations**

Audit of Government Companies is governed by Section 619 of the Companies Act 1956. The accounts of Government Companies are audited by Statutory Auditors appointed by CAG. These accounts are also subjected to supplementary audit conducted by CAG. Audit of Statutory Corporations is governed by their respective legislations. As on 31 March 2010, the State of Goa had 17 PSUs (15 Companies and two Statutory Corporations), all of which were working PSUs, which employed 3,342 employees. The working PSUs registered a turnover of ₹ 440.04 crore for 2009-10 as per their latest finalised accounts. This turnover was equal to 1.95 *per cent* of the State GDP, indicating a moderate role played by State PSUs in the economy. The PSUs earned a profit of ₹ 26.19 crore for 2009-10 and had accumulated losses of ₹ 34.56 crore.

### **Investments in PSUs**

As on 31 March 2010, the investments (capital and long term loans) in 17 PSUs was ₹ 527.56 crore. It declined by over 14.24 *per cent* from ₹ 615.16 crore in 2004-05. The infrastructure sector accounted for 39 *per cent* of the total investment in 2009-10. The Government contributed ₹ 168.27 crore towards equity, loans and grants/subsidies during 2009-10.

### **Performance of PSUs**

During the year 2009-10, out of 17 PSUs, four PSUs earned profit of ₹ 47.91 crore and 11 PSUs incurred loss of ₹ 21.72 crore. One PSU did not prepare Profit and Loss Accounts, while another PSU had not finalised its first accounts. The major contributors to profit were EDC Limited (₹ 30.02 crore) and Goa Industrial Development Corporation (₹ 14.77 crore). Heavy losses were incurred by Kadamba Transport Corporation Limited (₹ 15.60 crore) and the Goa Tourism Development Corporation Limited (₹ 1.59 crore).

The losses were attributable to various deficiencies in the functioning of PSUs. The State PSUs' losses to the tune of ₹ 200.67 crore were controllable with better management. Thus there was tremendous scope to improve the functioning and minimise/eliminate losses. The PSUs can discharge their role efficiently only if they are financially self-reliant. There is a need for professionalism and accountability in the functioning of PSUs.

### **Quality of accounts**

The quality of accounts of PSUs needed improvement. Out of 16 accounts finalised during October 2009 to September 2010, 13 accounts received qualified certificates. There were 19 instances of non-compliance with Accounting Standards. Reports of Statutory Auditors on internal control of the Companies indicated several weak areas.

### **Arrears in accounts**

Twelve working PSUs had arrears of 30 accounts as of September 2010. The arrears needed to be cleared by setting targets and outsourcing the work relating to preparation of accounts.

### **Transaction audit observations**

There was a loss of ₹ 1.07 crore due to non-availing of CENVAT credit by Goa Tourism Development Corporation Limited.

*(Paragraph 5.3)*

Improper management of funds by Sewerage and Infrastructure Development Corporation Limited caused loss of interest of ₹ 0.27 crore.

*(Paragraph 5.4)*

There was a loss of ₹ 0.19 crore due to waiver of loan pre-closure charges despite enabling provisions in the agreement by EDC Limited.

***(Paragraph 5.5)***

Elimination of lower offers for supply of stay rods/plates resulted in extra expenditure of ₹ 0.37 crore on purchase of stores at higher rates by the Goa Electricity Department.

***(Paragraph 5.7)***

## CHAPTER-I

### PERFORMANCE AUDIT

#### CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT

##### 1.1 Public Distribution System

###### Highlights

*The Public Distribution System (PDS) is a major instrument of the Government's economic strategy for ensuring timely availability of foodgrains to the public at affordable prices as well as for enhancing food security for the poor. The main objective of PDS is to ensure regular supply of essential commodities at reasonable prices, particularly to the weaker sections of the society/community. Audit scrutiny revealed issue of BPL cards to ineligible families; variations in the number of BPL families identified under PDS and BPL families identified by the District Rural Development Agency; less identification of Antyodaya Anna Yojna beneficiaries and inclusion of ineligible families under the Annapurna scheme. Subsidized foodgrains were distributed to ineligible APL beneficiaries while sugar was not distributed in two talukas. Vigilance Committees for reviewing the functioning of fair price shops were not constituted as required and the inspection of fair price shops was inadequate.*

- A total of 3,342 ration card holders continued to be treated as BPL though they had declared their income to be more than the limit fixed by the department. The number of BPL families identified in five talukas under PDS was 8,269 as against 6,041 BPL families identified by the District Rural Development Agency, as per the norms of Government of India.

*(Paragraphs 1.1.6.1 and 1.1.6.2)*

- The failure of the department to compare the list of beneficiaries under the Annapurna scheme with the data of persons in receipt of State pension maintained by the Social Welfare Department resulted in inclusion of 78 ineligible beneficiaries under the scheme in five talukas.

*(Paragraph 1.1.6.3)*

- The shortfall in identification of beneficiaries under the Antyodaya Anna Yojna deprived 1,186 families from the benefits of the scheme during the period 2005-10.

*(Paragraph 1.1.8.1)*

- A total of 3,978.98 metric tonnes of subsidized rice valuing ₹ 6.78 crore was distributed to ineligible Above Poverty Line beneficiaries.

*(Paragraph 1.1.8.2)*

- The department failed to ensure the availability of essential commodities at all Fair Price Shops within the first week of the month as per the Public Distribution System (Control) Order, 2001.

*(Paragraph 1.1.8.3)*

- A total of 2,027 beneficiaries in two talukas were deprived of the benefits under PDS due to non-allotment of sugar by the department. The failure of the department to distribute kerosene oil as per the revised entitlement resulted in distribution of 5.43 lakh litres of kerosene oil valuing ₹ 52.47 lakh to ineligible card holders during February to May 2010.

*(Paragraphs 1.1.8.5 and 1.1.8.6)*

- Vigilance Committees at the Panchayat, Block, District and State levels were not fully constituted in the State for reviewing the functioning of the schemes and the Fair Price Shops under PDS.

*(Paragraph 1.1.13.1)*

- Only 1,112 inspections of Fair Price Shops were conducted as against 5,144 inspections required under the Public Distribution System (Control) Order, 2001, thereby defeating the objective of effective monitoring of Fair Price Shops.

*(Paragraph 1.1.13.3)*

### **1.1.1 Introduction**

The Public Distribution System (PDS) involves the procurement, storage and distribution of foodgrains to ration card holders through Fair Price Shops (FPS) and is regulated under the provisions of the Public Distribution System (Control) Order, 2001. The commodities are rice, wheat, sugar, edible oils, kerosene oil etc., as notified by the Central Government. PDS is a major instrument of the Government's economic strategy for ensuring timely availability of foodgrains to the public at affordable prices as well as for enhancing food security for the poor. The main objective of PDS is to ensure regular supply of essential commodities at reasonable prices, particularly to the weaker sections of the society. PDS, till 1992, was a general entitlement scheme for all consumers without any specific target. Government of India (GOI) strengthened PDS by introducing (June 1997) the Targeted Public Distribution System (TPDS), under which 35 kilograms (kg) of foodgrains per month were to be issued at subsidized rates to families living Below Poverty Line (BPL). GOI launched the Antyodaya Anna Yojna (AAY) in December 2000 with a view to making TPDS more focused and targeted towards poorest of the poor. The scheme envisaged distribution of 35 kg of foodgrains per month at highly subsidised rates of ₹ two per kg of wheat and ₹ three per kg of rice. GOI launched (April 2000) the Annapurna scheme for distribution of 10 kg of foodgrains per month free of cost to those indigent senior citizens who were eligible for old age pension under the National Old Age Pension scheme or the State Pension scheme but were presently not receiving the same. The network of PDS in the State of Goa comprised 501 FPS and 1,479 kerosene retailers. The total number of ration cards as on

March 2010 was 3,53,438 of which 3,25,595 were APL cards, 14,068 were BPL cards, 13,357 were AAY cards and 418 were Annapurna cards.

### **1.1.2 Organisational Set-up**

The Civil Supplies and Consumer Affairs Department is headed by the Secretary. The day to day functioning of the department is looked after by the Directorate of Civil Supplies and Consumer Affairs headed by a Director who is assisted by an Assistant Director. The functioning of PDS in the 11 talukas of the State is looked after by the Mamlatdars who are assisted by Supply Inspectors.

### **1.1.3 Audit Objectives**

The main objective of the performance audit was to evaluate the effectiveness of PDS in ensuring regular supply of foodgrains to the people of the State. This involved assessment of:

- the adequacy of planning the schemes under PDS
- the efficiency in financial management
- effectiveness of allocation and distribution of foodgrains by the Government to ensure that all people have timely access to foodgrains at prescribed quantities and rates and
- adequacy and effectiveness of the monitoring system adopted.

### **1.1.4 Audit Criteria**

The criteria adopted for conducting performance audit were as follows:

- Guiding principles prescribed (June 1997) by GOI relating to identification of beneficiaries
- Provisions of the PDS (Control) Order, 2001
- Orders/instructions of State Government for issue of ration cards, weeding out bogus ration cards, scale of issue and quality of foodgrains
- Government norms for payment of transportation/incidental charges of foodgrains and
- Government orders for formation of Vigilance Committees and inspection of shops.

### **1.1.5 Scope of audit and audit methodology**

Performance audit for the period 2005-06 to 2009-10 was conducted between March and May 2010 covering both<sup>♦</sup> the districts of the State by test check of records of the offices of the Director of Civil Supplies and

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<sup>♦</sup> North Goa and South Goa district



Consumer Affairs, six\* out of 11 talukas and four FPS from each of the six selected talukas. The six talukas and 24 FPS were selected through the Simple Random Sampling without Replacement method. Audit also undertook beneficiaries' survey in the six selected talukas to assess consumer satisfaction as regards the working of FPS, the quality of foodgrains etc. The survey covered 20 beneficiaries attached to one fair price shop selected on random basis in each of the six selected talukas. The audit objectives, scope and criteria were discussed with the Secretary, Civil Supplies and Consumer Affairs during an entry conference held in March 2010.

After conclusion of field audit, an exit conference was held with the Secretary in October 2010, during which the draft audit findings and recommendations were discussed.

## **Audit Findings**

### **1.1.6 Planning**

Under TPDS, the States were required to formulate and implement foolproof arrangements for identification of the poor and delivery of foodgrains to them through FPS in a transparent and accountable manner. The audit findings on identification of BPL families, review of ration cards etc., are discussed below:

#### **1.1.6.1 Issue of BPL cards to ineligible families**

The issue of ration cards to BPL families under TPDS was done (1997) by the department by inviting applications from the families and issuing BPL cards to families having income below ₹ 11,000 per annum. Accordingly, the department had issued 27,425 BPL ration cards as on March 2010.

The PDS (Control) Order, 2001 stipulates renewal of ration cards by the department every five years. While renewing the ration cards of all card holders in January 2008, the department relied on the declarations of family income from the card holders. In spite of 3,342 card holders in six talukas declaring their income to be more than ₹ 11,000 per annum, the department recognised them as BPL for grant of benefits under TPDS. This lapse by the department caused diversion of 2,807.28 metric tonnes (MT) of rice valuing ₹ 1.73 crore\* to 3,342\* ineligible families during 2008-09 and 2009-10. The Director admitted (October 2010) that the ration cards were renewed irrespective of the income declared by the applicants in the application form. During the exit conference, the Secretary stated (October 2010) that the ration cards of the card holders who had declared income above the income limit would be cancelled.

*Diversion of 2,807.28  
MT of rice valuing  
₹ 1.73 crore to  
ineligible families*

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\* Bardez, Mormugao, Ponda, Quepem, Salcete and Tiswadi.

• 2,807.28 MT x retail price of BPL rice of ₹ 6,150 per MT= ₹ 1.73 crore.

\* Bardez: 1,239, Mormugao: 28, Ponda: 547, Quepem: 882, Salcete: 135 and Tiswadi: 511.

### 1.1.6.2 Non-conformity in identification criteria in the State

*Wide variation in BPL families identified under PDS and as per DRDA survey*

The DRDA conducts the identification of BPL households for grant of assistance under various anti-poverty programmes. The BPL household survey 2002 was done by DRDA by conducting a door-to-door survey based on scorable indicators such as the type of house, category and extent of cultivable land, literacy status of family etc., stipulated by GOI to assess the socio-economic condition of the beneficiaries and the total score for each household was calculated to arrive at the relative positioning of each household. Audit scrutiny revealed that the department issued BPL cards under PDS based on annual income of the family as mentioned in para 1.1.6.1 which was at variance with the DRDA guidelines. The number of BPL households as per the record of DRDA in the five talukas was 6,041<sup>∇</sup> (March 2010) as against 8,269<sup>\*</sup> BPL cards issued under PDS. Panchayat-wise analysis done by Audit revealed that in 77 panchayats in these five talukas, the number of BPL cards issued was more than the BPL families identified by DRDA by 4,784 while in 34 panchayats, the number of BPL cards issued was less than the BPL families identified by DRDA by 2,556. Thus, there was a need to have uniform parameters for identification of BPL households in the State. Adoption of DRDA guidelines would be more suitable as several parameters are adopted by them for gauging households Below Poverty Line. The Government replied (October 2010) that the process of identification of BPL families adopted by DRDA varies from the process adopted by the Civil Supplies and Consumer Affairs department, resulting in variations in the number of BPL families. It was further stated that a new BPL survey was being conducted by DRDA and once the survey was completed, the BPL families identified by DRDA only would be issued BPL ration cards.

### 1.1.6.3 Ineligible families under Annapurna Scheme

GOI launched (April 2000) the Annapurna scheme for distribution of 10 kg of foodgrains per month free of cost to those indigent senior citizens who were eligible for old age pension under the National Old Age Pension scheme or State Pension scheme but were presently not receiving the same. An attempt was made in audit to check whether the beneficiaries identified under the scheme were in receipt of State pension under the Dayanand Social Security Scheme implemented by the Social Welfare Department. Scrutiny in the six test-checked talukas revealed that 78<sup>\*</sup> out of 218 beneficiaries in five talukas were getting pension under the Dayanand Social Security scheme as noticed from the records of the Social Welfare Department and thus were not eligible for benefits under the Annapurna scheme. Test check in the sample FPS revealed that in one fair price shop, two such beneficiaries were distributed 360 kg of rice during the period October 2009 to August 2010<sup>\*</sup>. The department should have compared the list of beneficiaries under the Annapurna scheme with the data maintained by the Social Welfare

<sup>∇</sup> Bardez: 3,408, Ponda: 1,266, Quepem: 848, Salcete: 417 and Tiswadi: 102.

<sup>\*</sup> Bardez: 3,606, Ponda: 2,274, Quepem: 862, Salcete: 341 and Tiswadi: 1,186.

• Bardez: 4, Ponda: 27, Quepem: 21, Salcete: 11 and Tiswadi: 15.

• Records for earlier period was not available in the shop.

Department. This step would have ensured that the distribution of foodgrains under the Annapurna scheme was in line with GOI's guidelines. The Government while accepting that the list of beneficiaries under the scheme was not compared with the list maintained by the Social Welfare Department stated (October 2010) that the verification would be done with the records maintained by Social Welfare Department.

#### ***1.1.6.4 Lack of planning in implementation of the scheme***

The State Government decided (January 2008) to purchase rice from the open market and distribute 10 kg/card/month as the quota of APL rice was reduced (April 2007) by GOI. The difference between the open market rate of rice and the Central Issue Price (CIP) was subsidised by the State Government. The subsidised foodgrains were to be distributed to APL beneficiaries having income upto ₹ 60,000 per annum which was further increased to ₹ one lakh and ₹ two lakh from March 2008 and October 2008 respectively. During the period January 2008 to April 2009 when the scheme was discontinued the department had distributed 15,228.12 MT of rice procured from the open market, involving subsidy of ₹ 11.65 crore.

The identification of APL beneficiaries having specified income limits was to be done on the basis of income certificates issued by the taluka Mamlatdars/Chief Officers of the Municipal Councils/Village Panchayat Secretaries. Since APL card holders with the specified income limit were not identified, the Government directed (February 2008) the taluka Mamlatdars to distribute the foodgrains to APL card holders irrespective of the income criteria till March 2008. The date was further extended upto May 2008. The non-identification of targeted APL beneficiaries before the distribution of subsidized foodgrains showed lack of proper planning before implementing the scheme. The distribution of foodgrains without identifying the targeted beneficiaries led to distribution (January to May 2008) of 1,027.58 MT of rice valuing ₹ 1.55 crore to 1.21 lakh\* ineligible beneficiaries in the six test checked talukas. The reply (October 2010) of the Government was silent on the issue of lack of proper planning before implementing the scheme.

*Lack of planning led to distribution of foodgrains valuing ₹1.55 crore to ineligible beneficiaries*

#### ***1.1.6.5 Deficient system in review of ration cards***

The PDS (Control) Order, 2001 prescribed an annual review of the lists of BPL and AAY families to weed out ineligible families and include more eligible families. The PDS (Control) Order, 2001 also stipulated periodical checking of ration cards to weed out bogus ration cards and units\*, to check diversion of essential commodities. GOI directed (August 2009) the State Governments to conduct a special campaign to eliminate bogus/ineligible BPL/AAY ration cards. In pursuance of this, the department directed (September 2009) the talukas to conduct an intensive campaign during October to December 2009 to review the existing BPL/AAY ration cards by

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\* Bardez: 71,885, Mormugao: 15,245, Ponda: 6,370, Quepem: 586, Salcete: 17,803 and Tiswadi: 8,670.

• An adult is taken as one unit and a child below 12 years as half unit.

verifying/cross checking details of families and the units in the ration cards to eliminate bogus/ineligible cards and units. The work of verification was assigned in the talukas to the Talathis<sup>♦</sup>.

Scrutiny in audit revealed that annual reviews of the lists of BPL and AAY families were not done in the six test-checked talukas. Further, against the direction of the department to conduct an intensive campaign during October to December 2009, the six test-checked talukas submitted (January 2010) nil reports to the Directorate. Details of the ration cards checked were not furnished to the talukas by the Talathis in support of the survey findings. No proforma for use during the periodical checking of ration cards was prescribed by the department and no reports were obtained from the Talathis having details like ration card numbers, names of card holders, signatures of ration card holder etc., to complete the verification process. The department also did not stipulate the number of ration cards to be checked by the Talathis each month.

The deficiencies in the system of checks by the Talathis were further exacerbated by the absence of the system of cross-checking of samples of ration cards checked by the Talathis by the inspectors of the department. Thus, the system of checks to weed out bogus cards was weak and ineffective.

The Assistant Director of Civil Supplies stated (June 2010) that directions would be issued to all talukas to comply with the PDS (Control) Order, 2001 and devise a suitable system for review of ration cards by fixing percentage checks to be done by Talathis and cross-checking of the work of Talathis by inspectors of the Civil Supplies Department. These directions were issued by the department to all talukas in September 2010.

### 1.1.7 Financial Management

The budget estimates and actual expenditure under revenue and capital head during 2005-06 to 2009-10 are given in **Table-1** below:

**Table-1: Budget provisions and actual expenditure**

(₹ in crore)

Year	Budget Provision			Actual Expenditure			Excess(+)/Savings (-)		
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital	Total
2005-06	1.73	23.25	24.98	1.62	16.70	18.32	(-) 0.11(6)	(-) 6.55(28)	(-) 6.66(27)
2006-07	1.87	25.25	27.12	1.75	24.58	26.33	(-) 0.12(6)	(-) 0.67(3)	(-) 0.79(3)
2007-08	2.24	33.20	35.44	2.16	26.18	28.34	(-) 0.08(4)	(-) 7.02(21)	(-) 7.10(20)
2008-09	14.14	40.83	54.97	11.41	35.12	46.53	(-) 2.73(19)	(-) 5.71(14)	(-) 8.44(15)
2009-10	9.28	53.14	62.42	8.89	53.12	62.01	(-) 0.39(4)	(-) 0.02(1)	(-) 0.41(1)
<b>Total</b>	<b>29.26</b>	<b>175.67</b>	<b>204.93</b>	<b>25.83</b>	<b>155.70</b>	<b>181.53</b>	<b>(-) 3.43(12)</b>	<b>(-) 19.97(11)</b>	<b>(-) 23.40(11)</b>

(Source: Demands for Grants and Appropriation Accounts. Figures in bracket indicate percentages)

<sup>♦</sup> Village accountants working under Mamlatdars

The component of subsidy and transportation expenditure incurred during 2005-10 is given in **Appendix 1.1**. While no expenditure was incurred on subsidy during 2005-08, ₹ 13.41 crore was expended in the subsequent two years towards distribution of rice, pulses and vegetables purchased from the open market. The significant percentage of savings (19 *per cent*) under the Revenue head during 2008-09 was mainly due to the excess provision of subsidy towards procurement of APL rice from open market. The savings were surrendered only at the year end, indicating lack of budgetary control. The Director replied (March 2010) that the savings under the Revenue head during 2008-09 were due to non-purchase of APL rice in the month of October 2008 on account of sufficient stock. The reply of the Director however, did not clarify the reasons for surrender of savings at the year end when the fact of savings became clear in October 2008 itself. The savings under the Capital head during 2007-08 and 2008-09 were mainly due to provision of ₹ 3.20 crore made during 2007-08 and 2008-09 in the budget for sugar purchase without reckoning the advance payment of ₹ one crore made (2006-07) to sugar factory for sugar purchase, resulting in saving of the entire budget provision.

The Personal Ledger Account cash book maintained at the Directorate did not record remittances made by FPS directly into the treasury in the absence of which, the monthly closing balances could not be worked out for reconciliation with the treasury balances. The Director replied (March 2010) that the reconciliation work would be taken up on priority basis. However, the work had not been taken up so far (August 2010).

### **1.1.8 Allocation and distribution of foodgrains and other commodities**

The allocation of foodgrains under the APL, BPL, AAY and the Annapurna scheme is done by GOI. The foodgrains are lifted by the department from the depot of Food Corporation of India (FCI) after making advance payment. The lifting of foodgrains from the depot of FCI and their transportation to various taluka godowns is arranged by the department through private transport contractors. The FPS remit the cost of foodgrains in the treasury based on the foodgrains allotted during the month by the talukas. The foodgrains are, thereafter, lifted by the FPS owners and transported to the FPS for distribution to the card holders.

#### **1.1.8.1 Allocation and distribution of foodgrains**

The department distributes only rice to BPL, AAY and Annapurna card holders while both rice and wheat are distributed to APL card holders. The allocation, lifting of foodgrains from FCI and offtake of foodgrains under the schemes are given in **Appendix 1.2**. The allocation and distribution of foodgrains revealed the following:

a) *Distribution to BPL beneficiaries*

The scale of distribution fixed by GOI for BPL beneficiaries was 35 kg per card per month. As per the scale fixed, the allotment of 5,460 MT of rice by GOI during the period 2007-08 to 2009-10 was for 13,000 BPL beneficiaries. The number of BPL beneficiaries identified by the department was 16,078, 13,969 and 14,055 during the beginning of 2007-08, 2008-09 and 2009-10 respectively. Therefore, the department fixed a reduced scale of distribution ranging between 28 and 34 kg per card per month in 33 months during 2007-10. Thus, as against the entitled quota of 18,523 MT at the scale fixed by GOI, the department distributed 16,552 MT during 2007-10, resulting in short distribution of 1,971 MT of foodgrains to BPL beneficiaries. Despite the short distribution, the department did not resort to procurement of foodgrains from the open market as was done for distributing (15,228.12 MT) rice to APL beneficiaries during 2007-09, for more focused targeting of BPL beneficiaries and ensuring food security. The Government replied (October 2010) that BPL families were given rice between 28 and 34 kg per month as compared to 10 kg of rice distributed to APL beneficiaries. The reply is not tenable since the department distributed rice to APL beneficiaries by procuring foodgrains from the open market but did not focus on ensuring distribution of the full quota to the BPL card holders.

b) *Less identification of AAY beneficiaries*

The AAY scheme launched by GOI in December 2000 aims at providing food security to the poorest of the poor. The beneficiaries are to be identified from amongst BPL families. Under this scheme, each card holder is entitled to 35 kg of foodgrains per month. The scheme was expanded by GOI in June 2003 to cover additional BPL families from amongst households headed by widows, terminally ill persons etc. The scheme was further extended by GOI in August 2004 to cover additional BPL families from amongst landless agriculture labourers, marginal farmers, rural artisans etc. The allocation of foodgrains by GOI to the State from 2005-06 till March 2010 was 509 MT<sup>♦</sup> per month covering 30.66 *per cent* of the projected population as on March 2000. Accordingly, the department had to identify 14,543<sup>♦</sup> beneficiaries under AAY from amongst the BPL families to utilize the quota received under the scheme. However, the department had identified only 13,357 beneficiaries under the scheme till March 2010, thereby depriving 1,186 BPL beneficiaries from the benefits of the scheme during the period 2005-10. The Director replied (October 2010) that 1,161 AAY beneficiaries had been identified in August 2010 and the balance beneficiaries would be identified within a period of two months. The reply, however, did not clarify the reasons for delays in identification which led to the families being deprived of benefits under the scheme during 2005-10.

*Shortfall in identification deprived 1,186 families of benefits under AAY*

- ♦ For the period April 2005 to June 2005 the allocation was 386 MT per month and from July 2005 to March 2010 the allocation was 509 MT per month.
- ♦  $(509 \text{ MT} \times 1000 \text{ kg}) / 35 \text{ kg per cardholder per month.}$

### ***1.1.8.2 Distribution of rice to ineligible APL beneficiaries***

As mentioned in paragraph 1.1.6.4, the State Government decided (January 2008) to purchase rice from the open market and distribute 10 kg per card per month as the quota of APL rice was reduced (April 2007) by GOI.

The department issued Press notes each month, specifying the quantum of foodgrains to be distributed to the various card holders. The Press notes issued for the month from June to September 2008 stipulated distribution of APL rice to card holders having income upto ₹ one lakh per annum. This was increased to ₹ two lakh per annum in the Press notes issued for the months from October 2008 to March 2009.

*Foodgrains valuing  
₹ 6.78 crore  
distributed to  
ineligible APL  
families*

Scrutiny in the six talukas revealed that the distribution of foodgrains in the talukas was not done as per the Press notes issued by the department. Comparison of the quantum of foodgrains which should have been distributed according to the number of beneficiaries identified with specified income limits and the foodgrains actually distributed revealed that 3,978.98 MT\* of subsidized foodgrains valuing ₹ 6.78 crore was distributed to beneficiaries having income more than the prescribed limit. During the exit conference, the Secretary directed (October 2010) the Director of Civil Supplies and Consumer Affairs to ascertain the reasons for not following the income criteria by the talukas.

### ***1.1.8.3 Delay in distribution of foodgrains***

*Delay in receipt of  
foodgrains by card  
holders due to  
procedural delays  
by the department*

As per the Public Distribution System (Control) Order, 2001, FPS have to take delivery of stocks to ensure that essential commodities are available with them within the first week of the month. To achieve this objective, it is necessary to make payments to FCI in advance for procurement of foodgrains and issue Press notes stipulating the scale of distribution to card holders well in advance to enable that the talukas distribute foodgrains to the FPS. Scrutiny in audit revealed that payments to FCI were made only by the first or second week of the month in 59 out of 60 months during the period 2005-10. Similarly, in 57 out of 60 months during the period 2005-10, the Press notes stipulating the scale of distribution of foodgrains to the card holders were issued only by the first or second week. This resulted in the talukas being unable to issue permits to the FPS, who were hence unable to lift the foodgrains within the first week of the month. Test check of records in six talukas for the year 2009 revealed that on an average, 90 (26 per cent) out of 347 FPS lifted the foodgrains on or after 20<sup>th</sup> of the month, thereby delaying the distribution of foodgrains to the card holders. In the beneficiaries' survey conducted by Audit jointly with the department, 93 per cent of the beneficiaries stated that the foodgrains were generally distributed during second/third week of the month.

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\* Bardez: 634.21 MT, Mormugao: 1,391.49 MT, Ponda: 10.85 MT, Quepem: 95.54 MT, Salcete: 539.59 MT and Tiswadi: 1,307.30 MT.

Late arrival of foodgrains is thus a constraint in its timely distribution. Delays in distribution of foodgrains deprive ration card holders of the opportunity to procure foodgrains immediately after the receipt of their salaries/wages at the end of the month and also result in long lines of ration card holders at the FPS to take delivery of foodgrains during the short period available before the month end. The Government, while accepting the delays in distribution of foodgrains stated (October 2010) that since September 2010, the department had started making payments to FCI well in advance for the succeeding months, so that the quota could reach the card holders in time.

#### ***1.1.8.4 Short supply of open market rice***

The department distributes foodgrains procured from GOI to APL card holders. With reduction (April 2007) in the quota of APL rice by GOI, the department placed (October 2007) an order with the Goa Co-operative Marketing and Supply Federation Limited (GCMSFL) for supply of 1,442 MT of rice during October 2007 for distribution to APL card holders. The department did not enter into any agreement with GCMSFL stipulating penalty for short supply of the rice ordered from them. It was observed that as against 1,442 MT ordered, GCMSFL supplied only 344.30 MT (24 per cent) of rice. The short supply resulted in 1,09,770 beneficiaries being deprived of benefit under PDS. The Government replied (October 2010) that due to steep increase in price of common rice in the neighboring State, GCMSFL could not supply the full quantity. The reply was silent regarding the reasons for non-execution of the agreement with GCMSFL. Thus, due to non-execution of agreement with GCMSFL, action could not be initiated against GCMSFL for short supply.

Further, the department placed (January 2009) an order on GCMSFL for supply of 500 MT of rice during February 2009. Though the department had entered (July 2008) into an agreement with GCMSFL for the purchase, no penal clause for short supply, if any, during the course of execution of order was stipulated in the agreement despite short supply of rice by GCMSFL earlier in October 2007. It was observed in audit that as against 500 MT rice ordered, GCMSFL supplied only 360.95 MT of rice. The short supply resulted in 13,905 beneficiaries being deprived of the benefits under PDS. The department did not revoke the performance guarantee on the failure of GCMSFL to supply the entire quantity ordered, the reasons for which were also not on record. The Government replied (October 2010) that the short supply was due to the inability of GCMSFL to procure rice from the Government of Andhra Pradesh. The reply did not give reasons for non-inclusion of any penal clause in the agreement and non-revoking of the performance guarantee on the failure of GCMSFL to supply the contracted quantity. The Secretary, in the exit conference, stated (October 2010) that GCMSFL was akin to a semi-Government body and therefore, no serious action against the Corporation was contemplated.



**1.1.8.5 Non-distribution of sugar to BPL/AAY beneficiaries in two talukas**

Based on monthly allocation of levy sugar by GOI, the department makes payment to the designated sugar factory for procurement and distribution of sugar to BPL, AAY and Annapurna card holders. Levy sugar is lifted from the sugar factory by GCMSFL and transported to the talukas. The FPS in the talukas lift the sugar from the depots of GCMSFL at the wholesale price for further distribution to the beneficiaries at retail prices. The sale proceeds (wholesale price) received from the FPS are remitted by GCMSFL to the department after adjusting profit margin and transport charges.

*2,027 card holders in two Talukas were deprived of sugar under PDS*

Allocation of sugar was not done by the department to Salcete and Sanguem talukas during the period 2005-10 as the FPS in these talukas were not lifting their sugar quota due to high cost of transporting the sugar from depots of GCMSFL to the FPS. The high cost of transportation faced by the FPS was not addressed by the department to ensure that 2,027 card holders received their monthly quota of sugar. The Government replied (October 2010) that since no depot of GCMSFL was available in Salcete and Sanguem talukas, sugar was not distributed to these talukas. It was further stated (October 2010) by the Director that the department would make alternate arrangements and take up the matter with GCMSFL for allocation of sugar to the card holders of Salcete and Sanguem talukas.

The department did not enter into any agreement with GCMSFL stipulating the time limit for remitting the sale proceeds collected from the FPS, penal clause in the event of delay, names of depots from where sugar would be issued to FPS etc. No records were maintained by the department to ensure that GCMSFL promptly remitted the daily collection of sale proceeds from the FPS. Thus, the department did not take steps to safeguard its financial interests and ensure proper monitoring of distribution of sugar. The Government replied (October 2010) that GCMSFL had been requested to remit the monthly sale proceeds to the department. The reply did not give reasons for non-execution of any agreement with GCMSFL and non-maintenance of records.

**1.1.8.6 Irregularities in distribution of kerosene oil**

Kerosene oil is distributed under PDS to card holders through retailers appointed by the department. Based on the monthly allocation of kerosene oil communicated by GOI, the retailers, as per the allocation fixed by the department, procure kerosene oil from the wholesalers. The wholesale and retail prices for distribution of kerosene oil under PDS are fixed by the department. Ration card holders register their cards with the concerned taluka offices and with retailers for obtaining kerosene oil under PDS. Ration card holders without gas connections are provided with two litres of kerosene oil per person per month while ration card holders with gas connections are provided with two litres of kerosene oil per person per month subject to a maximum of five litres per ration card.

Audit scrutiny revealed that quotas of kerosene oil allotted to retailers were based on registrations done in the year 2000. No periodical review of the

quotas of kerosene oil issued to retailers for supply to card holders was conducted, despite many card holders availing of gas connections. The department belatedly, in June 2009, instructed all the Mamlatdars/Inspectors of Civil supplies to conduct re-registration of ration cards for supply of kerosene oil. The process of re-registration of cards was completed by all the talukas by January/February 2010. As per the re-registration, the revised entitlement of kerosene oil in the five test-checked talukas was 11.30 lakh litres as against 12.71 lakh litres supplied per month. However, despite a lapse of four months, the revised entitlement had not been given effect, resulting in distribution of 5.43\* lakh litres of kerosene oil valuing ₹ 52.47 lakh during the period from February 2010 to May 2010 to ineligible card holders. In one test-checked taluka (Mormugao), the revised entitlement after re-registration was 2.57 lakh litres as against 2.30 lakh litres supplied per month showing that some beneficiaries in the taluka had been deprived of kerosene oil. The Government replied (October 2010) that the talukas had been informed (July 2010) to complete the process of re-registration of ration cards which had been left out before 1 October 2010, on completion of which the kerosene oil would be distributed as per the new registration. The reply is not acceptable since the process of re-registration of ration cards was initiated by the department in June 2009 and was to be completed by September 2009. The re-registration process was completed and reports were submitted by the talukas in January/February 2010. Therefore, again allowing re-registration of left out ration cards belatedly in July 2010 without first commencing the distribution at the revised entitlement was injudicious, resulting in distribution of kerosene to ineligible card holders.

In Ponda taluka, it was observed that five retailers had been supplied 16,480 litres of kerosene per month as against the entitlement of 14,128 litres per month based on the number of cards attached. The reasons for excess supply of 2,352 litres per month were not furnished by the department.

### **1.1.9 Non-testing of quality of foodgrains**

To ensure the prescribed quality of foodgrains, the PDS (Control) Order, 2001 stipulates that before making the payment to FCI, the representatives of the State Government or their nominees and FCI should conduct joint inspection of the stocks of foodgrains intended for issue. The PDS (Control) Order, 2001 also provides that FCI should issue to the State Government stack-wise sealed samples of the stock of foodgrains supplied to them for distribution. It was observed in audit that such joint inspections to ensure the quality of foodgrains as per the PDS (Control) Order, 2001 were not conducted by the department during the period 2005-10. The department also did not obtain sealed samples of the stock of foodgrains supplied by FCI during the period 2005-10. The Government replied (October 2010) that inspections were conducted to check the quality of foodgrains to find out if they had deteriorated and if they were damaged or appeared to be not of good quality,

\* Bardez: 0.41 lakh litres, Ponda: 0.66 lakh litres, Quepem: 0.99 lakh litres, Salcete: 3.06 lakh litres and Tiswadi: 0.31 lakh litres.

*No system to ensure quality of foodgrains received and distributed under PDS*

the same were not lifted. It was further stated that samples were drawn and in cases of need, the assistance of the Food and Drugs Laboratory was taken for conducting tests. It was also stated (October 2010) by the Director that the department had informed (October 2010) the Food and Drugs Laboratory to analyse the quality of foodgrains as the inspectors of the Civil Supplies and Consumer Affairs department were not competent enough to certify the quality of foodgrains. The reply is not acceptable as the reports of joint inspections were not made available by the department to Audit. No records were maintained to support the fact that the samples had been drawn and tested. Further, the fact that the department had informed the Food and Drugs Laboratory to analyse the quality of foodgrains, points to the weakness in the present system of quality inspection based on visual examination. In the beneficiaries' survey conducted by Audit jointly with the department, 26 per cent of the beneficiaries complained of poor quality of foodgrains issued by the FPS.

#### **1.1.10 Pricing of foodgrains**

The retail prices of foodgrains are fixed by the department by loading on the Central Issue Price (CIP) i.e. the purchase price, transportation cost, loading/unloading charges, maintenance cost of godowns, transport rebate granted to FPS and a profit margin of five per cent for the FPS. The loading of various elements of cost on the purchase prices is done on per MT basis except for the FPS margin which is calculated at five per cent of the total cost. The CIP fixed by GOI for BPL beneficiaries is less than that for APL beneficiaries. To maintain the price difference, while fixing retail price, the percentage of the various elements of cost to the total procurement cost has to be worked out for loading on the CIP under each scheme. The CIP of APL and BPL rice and the retail prices fixed by the department are given below:

**Table-2: Central issue price and retail prices of APL and BPL rice**

Type of rice	Price effective from	Central Issue Price/kg (In ₹)	Retail Price/kg (In ₹)	Percentage loading on CIP
APL rice	July 2001	8.30	8.95	7.83
BPL rice	July 2000	5.65	6.15	8.85

(Source: Rate revision circulars issued by Director of Civil Supplies and Consumer Affairs)

The system of price fixation followed by the department resulted in an anomalous situation in that the percentage of loading of cost on APL purchase price was less than the BPL purchase price as shown in **Table-2**. The Government, while accepting the anomaly stated (October 2010) that the new tender for transportation of foodgrains was under finalization and on approval, the price fixation would be examined in detail and the prices would be re-fixed.

### 1.1.11 Maintenance of records

#### 1.1.11.1 *Improper maintenance of records for issue of ration cards and stock of blank ration cards*

The PDS (Control) Order, 2001 stipulates that the designated authority shall issue a ration card within one month of the date of receipt of an application after necessary verification. Test check of records in the selected talukas revealed that while the registers recorded the dates of receipt of applications, the dates of issue were not recorded. Consequently, the timeliness or the extent of delay in issue of ration cards could not be verified during audit in these talukas. Further, no checks of these records were conducted by the department to verify timely issue of ration cards. The Mamlatdars of Bardez and Salcete talukas replied (April/June 2010) that proper records would be maintained henceforth. However, in both the talukas, proper records were not being maintained so far (August 2010). In the beneficiaries' survey conducted by Audit jointly with the department, three *per cent* of the beneficiaries complained of delays in issue of ration cards by the taluka office while 46 *per cent* of the beneficiaries surveyed did not remember the time taken for issue of ration cards.

In the talukas test-checked, the Stock Register of the blank ration cards received, ration cards issued and the closing balance at the end of each month was not maintained. There was also no system of physical verification of ration cards by the department. The ration cards of all the card holders were renewed by the department in January 2008 on the basis of declarations obtained from the card holders. The renewed cards were handed over to the Talathis for distribution to the card holders on payment of ₹ 20 per card. It was observed in audit that Bardez taluka had not received an amount of ₹ 1.27 lakh towards the cost of ration card till September 2010 from the Talathis. Despite lapse of more than two years, the department had not taken steps to recover the amount from the Talathis. The Government replied (October 2010) that instructions had been issued to all talukas to maintain stock registers of blank ration cards. It was further replied that the amount of ₹ 1.27 lakh towards cost of ration cards was being recovered from the Mamlatdar of Bardez taluka.

**₹1.27 lakh collected by Talathis in 2008 against issue of new ration cards not remitted to Government Account**

#### 1.1.11.2 *Deficiencies in reconciliation of sale of foodgrains*

Review of the monthly reconciliation statement reconciling the issues of foodgrains from the godowns with the amounts remitted into the Treasury, forwarded by the 11 talukas in the State to the Directorate revealed that two talukas viz Sanguem and Salcete taluka had not forwarded the monthly reconciliation statement since April and September 2008 respectively. In addition, Salcete taluka had not prepared reconciliation statements for April and May 2008. Bardez, Canacona and Tiswadi talukas did not forward the certificate from the Treasury along with the reconciliation statement during the period 2005-10, rendering it impossible to reconcile the figures. The department took no steps to call for the statements and certificates. The Government replied (October 2010) that action had been taken to call for

reconciliation statements from the talukas and on receipt of the same, verification would be taken up.

### **1.1.11.3 Deficiencies in the system of write-off of godown losses**

The department did not produce any manual nor any order to Audit stipulating the permissible limit of godown losses, the procedure to be followed for dealing with godown losses, the time limit for clearing godown loss cases, etc. Scrutiny in audit of godown-wise receipts and issue of foodgrains compiled by the Directorate from the monthly reports furnished by the talukas revealed that the department had not taken any action on the godown losses during the period 2005-06 to 2009-10. The godown losses during 2007-10 worked out to ₹ 0.42<sup>♦</sup> lakh. There was no system of sending godown loss cases from taluka godowns to the competent authority along with the reasons for losses etc. to enable prompt action to be taken for issue of write off orders or recover the excess godown loss from the godown keeper. The Government replied (October 2010) that the department would assess the permissible limit of godown losses and the procedure to be followed for dealing with such losses.

### **1.1.12 Functioning of FPS**

The success of PDS depends considerably on efficient functioning of the FPS. The PDS (Control) Order, 2001 stipulated that each FPS should display information on a notice board at a prominent place in the shop indicating the list of BPL and AAY beneficiaries, entitlement of essential commodities, scale of issue, retail issue prices, timings of opening and closing of the shop, stock of essential commodities received during the month, opening and closing stock of essential commodities, the authority for redressal of grievances/lodging complaints with respect to quality and quantity of essential commodities under PDS etc. Further, the FPS was required to maintain records of ration card holders, a stock register and an issue or sale register and display samples of foodgrains being supplied through FPS. Inspection of the sample 24 FPS conducted jointly by Audit with the department revealed that notice boards were not displayed in five FPS; information required to be put on the notice boards was not recorded in seven FPS; prescribed records were not maintained in one FPS; sample of foodgrains being supplied was not kept in three FPS while five FPS were closed during working hours. In one FPS at Mormuga taluka, it was noticed that the card holders were charged more than the prescribed rate<sup>\*</sup>. The excess amount charged worked out to ₹ 0.22 lakh during the period April 2008 to August 2010. In the beneficiaries' survey conducted by Audit jointly with the department, 76 per cent of the beneficiaries complained of non-issue of cash memos by the FPS. The above irregularities/deficiencies in functioning of the FPS were indicative of poor monitoring of the FPS. Further, it was also observed that there was no system of displaying sealed samples of foodgrains being distributed under PDS to ensure that the

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<sup>♦</sup> Data available only upto August 2010.

<sup>\*</sup> Rate charged was ₹ seven per kg for wheat instead of ₹ 6.60 per kg and ₹ Nine per kg for rice instead of ₹ 8.95 kg.

card holders were supplied the appropriate quality of foodgrains. The Government replied (October 2010) that the department had issued instructions to all the taluka Mamlatdars to direct FPS to follow the PDS (Control) Order, 2001.

### **1.1.13 Monitoring and impact assessment**

To ensure that the objectives of PDS were achieved, strong and effective monitoring of the delivery mechanisms was needed. The procedure for monitoring of PDS prescribed in the PDS (Control) Order, 2001 included involving local bodies such as Gram Panchayats and Nagar Palikas for the purposes of review of the FPS.

#### **1.1.13.1 Vigilance Committees**

Paragraph 17 of the Model Citizens' Charter of the Targeted Public Distribution System stipulates constitution of Vigilance Committees by the States at Panchayat, Block, District and State levels drawing members from Government, social organizations, consumer organizations and local bodies to periodically review the functioning of the schemes/FPS under PDS. The Parliamentary Standing Committee on Food, Consumer Affairs and Public Distribution also stressed the need for constitution of Vigilance Committees at all levels which was communicated (July 2005) by GOI to all States. However, it was observed in audit that Vigilance Committees were not constituted for monitoring the functioning of the schemes/FPS under PDS in the State except for constitution of three Municipal Council Level Vigilance Committees in three talukas and seven Panchayat Level Vigilance Committees in one taluka during January and February 2010. Close supervision of FPS is a critical element in the smooth functioning of PDS. With non-functioning of Vigilance Committees at the local level, a vital instrument for supervision of FPS remained unutilised.

*Vigilance  
Committees not  
constituted as per  
GOI guidelines*

The PDS (Control) Order, 2001 stipulated delivery of one copy of the allocation order made to FPS simultaneously to the Gram Panchayats or Nagar Palikas or Vigilance Committees for monitoring the functioning of FPS. Copies of allocation orders made to FPS were not delivered to the Gram Panchayats or Nagar Palikas in the six test-checked talukas.

The Director stated (March/October 2010) that the taluka Mamlatdar, the Director of Panchayats and the Director of the Municipal Administration had been instructed (November 2009) to constitute Vigilance Committees and further reminded to expedite the formation of Vigilance Committees. The Government stated (October 2010) that instructions had been issued (May 2010) to all taluka Mamlatdars to send copies of the allocation of foodgrains to the village panchayats/urban local bodies, village committees/women's self help groups on the delivery of commodities at FPS.

### **1.1.13.2 Computerized networking of FPS**

As per the PDS (Control) Order, 2001, the State Government has to monitor the functioning of PDS at the FPS level through the computer network installed by NIC in the district NIC centers. For this purpose computerised codes has to be issued to each FPS in the district. It was observed in audit that the department had not implemented the monitoring of FPS through computer network as required under PDS (Control) Order, 2001. The Director stated (March/October 2010) that the computerization was being carried out through the Information and Technology Department under an e-Governance project and accordingly a software has been developed (February 2010) which would be used on completion of training. It was however, noticed in audit that the software developed did not cover the monitoring of FPS as envisaged in the PDS (Control) Order, 2001.

### **1.1.13.3 Shortfall in the inspection of Fair Price Shops**

As per the PDS (Control) Order, 2001, the State Government has to ensure regular inspections of FPS not less than once in six months by the designated authorities.

***Severe shortfall in inspection of Fair Price Shops***

The department did not monitor the performance of the talukas to ensure that regular inspections of FPS were carried out as per PDS (Control) Order, 2001. Compilation done by Audit from the monthly reports regarding inspection of FPS submitted by the department to GOI revealed shortfalls ranging between 92.24 *per cent* (2005-06) and 57.48 *per cent* (2009-10) during 2005-10. As against 5,144 inspections to be conducted during the period 2005-10, the department had conducted only 1,112 inspections i.e. a shortfall of 78.38 *per cent*. Further analysis in six test-checked talukas for the period 2008-10 revealed that out of 231 FPS inspected by the department, 167 FPS were inspected only once during the year while 147 shops were not inspected even once during the two years. Thus effective monitoring of the FPS was defeated due to this deficiency.

The Government attributed (October 2010) the shortfall in inspections to elections of Zilla Panchayats, renewal of ration cards etc. It was further stated that attempts were being made to achieve the targets by close monitoring of the work of talukas and fixing responsibility in the event of failure to achieve the target as per PDS (Control) Order, 2001.

The check list prescribed for inspection of FPS, *inter alia*, provided for checking of five ration cards with entries made in the FPS records. Scrutiny of inspection reports in respect of 53 FPS revealed that out of 55 inspection reports, in 32 inspection reports, the prescribed checks were not carried out. Further the check list did not provide for checking the quality of foodgrains being distributed in the FPS, thereby rendering it ineffective. The Government replied (October 2010) that the check list provided for checking whether the samples of foodgrains supplied were displayed and thus provided for checking the quality of foodgrains. The reply is not acceptable since the check list only

provided for checking whether the samples of foodgrains were displayed as per the PDS (Control) Order, 2001 and not the quality as such.

#### ***1.1.13.4 Inspection of kerosene retail shops***

The department had conducted 1,317 inspections of kerosene retail shops to verify proper maintenance of records, issue of kerosene oil at the prescribed quantity and rate etc., during the period 2005-10. However, no targets were fixed for inspection of shops of kerosene retailers. The Assistant Director replied (June 2010) that a circular had been issued (May 2010), instructing all talukas to conduct inspection of a minimum of five kerosene retail shops in a month. Since there were 1,479 kerosene retail shops in the State, inspection of five kerosene retail shops as envisaged would result in inspection of only 660<sup>♦</sup> shops in a year and 819 shops would remain outside the ambit of inspection during the year. Thus, there was a need to review the targets fixed.

#### ***1.1.13.5 Reporting by Talukas***

As per the PDS (Control) Order, 2001 monthly reports showing the opening stock of foodgrains, allocations for the month, the quantities actually received, quantities distributed and the closing balances of foodgrains had to be furnished by the FPS to the talukas who in turn had to furnish the consolidated report to the department for further compilation and reporting to GOI. Test check of reports received from FPS during the months of November and December 2009 revealed that in two talukas (Bardez and Salcete), only 19 and 55 FPS out of 139 FPS furnished the reports. In the absence of reports from all the FPS, the talukas intimated the quantities distributed from the godowns as the quantities distributed by the FPS. Thus, the reporting by the talukas to the department and by the department to GOI was incorrect. The Government replied (October 2010) that instructions had been issued to all the taluka Mamlatdars to ensure that information was obtained from the FPS every month and reported to the department.

#### ***1.1.13.6 Impact assessment***

The department had not conducted any impact study to assess the extent to which the various schemes intended to ensure availability of subsidised foodgrains for the poor were successful. The Planning Commission had carried out a Performance Evaluation of Targeted Public Distribution in March 2005. Based on the recommendation of the Planning Commission, GOI directed (May 2006) the State to introduce door step delivery of quota at the FPS level. However, the department did not take any action on the direction of GOI. The Government replied (October 2010) that Goa was comparatively a small State having a good network of 501 FPS spread all over it and the present TPDS was functioning smoothly. The fact remains that in the absence of any impact assessment, it is not possible to assess the extent to which the schemes implemented under PDS are successful and to identify weak areas for remedial action.

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<sup>♦</sup> 5 shops x 12 months x 11 Talukas = 660 shops.



#### **1.1.14 Conclusion**

The functioning of PDS in the State of Goa was marked by several deficiencies. Identification of BPL and AAY families was faulty with ineligible families being extended benefits under the BPL scheme. Further, AAY beneficiaries were not identified by the department fully. Systems to weed out bogus/ineligible ration cards were ineffective coupled with deficient inspection by the department. The distribution of foodgrains to card holders was late. Distribution of kerosene oil to ineligible beneficiaries and non-supply of sugar to two talukas were serious irregularities and shortfalls in the functioning of the system. PDS was significantly weakened in the absence of monitoring by Vigilance Committees and shortfalls in inspection by the department.

#### **1.1.15 Recommendations**

- The Civil Supplies department should devise appropriate criteria and methods for identification of BPL families.
- The department should weed out bogus/ineligible cards by periodical checking of ration cards to prevent diversion of foodgrains.
- Timely availability of ration quotas should be ensured.
- A system may be introduced to ensure that the foodgrains issued from the FCI depot reach the taluka godowns by sending sealed samples of the foodgrains to the talukas for cross-checking the quality.
- Inspections of FPS by Vigilance Committees and the department must be conducted to ensure that the benefits of PDS reaches the intended beneficiaries and all loopholes in the system are plugged.
- Impact studies of the implementation of the schemes should be conducted by the department to identify weak areas for remedial action.

## HEALTH DEPARTMENT

### 1.2 National Rural Health Mission

#### Highlights

*The National Rural Health Mission (NRHM) was launched in April 2005 by the Government of India in all States to bring about significant improvements in the health system and the health status of the people, especially those in rural areas. The Mission seeks to provide universal access to equitable, affordable and quality health care which is accountable and at the same time, responsive to the needs of the people. A performance audit of the implementation of NRHM in Goa brought out the following:*

- Annual village, block and district level plans were not prepared by the State Health Society. The perspective plans for the Mission period (2007-12) had also not been prepared so far.

*(Paragraph 1.2.7.1)*

- An amount of ₹ 10.30 crore (41 per cent) out of ₹ 25.26 crore received by the State Health Society up to 2009-10 remained unspent.

*(Paragraph 1.2.8.1)*

- Out of 27 district hospitals/community health centres/primary health centres in the State, only 14 had Rogi Kalyan Samities. Funds were released to only three Rogi Kalyan Samities.

*(Paragraph 1.2.8.3)*

- Despite availability of funds, physical infrastructure and basic health care services were lacking in various health units.

*(Paragraphs 1.2.9.2 and 1.2.9.3)*

- There was shortage of specialists in community health centres as compared to NRHM norms and the supporting staff in primary health centres was in excess of the NRHM norms by 240 per cent.

*(Paragraphs 1.2.10.1 and 1.2.10.2)*

- An inefficient procurement and distribution mechanism resulted in distribution of 5.29 lakh substandard Iron Folic Acid capsules and 0.70 lakh Metochlopramide tablets to patients, including pregnant women.

*(Paragraph 1.2.11)*

- While the State had already achieved the targets in respect of Infant Mortality Rate, Maternal Mortality Rate and Total Fertility Rate, there was over-reporting of figures in achievements in sterilisation, immunisation and the number of pregnant women registered. No survey of prevalence of blindness in the State had been conducted so far.

*(Paragraphs 1.2.12.1, 1.2.13.1 and 1.2.18.3)*

- The absence of a State Health Monitoring Committee and unsatisfactory functioning of Mother NGOs resulted in poor monitoring and evaluation of the Mission.

*(Paragraphs 1.2.18.1 and 1.2.18.2)*

### **1.2.1 Introduction**

The National Rural Health Mission (NRHM) was launched by the Government of India (GOI) on 12 April, 2005 throughout the country with special focus on 18 States. In Goa, it was operationalised in April 2005. The key strategy of NRHM was to bridge gaps in health care facilities, facilitate decentralized planning in the health sector and provide an overarching umbrella to the existing programmes of Health and Family Welfare including Reproductive and Child Health (RCH)-II, the NRHM Flexible pool, the Revised National Tuberculosis Control Programme (RNTCP), the National Vector Borne Disease Control Programme (NVBDCP), the Integrated Disease Surveillance Project (IDSP), the National Programme for Control of Blindness (NPCB) and the National Leprosy Eradication Programme (NLEP).

### **1.2.2 Organisational structure**

In Goa, NRHM functions under the overall guidance of the State Health Mission (SHM), and is headed by the Health Minister. The State Health Society (SHS) was constituted in March 2006 with a governing body, headed by the Chief Secretary of the State. The Secretary, Health is the Mission Director who heads the Executive Committee of SHS. The Governing body of the SHS approves the annual State Action Plans for NRHM and reviews their implementation. The Executive Committee reviews the detailed expenditure and implementation, approves proposals from field health units and other implementing agencies and executes the approved State Action Plans, including release of funds for programmes at the State level. The State Government had not formed any District Health Society. The Organograms of the State Health Mission and the State Health Society are given in **Appendix 1.3**.

The implementation of all the national programmes is carried out by the respective Chief Medical Officers. Medical Superintendents are in-charge of the district hospitals. The Community Health Centres (CHCs), Urban Health Centres (UHCs) and Primary Health Centres (PHCs) are headed by Health Officers/Medical Officers and assisted by trained/qualified para-medical staff. The Rural Medical Dispensaries (RMDs) are headed by Rural Medical Officers (RMOs) and the Sub-Centres (SCs) are looked after by Auxiliary Nurse and Mid-wives (ANMs). The procurement of drugs, medicines, equipments for the health sector in the State is done centrally by the Medical Stores Depot (MSD) of the Director of Health Services (DHS).

### **1.2.3 Mission objectives**

The main objectives of the Mission were:

- to provide accessible, affordable, accountable, effective and reliable health care facilities in the rural areas, especially to the poor and vulnerable sections of the population,
- to involve the community in planning and monitoring,

- to reduce the infant mortality rate, the maternal mortality rate and the total fertility rate for population stabilization and
- to prevent and control communicable and non-communicable diseases, including locally endemic diseases.

#### 1.2.4 Audit Objectives

The objectives of the performance audit were to verify whether:

- planning at the level of Village, Block, District and State were adequate to achieve its principal objective of ensuring accessible, effective and reliable health care to the rural population,
- release, utilisation and accounting of funds were efficient and effective,
- the Mission achieved capacity building and strengthening of physical and human infrastructure at different levels as planned and targeted,
- the procedures and system of procurement of drugs and services, supplies and logistics management were cost-effective and efficient and ensured improved availability of drugs, medicines and services and
- the performance indicators and targets fixed specially in respect of reproductive and child health care, immunization and disease control programmes were achieved.

#### 1.2.5 Audit Criteria

The audit criteria adopted were:

- the GOI framework on implementation of NRHM,
- guidelines issued by GOI for various components, disease control programmes, financial aspects, etc.,
- circulars issued by GOI containing directions for NRHM activities,
- Indian Public Health Standards (IPHS).

#### 1.2.6 Audit coverage and methodology

In Goa, there are two district hospitals, one Cottage<sup>1</sup> hospital, five Community Health Centres (CHCs), four Urban Health Centres (UHCs), 19 Primary Health Centres (PHCs), 172 Sub-Centres (SCs) and 29 Rural Medical Dispensaries (RMDs). Records relating to implementation of the scheme for the period 2006-10 were test-checked at the Public Health Department, Directorate of Health Services, the State Health Society, one District hospital, one Cottage hospital, three CHCs, two UHCs, 10 PHCs, 45 SCs, eight RMDs, one Leprosy hospital including records of Rogi Kalyan Samities at selected CHCs, PHCs and district hospital and records of Village Health Sanitation Committees (VHSCs) in the selected Sub-Centres in the State as detailed in **Appendix 1.4**. The selection of units was done by the random sampling method. The performance audit was conducted between July and October

<sup>1</sup> The hospital at Chicalim is known as Cottage hospital and is equivalent to a CHC.

2010. Before the commencement of audit, discussions were held with the Secretary, Public Health and other functionaries of the Public Health Department involved, in an entry conference in July 2010 to explain the objectives and scope of audit. The exit conference with the Secretary was held in October 2010 to discuss the audit findings.

### **Audit Findings**

Findings of the performance audit are discussed in the succeeding paragraphs.

#### **1.2.7 Planning process**

NRHM strived for decentralized planning and focused on the village as an important unit for planning. The Mission envisaged conducting of baseline facility and household surveys in CHCs, PHCs, SCs and district hospitals with timelines for completion of such activities. Based on the baseline surveys, Village Health Action Plans (VHAPs) were to be prepared by the Village Health and Sanitation Committees (VHSCs) headed by panchayat members. The VHAPs were to form the basis for preparation of health action plans at the block and district levels. A District Health Society was to be constituted in each district. This society was required to prepare Perspective Plans for the entire Mission period (2005-12) as well as Annual Plans consisting of all the components of the Mission. The Plans prepared by the District Health Societies were to be integrated in to the State Perspective Plan and the Annual State Programme Implementation Plans (PIP).

##### **1.2.7.1 Framing of Action Plans**

In Goa, baseline facility and household surveys were conducted every year by the Auxilliary Nurse and Midwives (ANMs) at the SCs. However, no health Action Plans were prepared at the village, block and district levels. Audit observed that while VHSCs were constituted, block and District Health Societies remained non-starters. The data collected during surveys were compiled by the CHCs, PHCs and district hospitals during the period 2008-10 which provided the basis for formulation of PIPs by the SHS. The PIPs for the period 2005-07 were prepared by the individual programme heads. The SHS had not prepared any Perspective Plan so far (October 2010).

The SHS replied (October 2010) that no district health Action Plan was prepared as the SHS was fully responsible for the administration of the entire State and the district level setup did not exist in the State. The VHAPs were also not prepared as the respective Health Officers/Medical Officers of the CHCs and PHCs were responsible for preparation of these Plans.

The reply is not acceptable as in the absence of village, block and district level Action Plans, the objective of decentralized planning through community participation, as envisaged in the Mission, was not achieved in the State.

##### **1.2.7.2 Village Health Sanitation Committees (VHSCs)**

NRHM envisaged constitution of VHSCs for better management and improvement of SC services with involvement of Panchayat Raj Institutions.

*Village and Block level plans and perspective plans were not prepared*

The VHSCs were responsible for village level planning and monitoring. VHSCs were formed in 43 out of 45 test-checked SCs during the years 2008-09 and 2009-10. The VHSCs formed in the test-checked SCs and the meetings held up to October 2010 are detailed in **Appendix 1.5**. Audit observed that out of total 53 VHSCs formed in 43 SCs, no meetings were held by six VHSCs, one to five meetings were only held by 40 VHSCs and more than five meetings were held by seven VHSCs during the period 2008-10. Thus, the participation of VHSCs in the planning process was negligible.

## 1.2.8 Financial management

### 1.2.8.1 Funding pattern, release and utilisation

Funds were released by Government of India (GOI) directly to the SHS and to the State level disease control societies. Funds were provided to the SHS on the basis of approved State Programme Implementation Plans (PIPs) by GOI. The State was required to reflect its requirements in a consolidated PIP containing individual programmes. The Annual Plans approved during the years 2006-10 and the funds received, utilised and unspent balances with the SHS are shown in **Table-1**.

**Table-1: Statement showing approved budgets and funds received from the GOI and the State**

(₹ in crore)

Year	Approved Budget	Opening Balance	Funds received from GOI	Funds received from State	Total funds available	Expenditure	Closing Balance (including bank interest & other receipts*)
2006-07	2.18	3.30	3.20	Nil	6.50	2.28	4.37
2007-08	4.86	4.37	4.64	Nil	9.01	3.42	5.70
2008-09	14.80	5.70	7.07	Nil	12.77	4.20	8.76
2009-10	19.61	8.76	7.35	3.00	19.11	10.99	8.47
<b>Total</b>	<b>41.45</b>		<b>22.26</b>	<b>3.00</b>		<b>20.89</b>	

(Source: Financial statements of SHS)

\* includes registration fees, sale proceeds of forms etc. and other receipts.

In addition to the above, funds to the tune of ₹ 37.50 lakh were received from GOI for the National Iodine Deficiency Disorder Control Programme (NIDDCP) during the period 2005-10. The expenditure incurred for implementation of the NIDDCP was ₹ 29.06 lakh up to March 2010.

During 2006-07, 100 per cent grants were provided by GOI to the State. From the Eleventh Plan period (2007-12) onwards, the State was to contribute 15 per cent of the funds required annually. There was no contribution by the State till 2008-09. During the year 2009-10, the State contributed ₹ three crore (15 per cent of the approved budget for the year).

It was seen that the SHS had a balance of ₹ 8.47 crore lying in its bank accounts as of March 2010. Further, advance payments totalling ₹ 1.83<sup>2</sup> crore

<sup>2</sup> RCH Flexi pool (₹ 0.33 crore), NRHM Flexible pool (₹ 1.24 crore), RNTCP (₹ 0.05 crore), NVBDCP (₹ 0.21 crore) and IDSP (₹ 0.17 lakh).

*Poor utilisation of funds resulted in large unspent balances. The unspent balance accounted for 41 per cent of the funds received during the four-year period 2006-10*

released during 2007-10 to its peripheral units were also pending utilization, making the total unutilised balance ₹ 10.30 crore as of March 2010. The unspent balance (₹ 10.30 crore) accounted for 100 *per cent* of the funds received during 2009-10 (₹ 10.35 crore) and 41 *per cent* of the funds received (₹ 25.26 crore) during the four-year period 2006-10.

The unspent balances were attributed (October 2010) by the DHS to non-availability of manpower, resulting in vacant posts and the peripheral units being apprehensive and reluctant to spend NRHM funds at the local level due to political situations at the villages and panchayats.

Programme-wise funds received from the Central and State Governments and funds utilised and disbursed to various peripheral units under NRHM in the State during the period 2006-10 are shown in **Appendix 1.6**.

Analysis of the programme-wise utilisation of funds revealed that the unspent balances as on 31 March 2010 ranged up to 66 *per cent* of the total funds received during the period 2006-10 as shown in **Table-2**.

**Table-2: Programme-wise funds received and unutilised balances during the period 2006-10**

*(₹ in crore)*

Programme	Funds received	Unutilised balance	Percentage of unutilised balance against funds received
RCH flexible pool <sup>3</sup>	6.82	4.52	66
NRHM flexible pool <sup>4</sup>	12.63	3.52	28
RNTCP	1.56	0.04	3
NVBDCP	1.52	0.24	16
IDSP	1.13	0.12	11
NPCB	1.33	*	0
NLEP	0.27	0.03	11
<b>Total</b>	<b>25.26</b>	<b>8.47</b>	

*(Source: Figures compiled from financial statements) \* ₹ 10,000 only*

As the GOI had considered the unutilised balances with the SHS while finalising the budgetary allocations under NRHM, the under-utilisation of funds released by GOI had an adverse impact on the allocations for the subsequent years. The Secretary (Health) stated (October 2010) at the exit conference that there was a trend of increase in expenditure over the years and efforts were being made to improve utilisation in the current year.

#### **1.2.8.2 Funds given to field offices**

The SHS distributes untied grants and maintenance grants to the CHCs, UHCs, PHCs and SCs. It was observed that the grants released by the SHS were not reconciled periodically. There was also no system in place for preparation of accounts by field units and reconciling the figures with the accounts of SHS.

<sup>3</sup> Reproductive Child Health (RCH) flexible pool includes immunization strengthening, pulse polio immunization, compensation for sterilization, MNGO scheme etc.

<sup>4</sup> National Rural Health Mission (NRHM) flexible pool covers Rogi Kalyan Samities, VHSCs, maintenance and untied grants to PHCs/CHCs etc.

The opening balances, expenditure incurred and the closing balances as seen in the records of the test-checked CHCs/PHCs/SCs were not tallying with the records of the SHS. The differences noticed in the test-checked units are shown in **Appendix 1.7**.

Audit observed that in five PHCs/CHCs/UHC<sup>5</sup>, the entries in the cash book were written in pencil. The cash books were not checked periodically by the heads of offices in eight<sup>6</sup> of the test-checked PHCs/CHCs. Thus, the risk of manipulation/tampering of entries subsequently could not be ruled out.

### 1.2.8.3 Fund management by Rogi Kalyan Samities (RKSs)

*Funds to 11 out of 14 Rogi Kalyan Samities were not released*

NRHM strategises upgradation of CHCs as per Indian Public Health Standards (IPHS) to provide sustainable quality health care with accountability and people's participation along with total transparency. To ensure a degree of permanency and sustainability, a management structure called Rogi Kalyan Samities (RKSs) has been evolved to be established at PHCs, CHCs and district hospitals. The main functions of the RKS are to identify and redress the problems faced by the patients; acquire and maintain equipment, furniture, ambulances etc.; improve boarding/lodging arrangements for patients and their attendants; encourage community participation in maintenance of hospitals etc. As per the scheme guidelines, specified funds<sup>7</sup> are to be released by SHS to RKSs at district hospitals, CHCs and PHCs to carry out the functions devolving on them.

It was observed by Audit that out of two district hospitals, five CHCs and 19 PHCs, RKSs were formed in two district hospitals, three CHCs and nine PHCs only. The reasons for non-formation of RKSs in the remaining two CHCs<sup>8</sup> and 10 PHCs<sup>9</sup> were not furnished by SHS. The SHS distributed ₹ 67 lakh<sup>10</sup> to two RKSs at the district hospitals and ₹ one lakh to RKS at PHC, Sanquilim. No grants were given to the remaining 11 RKSs. The SHS stated that due to the absence of work proposals from the concerned CHCs/PHCs the funds were not released to them. Hence, although RKSs were formed in the remaining 11 centres<sup>11</sup>, they could not perform the activities envisaged under NRHM due to non-provision of funds by the SHS.

As per the Mission guidelines, RKSs at district hospitals were to receive corpus grants of ₹ five lakh each every year. Besides, they were to receive

<sup>5</sup> PHC (1) Cortalim, (2) Curtorim, CHC, (3) Canacona, (4) Ponda and (5) UHC, Vasco.

<sup>6</sup> PHC (1) Bicholim (2) Cortalim, (3) Curtorim, (4) Quepem, CHC, (5) Canacona, (6) Pernem, (7) Ponda and (8) UHC, Vasco.

<sup>7</sup> RKS at District Hospital, CHC and PHC – annual untied grant of ₹ 1,00,000 ₹ 50,000 and ₹ 25,000 respectively and annual maintenance grant of ₹ five lakh, ₹ one lakh and ₹ 50,000 respectively.

<sup>8</sup> (1) CHC, Canacona, (2) CHC, Valpoi.

<sup>9</sup> PHCs at (1) Candolim, (2) Chinchinim, (3) Colvale, (4) Corlim, (5) Curtorim, (6) Cortalim, (7) Loutlem (8) Marcaim, (9) Quepem and (10) Shiroda.

<sup>10</sup> ₹ 67 lakh includes ₹ 40 lakh released by GOI for upgradation of district hospitals/CHCs and PHCs.

<sup>11</sup> CHCs at (1) Curchorem, (2) Pernem and (3) Ponda, PHCs at (4) Aldona, (5) Balli. (6) Betki, (7) Bicholim, (8) Canservarnem, (9) Cansaulim, (10) Sanguem and (11) Siolim.



grants from State Government and were supposed to generate their own resources through levying user charges, receiving philanthropic donations etc. The ratio to be maintained was 1:1:3 for own funds, State funds and Central funds. It was observed that no user charges were collected by the RKS formed in the test-checked district hospital (October 2010). The State's share was also not found credited to the RKS account till October 2010. Thus, the absence of funding affected the viability of the long-term goal of community ownership of the health centres through the RKS.

#### **1.2.8.4 Strengthening of district hospitals/CHCs/PHCs**

GOI released (2006-07) ₹ one crore for upgradation of district hospitals, CHCs and PHCs. Out of this amount, the SHS had released ₹ 40 lakh in 2006-07 to two RKSs at district hospitals and the balance amount of ₹ 60 lakh remained unutilised with SHS till date (October 2010). The State Programme Manager stated (October 2010) that due to the absence of work proposals from CHCs/PHCs, it was not possible to park funds in the concerned CHCs/PHCs. However, the fact remained that the funds had been parked in the bank accounts of the SHS.

#### **1.2.8.5 Non-setting up of revolving funds by Village Health Sanitation Committees**

The Mission envisaged setting up of a revolving fund at the village level by the VHSC for providing referral and transport facilities for emergency deliveries as well as immediate financial needs for hospitalization. It was, however, observed that no revolving fund was created in any of the VHSCs formed in the test-checked SCs. Absence of the revolving fund rendered VHSCs ineffective.

### **1.2.9 Capacity building**

#### **1.2.9.1 Creation of health centres**

*There was shortage of 14 CHCs, 58 PHCs and 341 SCs with reference to population norms*

As per the Indian Public Health Standards (IPHS), for every 80,000 people, there should be a CHC, for population over 20,000, a PHC and for population over 3,000, one SC. In terms of these norms, the requirement of CHCs, PHCs and SCs in the State worked out to 19 CHCs, 77 PHCs and 513 SCs respectively. As against this, the State had a network of five CHCs, 19 PHCs and 172 SCs for delivery of health services. Despite the shortfall of 14 CHCs, 58 PHCs and 341 SCs, the Government projected the establishment of only five CHCs, 10 PHCs and Nil SCs in the Eleventh Five Year Plan (2007-12). The CHCs were to be designed to provide referral health care for patients from the PHCs, thus catering to approximately 80,000 people in tribal/hilly/desert areas and 1,20,000 people for plain areas. It was observed that the CHCs in Goa were not functioning as secondary level health care providers to the PHCs but performing functions similar to those of the PHCs, catering only to the population in their coverage area.

The State Programme Manager, NRHM replied (October 2010) that the existing set-up of CHCs/PHCs/SCs in the State was sufficient to cater to the needs of the State. As regards the low projection in the Eleventh Five Year

Plan, it was stated that due to better road connectivity between villages and cities, the patients often approached the district hospitals and the Goa Medical College. The availability of a well-developed private medical sector in the State was also one of the reasons for less projection of health centres in the Five Year Plan. The reply is not borne out of facts as the State Government approved (August 2009) 64 more SCs which were still to be started due to difficulties in getting human resources to man these centres.

### 1.2.9.2 Inadequate infrastructure and basic health care services

The framework for implementation of the Mission had set a target of providing certain guaranteed services to the public at SC, PHC and CHC levels. To achieve this, the Ministry of Health and Family Welfare, GOI had come forward with Indian Public Health Standards for different levels of health centres for ensuring availability of facilities. Audit reviewed the availability of facilities at 71 test-checked SCs, RMDs, UHCs, PHCs, CHCs and district hospital, which revealed deficiencies as detailed below.

#### (a) Infrastructure

Out of the test-checked units, it was found that in two<sup>12</sup> cases, the SCs and RMDs were located in the same premises covering the same population and three<sup>13</sup> SCs were located in the PHC/CHC itself. The non-availability of basic minimum infrastructure in the test-checked health centres is shown in **Appendix 1.8**. The condition of the some of the health centres is shown in the photographs given below:

1



2



Photographs (1) Dilapidated quarters in Curtorim; (2) Poor state of affairs of SC, Quellossium.

Audit observed that despite availability of funds, the SHS failed to provide required infrastructure to the existing health centres.

#### (b) Basic health care services

The basic health care services that were required to be provided in the health centres were not available at many of the centres visited by the audit team as tabulated in **Table-3**.

<sup>12</sup> (1) RMD, Agonda and SC, Agonda; (2) RMD, Cuncolim and SC Cuncolim.

<sup>13</sup> (1) Deao SC in Quepem PHC; (2) Bali SC in Bali PHC and (3) Pernem rural SC in Pernem CHC.

**Table-3: Statement showing non-availability of basic health care services**

Services	District / Cottage hospital	CHCs	PHCs
<b>Total health centres audited</b>	<b>2</b>	<b>3</b>	<b>10</b>
Blood storage	1	3	10
Newborn care	Available	Available	4
24X7 deliveries	Available	Available	2
In patients	Available	Available	3
X-rays	Available	1	7
ICCU/ICU	2	2	10
Ultra-sound	Available	1	10
ECG	Available	1	7
Obstetric care	Available	1	6
Emergency services (24 hours)	Available	Available	3
Family planning (Tubectomy & Vasectomy)	Available	1	5
Intra-natal examination of gynaecological conditions	Available	1	3
Paediatrics	1	2	6
Cold Chain system	Available	Available	Available

*(Source: Figures compiled from the records of test-checked units)*

*(The figures in the table indicates the number of District/Cottage Hospital, CHCs and PHCs where facilities were not available).*

The State Programme Manager, NRHM replied (October 2010) that the funds made available under NRHM were insufficient to build up the infrastructure to the fullest extent.

The reply is not acceptable in the light of the objective of NRHM which aimed at creation of new infrastructure/public buildings and strengthening of the existing infrastructure for health centres so as to improve accessibility and quality of health care delivery. Further, huge funds received from GOI for upgradation of health units were lying unutilised with the SHS in their savings bank accounts.

### **1.2.9.3 Infrastructure in Cottage Hospital, Chicalim**

Scrutiny of infrastructure in Cottage Hospital, Chicalim revealed that owing to poor maintenance, the ceiling of the hospital building was leaking. The isolation ward for controlling the spread of H1N1 (swine flu) could not be utilised due to its unhygienic condition. The cottage hospital also lacked space for beds. The corridor passages were utilised by placing beds for male patients. The table in the labour room was very old and was supported by a wooden piece. There was lack of adequate space for storage of medicines. The condition of the hospital can be seen in the photographs below.

1

2

3



**Photograph (1) beds in corridor passage, (2) wooden support to labour table and (3) improper storage of medicines.**

The Health Officer, Cottage Hospital, while confirming (July 2010) the above facts stated that the matter had been reported to higher authorities and the Public Works Department to repair the building. Further, it was stated that as regards the expansion of the casualty ward and supply of a new labour table, possibilities of getting assistance from the Indian Oil Corporation and the Goa Shipyard were being explored.

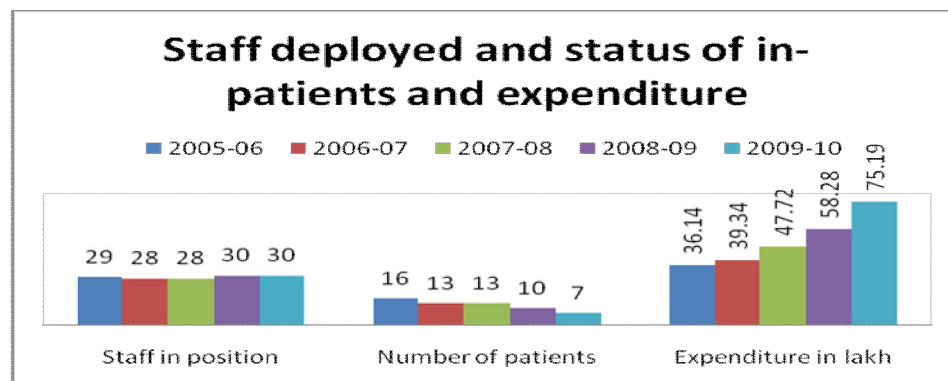
#### 1.2.9.4 Leprosy hospital

Goa has an old leprosy hospital established under Portuguese rule situated at Macasana village in South Goa District. The hospital initially had a capacity of 150 beds which was reduced over the years. Between 2005-06 and 2009-10, the number of patients in the hospital reduced from 16 to seven. No new patients had been admitted in the hospital since 2005-06. The admission of new patients for isolation was not felt necessary due to the effective new drug regime (multi-drug therapy) which is a 100 *per cent* domiciliary treatment. The hospital was situated on 35 acres of land and the existing buildings were in a bad shape. Some of the buildings in the campus had collapsed as shown in the photograph.



Dilapidated condition of leprosy hospital

The number of staff deployed in the hospital had increased to 30 in 2009-10 from 28 in 2007-08 to cater to a total of only seven patients. The expenditure on the hospital<sup>14</sup> also increased from ₹ 36.14 lakh in 2005-06 to ₹ 75.19 lakh in 2009-10 as shown in the graph below:



<sup>14</sup> Salary and allowances, office expenditure, material and supply and dietary expenditure.

The Health Officer, PHC, Curtorim who was holding the administrative charge of the leprosy hospital, forwarded a proposal in July 2010 for shifting the existing patients to the vacant staff quarters in the PHC, Curtorim. Though the Director of Health Services stated (August 2010) that these patients could be brought to the mainstream of the society, the State Health Department had not taken any decision to rehabilitate them.

**1.2.9.5 Minimal utilisation of operation theatre at CHC, Canacona and PHC, Bicholim**

CHC, Canacona was shifted to a new building with facilities of operation theatre from 2005. However, it was observed that the Operation Theatre (OT) was not used on regular basis for conducting operations. The operations were performed only when laparoscope camps were organised. Further, a new laparoscope machine supplied (July 2009) by the DHS was transferred by the DHS to CHC, Pernem in November 2009. No reason was found on records for the transfer. CHC, Canacona, thus did not have any laparoscope machine for conducting sterilisation operations. All the cases were referred to the district hospital or to other CHCs situated approximately at a distance of 45 to 50 km where the facilities were available.

The Health Officer, Canacona, while confirming the above facts, stated (July 2010) that due to non-availability of a regular surgeon, anaesthetist and ancillary staff and blood storage equipment, major operations could not be carried out in the OT. Minor operations were conducted in the OPD/Casualty with sterile instruments obtained from the OT. Thus due to insufficient manpower, laparoscope machine and blood storage facility the new OT remained underutilised.

Similarly, no operations had been conducted in the OT at PHC, Bicholim since July 2007 due to non-availability of specialists and patients were being referred to the district hospital at Mapusa and CHC, Valpoi. The Health Officer, Bicholim confirmed (October 2010) the facts.

**1.2.9.6 Blood storage unit at CHC, Canacona**

One Blood Storage Unit (BSU) at CHC Canacona was installed in March 2010 at a cost of ₹ 8.54 lakh, which was not made operational as of October 2010. It was observed that for commencing the operation of the BSU, permissions were required from the Food and Drugs Administration (FDA), New Delhi. In order to obtain permissions from FDA, the CHC had to obtain the consent of the district hospital (where there was a blood bank which would act as the mother blood bank) that they would supply blood regularly to the CHC. The DHS stated (October 2010) that for starting the operation of BSU, unconditional consent was required. The consent given by the district hospital (Hospicio) was conditional which was being sorted out. Thus, due to delay in obtaining consent from the district hospital, the BSU could not be operationalised.

## 1.2.10 Manpower

*There was shortage of specialists in CHCs as compared to NRHM norms*

### 1.2.10.1 Vacancies in cadre of specialists in CHCs and Cottage Hospital

As per IPHS, there should be seven specialists<sup>15</sup> in each CHC. The number of posts sanctioned for each CHC and the Cottage Hospital are shown in **Table-4**.

**Table-4: Statement showing posts of specialists sanctioned and persons-in position**

Name of CHC	Norms as per IPHS	Sanctioned strength of specialists	Number of specialists present		
			Regular	On contract	Total
CHC, Canacona	7	7	2	2	4
CHC, Ponda	7	5	3	1	4
CHC, Curchorem	7	3	0	2	2
CHC, Pernem	7	3	3	0	3
CHC, Valpoi	7	5	1	1	2
Cottage hospital, Chicalim	7	5	2	0	2
<b>Total</b>	<b>42</b>	<b>28</b>	<b>11</b>	<b>6</b>	<b>17</b>

(Source: Figures supplied by SHS)

It was observed that all the seven specialists were not available in any of the CHCs. As against the required 42 specialists in five CHCs and one Cottage Hospital, the State had sanctioned posts for only 28 specialists. Only 17 of these posts were filled, which included six specialists appointed on contract basis.

The Director (Administration) in DHS while confirming the above facts, stated (October 2010) that a proposal for creation of posts of five specialists was submitted to the Government. Due to the shortage of qualified doctors in the State, it was proposed to advertise the posts in the neighbouring States. The fact remains that the shortage of specialists resulted in the populace being deprived of specialised medical attention.

*The supporting staff in PHCs was in excess up to 240 per cent over the number prescribed as per NRHM norms*

### 1.2.10.2 Over-staffing in PHCs

According to IPHS, a PHC should essentially have 15 support staff<sup>16</sup>. It was observed in the test-checked PHCs that the percentage of support staff provided was in excess of the IPHS norms, ranging between 33 and 240 as detailed in **Table-5**.

<sup>15</sup> (1) General Surgeon, (2) Physician, (3) Obstetrician/Gynaecologist, (4) Paediatrician, (5) Anaesthetist, (6) Public Health Programme Manager and (7) Eye Surgeon.

<sup>16</sup> Pharmacists (1), Nurse–Midwife (1), Health Worker (Female) (1), Health Assistant (Female) (1), Health Assistant (Male) (1), Ophthalmic Assistant (1), Clerks (2), Data Handler (1), Laboratory Technician (1), Driver (1) and Class IV (4).

**Table 5: Statement showing support staff**

Name of PHC	Population covered	Support staff		Excess	Excess in percentage
		As per IPHS norms	Actual		
Curtorim	77788	15	51	36	240
Bali	43843	15	45	30	200
Quepem	37703	15	25	10	67
Betki	56341	15	29	14	93
Colvale	30350	15	20	10	33
Shiroda	26517	15	20	5	33
Consarvarnem	23985	15	33	18	120
Bicholim	56600	15	43	28	186
Cortalim	48450	15	12	(-) 3	(-) 20

*(Source: Figures provided by the PHC). The information in respect of PHC, Siolim was not furnished (October 2010).*

The State should avoid overstaffing and should re-deploy the manpower as per IPHS standards.

### **1.2.11 Procurement**

The procurement of medicines and equipments was done by the Medical Stores Depot (MSD) in the DHS. The requirements for the medicines were received from the field offices by the MSD and the annual rate contracts for medicines were entered into with different agencies by inviting tenders.

The State Health Society had procured medicines worth ₹ 2.15 crore under various schemes of NRHM during the period 2005-10. The quality of the medicines procured was checked by the Directorate of Food and Drugs Administration (FDA), Goa. Audit test-checked the procurements made under NRHM, and found that quality checking was not conducted by FDA, Goa in respect of all the medicines procured by the MSD. The FDA, Goa collected samples on 10 occasions during 2009-10 and the results indicated that 30 per cent of the samples checked were of sub-standard quality. Further, the test report of the samples checked by FDA, Goa was received late. By that time, a major quantity of medicines had already been distributed to field health units and had been consumed by the patients. The details of such instances noticed by Audit are shown in **Table-6**.

*A total of 5.29 lakh sub-standard Iron Folic Acid capsules were distributed to pregnant women due to inefficient quality control mechanism*

**Table 6: Statement showing sub-standard drugs supplied, distributed and utilised by field health units**

Name of medicine	Name of Supplier	Date of taking sample by FDA, Goa	Date of report submitted by FDA, Goa	Batch Nos. reported as sub standard	Quantity issued by MSD before receipt of FDA report to field health units (in numbers)	Quantity returned by field health units subsequent to DHS's directions (in numbers)
Cap Ferrous Fumerate, Folic Acid & Abosorbic acid (Iron Folic Acid)	M/s Goa Antibiotics & Pharmaceuticals Ltd., Goa	14-01-2008	07-02-2008	946007	99000	143478
				946008	98800	
				946009B	98800	
				946021	99700	
				947003	77400	
				947001	99000	
				946023	99700	
<b>Total</b>	<b>672400</b>					
Tab Metochlopramide I.P. 10 mg	M/s Modern Laboratories, Indore	01-04-2009	11-3-2010	801	50000	Not returned
				802	20000	
				<b>Total</b>	<b>70000</b>	

(Source: Figures taken from the records of MSD)

Distribution of iron folic acid capsules is an important component under antenatal care aimed for safe motherhood and childbirth. It was observed that 5.29 lakh sub-standard capsules were utilized by the health units and only 1.43 lakh were returned to DHS. The Deputy Director (MSD) confirmed (October 2010) that the capsules were utilized by the health centres. In respect of Metochlopramide tablets, the FDA, Goa furnished the test report after a delay of 11 months and it subsequently (August 2010) suggested destruction of these tablets. The Deputy Director (MSD) stated that (October 2010) 70,000 Metochlopramide tablets distributed to the health units had not been returned by the health units so far.

The distribution of substandard medicines reflected inadequate quality control mechanism and inefficient monitoring of procurement and distribution. Remedial action must be taken to get test reports faster and medicines must be distributed only after clearance from FDA as the implications/consequences of consuming sub-standard medicines could be hazardous.

## 1.2.12 Performance indicators

### 1.2.12.1 Achievement of Infant Mortality Rate, Maternal Mortality Rate and Total Fertility Rate

*The State had already achieved the targets in respect of IMR, MMR and TFR*

NRHM prescribed national targets for reducing Infant Mortality Rate (IMR), Maternal Mortality Rate (MMR) and Total Fertility Rate (TFR); reducing morbidity and mortality rate and increasing cure rate of different endemic diseases covered under various national programmes. The targets of IMR, MMR and TFR and achievements thereagainst in the State are given in Table-7.



**Table-7: Statement showing achievements in IMR, MMR and TFR**

Indicators	Target as per NRHM	Achievement as on March 2010
IMR	30 per thousand live births by the year 2012	15 per thousand
MMR	100 per lakh live births by the year 2012	20 per lakh
TFR	2.1 by the year 2012	1.8

(Source: Figures supplied by SHS)

The data indicates that the State had already achieved the targets prescribed under NRHM.

### 1.2.12.2 Status of out-patient and in-patient cases

The number of out-patient and in-patient cases attended in the health centres is an important indicator to assess the effectiveness of various interventions under the NRHM. It was observed that six<sup>17</sup> out of 19 PHCs in the State did not have the facility of in-patients. As per the information provided by the SHS, the overall status of increase/decrease in the number of patients coming to health centres for out-patient and in-patient services during the years 2006-10 was as shown in **Table-8**.

**Table-8: Statement showing the number of out-patients and in-patients**

Type of health centre	Year	Total number of health centres	Out-patients			In-patients		
			Number	Increase (+) or decrease (-) over previous years		Number	Increase (+) or decrease (-) over previous years	
				Number	Percentage		Number	Percentage
PHC	2006-07	19	258068			9841		
	2007-08	19	302974	44906	17	12324	2483	25
	2008-09	19	333099	30125	10	17276	4952	40
	2009-10	19	397422	64323	19	25017	7741	45
CHC	2006-07	5	122988			14356		
	2007-08	5	123590	602	negligible	11921	(-) 2435	(-) 17
	2008-09	5	143076	19486	16	14481	2560	21
	2009-10	5	176073	32997	23	14201	(-) 280	(-) 2
District hospital (Asilo, Hospicio)	2006-07	2	240779			36241		
	2007-08	2	258395	17616	7	38699	2458	7
	2008-09	2	279373	20978	8	39205	506	1
	2009-10	2	321125	41752	15	41201	1996	5
Cottage hospital, TB hospital and leprosy hospital	2006-07	3	21565			2778		
	2007-08	3	26530	4965	23	2846	68	2
	2008-09	3	30936	4406	17	3490	644	23
	2009-10	3	53741	22805	74	4189	699	20

(Source: Figures supplied by SHS)

Details of increase/decrease in out-patients in PHCs, CHCs, district hospitals and other hospitals revealed that there was increase in the out-patients as compared to the earlier years, ranging between 10 and 19 per cent in PHCs, 16 and 23 per cent in CHCs, seven and 15 per cent in district hospitals and 17 and

<sup>17</sup> (1) Chinchinim, (2) Corlim, (3) Cortalim, (4) Colvale, (5) Loutilem and (6) Quepem.

74 per cent in other hospitals. In respect of in-patients, there was an increase from 25 per cent in 2007-08 to 45 per cent in 2009-10 in PHCs. However, in CHCs, the number of in-patients decreased by 17 per cent and two per cent during the years 2007-08 and 2009-10 respectively as compared to the earlier years. In respect of district and other hospitals, there was an increase in in-patients as compared to the earlier years, ranging between two and 23 per cent and one to seven per cent respectively. The increase in in-patients at PHC level indicates a positive response due to the interventions of NRHM.

### 1.2.12.3 Maternal health

The Reproductive Child Health (RCH)-II project aims to reduce maternal and infant mortality rates to 100 per lakh and 30 per thousand respectively by 2010. The important services for ensuring maternal health care *inter alia* include antenatal care, institutional delivery, post-natal care, referral services etc.

#### (a) Antenatal care

One of the major activities to ensure safe motherhood is to register all pregnant women before they attain 12 weeks of pregnancy and provide them with services such as, three antenatal care (ANC) checkups, 100 days of Iron Folic Acid (IFA) tablets, two doses of Tetanus Toxoid (TT) and advise on correct diet and vitamin supplements. In case of complications they should be referred to more specialised gynaecological care. The details of pregnant women registered, the number of pregnant women who received three ANC checkups, 100 days of IFA and two doses of TT are given in **Table-9**.

**Table-9: Statement showing number of pregnant women who received ANC checkups, 100 days IFA and TT immunisation**

Year	Number of pregnant women registered	Three ANC checkups		100 days of IFA tablets			Tetanus Toxoid immunisation		
		Number	Percentage	Target	Achievement	Percentage	Target	Achievement	Percentage
2006-07	64732	45879	71	24870	21084	85	25562	23697	93
2007-08	67523	62333	92	25872	26230	101	29345	24323	83
2008-09	45463	39465	87	25555	15438	60	25553	22679	89
2009-10	43870	44900	102	24687	18828	76	24690	20204	82

(Source: Monthly performance report of SHS)

The number of pregnant women registered showed a decreasing trend. The percentage of registered pregnant women who received three antenatal checkups increased to 102 per cent in 2009-10 from 71 in 2006-07. The IFA administration in the State indicated a declining trend and the shortfall in achievement of TT immunisation as against the target ranged between 18 (2009-10) and seven per cent (2006-07) in the State.

The Chief Medical Officer (CMO), Family Welfare stated (October 2010) that there had been over-reporting of the number of pregnant women registered due

to the registering and reporting of the same pregnant women by various health centres. Further, Goa being socially and economically sound, the beneficiaries went to private institutions for their checkups which included antenatal checkups, provision of IFA tablets and TT Immunisations, which did not get reflected in the reports. The admission by the CMO regarding over-reporting is indicative of the fact that the figures of achievement are not reliable. There is a need to evolve a sound reporting system from the CHCs, PHCs and SCs.

**(b) Institutional delivery care (Janani Suraksha Yojana)**

The Janani Suraksha Yojana (JSY), one of the interventions in the RCH-II component under NRHM, was initiated to reduce maternal and neonatal mortality by promoting institutional deliveries among poor pregnant women. The Yojana is 100 *per cent* Centrally sponsored. Pregnant women aged 19 years and above, who are below the poverty line, are eligible for cash assistance of ₹ 700 and ₹ 600 per institutional delivery in rural and urban areas respectively and ₹ 500 for home delivery. Cash assistance has to be paid to women who deliver in Government health centres like CHC, PHC, district hospital, etc. The cash is to be disbursed at the centres at the time of registration/admission. For home deliveries, the money is to be given at the time of delivery or within seven days of delivery.

The details of pregnant women registered under JSY, institutional deliveries, home deliveries and cash assistance paid during the period 2005-10 are given in **Table-10**.

**Table 10: Statement showing pregnant women registered, institutional deliveries, home deliveries and cash assistance paid to beneficiaries under JSY**

Year	Number of pregnant women registered	Institutional deliveries for which cash assistance paid		Home deliveries for which cash assistance paid	Total cash assistance paid (₹ in lakh)
		Urban	Rural		
2005-06	NA	0	56	1	0.37
2006-07	NA	0	483	0	3.38
2007-08	NA	13	885	0	6.27
2008-09	1056	42	646	0	4.77
2009-10	1147	61	589	0	4.49
<b>Total</b>	<b>2203</b>	<b>116</b>	<b>2659</b>	<b>1</b>	<b>19.28</b>

(Source: Figures supplied by SHS)

The SHS did not have figures of number of pregnant women registered under JSY for the period up to 2007-08. Audit observed that during 2008-09 and 2009-10, as against 1,056 and 1,147 pregnant women registered under JSY, no cash assistance was paid to 368 (35 *per cent*) and 497 (43 *per cent*) women respectively. It was also observed from the test-checked health centres<sup>18</sup> that

<sup>18</sup> (1) CHC Pernem (124 cases out of 131 cases), (2) PHC Bicholim (39 cases out of 55 cases), (3) PHC Siolim (34 cases out of 40 cases) and (4) PHC Consavornam (165 cases out of 193 cases).

there were delays in payment of compensation in 362 out of 419 cases, i.e. 86 per cent ranging between one month and 12 months. The concerned Health Officers replied (September-October 2010) that the delays were due to beneficiaries not coming forward to claim the cash assistance in time. The reply is not acceptable as the cash assistance was payable at the time of delivery itself, which should have been ensured to avoid delays.

#### 1.2.12.4 Immunisation and child health

Strengthening of services to improve child survival is one of the major components of the RCH-II programme. This mainly focuses on preventive aspects such as control of vaccine-preventable diseases, diarrhoea and acute respiratory infection among infants and children under five years of age. Immunisation of children against six preventable diseases, viz., tuberculosis, diphtheria, pertussis, tetanus, polio and measles has been the cornerstone of routine immunisation under the universal immunisation programme. The BCG<sup>19</sup> vaccine was to be administered at the time of birth or within one month of birth and the children who received measles vaccines along with other vaccines before age one were to be treated as fully immunized children. The achievements against the targets set for full immunisation in the State during 2005-06 to 2009-10 are shown in **Table-11**.

**Table-11: Statement showing full immunisation with reference to BCG**

Year	BCG Ist dose at the time of birth	Target set for full immunisation	Achievement (0 to 1 year age group)	Shortage with reference to BCG	Percentage of shortage
2005-06	28221	24580	23543	4678	17
2006-07	28536	22296	23018	5518	19
2007-08	27549	22355	23355	4194	15
2008-09	27813	23230	22423	5390	19
2009-10	24332	22895	22306	2026	8

(Source: Figures supplied by the SHS)

Based on the number of BCG vaccinations, the achievement of targets for full immunisation was short to the extent of eight to 19 per cent.

The performance of the State under the programme in respect of other vaccines is given in **Appendix 1.9**. As seen from the figures in the appendix, the performance of the State in respect of other vaccination programme was satisfactory.

#### 1.2.12.5 Immunisation of Rubella

The Rubella vaccine is recommended as part of the MMR<sup>20</sup> vaccine for all children, adolescents and adults. Immunisation for Rubella was launched in the State from 2008-09 for the benefit of adolescent girls in the age group of 10-19 years. During the year 2008-09, the State had immunized 0.57 lakh (37

<sup>19</sup> Bacillus Calmette-Guerin.

<sup>20</sup> Measles, Mumps and Rubella.

*per cent*) as against the target of 1.53 lakh. The achievement during the year 2009-10 decreased to 0.15 lakh (10 *per cent*) as against the target of 1.53 lakh.

The CMO, Family Welfare stated (October 2010) that initially, mass campaigns were held in schools to immunise as many girls as possible and the shortfall in achievement of targets were to be met in subsequent years. However, it was seen that almost 53 *per cent* of the targeted adolescent girls in the State remained to be immunised against the Rubella virus.

#### **1.2.12.6 Pulse Polio immunisation**

Pulse polio immunisation was launched under the RCH-II project to eradicate polio and ensure zero transmission by the end of the year 2008. No polio cases were reported in the State during the period 2005-10.

#### **1.2.12.7 Family planning**

Family planning included terminal methods to control the total fertility rate and the spacing method to improve the couple protection ratio<sup>21</sup>.

##### **a) Terminal methods**

The terminal method of family planning included vasectomy for men and tubectomy for women. The targets and achievements in respect of various terminal methods in the State during the period 2005-10 are shown in **Table-13**.

**Table-13: Statement showing targets and achievements in respect of terminal methods of family planning**

Year	Vasectomy			Tubectomy			Total
	Targets	Achievements	Percentage	Targets	Achievements	Percentage	
2005-06	54	20	37	5800	5331	92	5351
2006-07	51	39	76	5555	5286	95	5325
2007-08	70	21	30	5735	5045	88	5066
2008-09	63	28	44	4797	5258	110	5286
2009-10	62	26	42	3546	4114	116	4140
<b>Total</b>	<b>300</b>	<b>134</b>	<b>45</b>	<b>25433</b>	<b>25034</b>	<b>98</b>	<b>25168</b>

(Source: Figures furnished by SHS)

The proportion of vasectomies to the total number of sterilisation operations was only 0.53 *per cent* during the period 2005-10. About 98 *per cent* of the sterilisations were tubectomies. The CMO, Family Welfare attributed (October 2010) less vasectomies to cultural and social reasons. This indicated that gender imbalance still plagued the programme, which needed to be addressed.

<sup>21</sup> The Couple Protection rate is usually expressed as the percentage of women in the age group of 15-49 years, protected from pregnancy/child birth in the year under consideration for a specific area.

**b) Spacing methods**

Oral pills, condoms and inter uterine devices (IUD) are the three prevailing spacing methods of family planning to regulate fertility and promote the couple protection ratio. Year-wise details of targets and achievements of use of spacing methods in the State are shown in **Table-14**.

**Table-14: Statement showing targets and achievements of use of spacing methods**

Year	Oral pill users			IUD insertions			Condom users		
	Targets	Achievement	Percentage	Targets	Achievement	Percentage	Targets	Achievement	Percentage
2005-06	4467	3157	71	3190	2819	88	10103	8357	83
2006-07	4026	3339	83	3020	2539	84	9270	10158	110
2007-08	4354	3429	79	3132	2617	84	11583	11328	98
2008-09	3370	3248	96	2875	2615	91	8900	10508	118
2009-10	3086	3311	107	2518	2139	85	8560	10379	121
<b>Total</b>	<b>19303</b>	<b>16484</b>	<b>85</b>	<b>14735</b>	<b>12729</b>	<b>86</b>	<b>48416</b>	<b>50730</b>	<b>105</b>

(Source: Monthly performance reports of SHS)

As seen from the table, among the total users (79,943) of spacing methods around 63 *per cent* accounted for condom users and 21 and 16 *per cent* accounted for oral pills and IUD users respectively. Low usage of feminine spacing methods i. e., oral pill and IUD meant that the decision-making role of women in family planning was limited.

### 1.2.13 National Programme for Control of Blindness (NPCB)

#### 1.2.13.1 No statistics on number of blind persons and eye donation

The main objective of NPCB was to reduce the prevalence of blindness to 0.8 *per cent* by 2007 and to 0.5 and 0.3 *per cent* by 2010 and 2020 respectively. The strategies of the programme included conducting of cataract surgeries, collection of donated eyes, creation of donation centres and eye banks and strengthening of infrastructure by way of supply of equipment and training of eye surgeons and nurses. The programme was implemented at the primary level through PHCs and CHCs, at the secondary level through district hospitals and at the tertiary level through the Goa Medical College hospital, Bambolim.

The State had not conducted any survey to identify blind persons and ascertain the prevalence rate of blindness in the State so far (October 2010). As such, the impact of the NPCB was not ascertainable. The CMO, NPCB replied (October 2010) that the surveys would be taken up in future. GOI had fixed a minimum target for collection of 100 donated eyes per year. As no Government-owned eye banks were established in the State, statistics of collection of donated eyes were not available.

*Survey of blind persons in the State was not conducted*

**1.2.13.2 Cataract operation performance**

The year-wise position of cataract operations performed in the State during the period 2005-10 is given in **Table-15**.

**Table-15: Statement showing cataract operations performed in the State**

(In numbers)

Year	Target fixed by GOI	Target fixed by the State	Achievement			Percentage achievement
			Performed at Government hospitals (Percentage achievement)	Performed at private hospitals	Total	
2005-06	7000	7200	2662 (37)	3639	6301	87
2006-07	7000	7200	2671 (37)	3663	6334	88
2007-08	7000	7200	3645 (51)	3544	7189	99
2008-09	3000	7200	3353 (47)	3873	7226	100
2009-10	3000	7200	3650 (51)	4012	7662	106

(Source: Figures supplied by NBCP)

The percentage of achievement by the Government hospitals ranged between 37 and 51 per cent during the period 2005-10. Considering the cataract operations conducted at private hospitals in Goa, the achievements ranged between 87 and 106 per cent during the above period. Reasons for fixing lower targets by GOI during the years 2008-09 and 2009-10 were not available with NPCB.

The CMO stated (October 2010) that the matter would be taken up with GOI to revise the targets.

**1.2.13.3 Refractive errors and distribution of spectacles to school-children**

The NPCB envisaged screening of schoolchildren for refractive errors and distribution of spectacles to students having refractive errors. The year-wise position of detection of refractive errors and distribution of spectacles to students having refractive errors is given in **Table-16**.

**Table-16: Statement showing detection of refractive errors and distribution of spectacles to students having refractive errors**

Year	Children checked	Children found with refractive errors	Percentage found	Children provided with glasses		
				Target	Achievement	Shortfall
2005-06	23037	770	3	No targets were fixed	296	474
2006-07	25884	971	4		728	243
2007-08	23206	953	4		796	157
2008-09	21127	931	4		615	316
2009-10	24881	1056	4		385	671
<b>Total</b>	<b>118135</b>	<b>4681</b>	<b>4</b>		<b>2820</b>	<b>1861</b>

(Source: Figures supplied by NBCP)

It was observed that during the period 2005-10, 4681 children were found with refractive errors. However, the number of free spectacles issued did not

correspond with the number of students having refractive errors. Thus, the objective of the programme to provide free spectacles to school-children was not fully achieved.

#### 1.2.14 National Leprosy Eradication Programme (NLEP)

NLEP aimed to eradicate leprosy by the end of the Eleventh Plan (2007-12). It also aimed to reduce the leprosy prevalence rate to less than one per 10 thousand people. The State had already achieved this target and the prevalence rate also showed a declining trend over the years as detailed in **Table-17**.

**Table-17: Statement showing prevalence rate of leprosy**

Year	Cases detected	Prevalence rate per 10,000 population
2005-06	186	0.99
2006-07	146	0.78
2007-08	156	0.78
2008-09	117	0.57
2009-10	86	0.38

(Source: Figures supplied by NLEP)

#### 1.2.15 National Iodine Deficiency Disorder Control Programme (NIDDCP)

The NIDDCP aims to control iodine deficiency disorders to below 10 *per cent* by 2012. The important objectives and components of NIDDCP are surveys to assess the magnitude of iodine deficiency disorders, distribution of iodised salt, analysis of salt samples, analysis of urinary iodine excretion etc. GOI had released amounts totalling ₹ 37.50 lakh during the period 2005-10. Expenditure of ₹ 29.06 lakh had been incurred so far consisting of salary, advertisements and office expenditure. Audit observed that no surveys had been conducted in the State during the period 2005-10. The Chief Medical Officer (CMO) analysed 1,191 salt samples and 1,193 urinary excretions in the year 2005. Thereafter, no analysis had been conducted (October 2010). The CMO stated (October 2010) that surveys were conducted once in five to six years and the next survey is planned in the year 2011. In the absence of yearly analysis, the impact of the implementation of the scheme could not be ascertained.

#### 1.2.16 Revised National Tuberculosis Control Programme (RNTCP)

The objectives of the RNTCP are to achieve and maintain a cure rate of at least 85 *per cent* among newly detected infectious (newly sputum smear positive) cases and achieve and maintain detection of at least 70 *per cent* of such cases in the population. The State had achieved the cure rate of 81 *per cent* during the year 2009.



## 1.2.17 National Vector Borne Disease Control Programme (NVBDCP)

### *Malaria Control Programme*

The main objective of the Malaria Control Programme in the State is to reduce the malaria mortality rate by 30 *per cent* by 2010 and to bring the mortality rate to zero by 2012. However no year-wise targets had been fixed by the State. The year-wise details of the number of deaths due to malaria reported are given in **Table-18**.

**Table-18: Statement showing number of deaths due to malaria**

Year	Number of deaths reported
2005-06	1
2006-07	7
2007-08	11
2008-09	20
2009-10	10

*(Source: Figures supplied by NVBDCP)*

The CMO, NVBDCP attributed (October 2010) the increase in the number of death cases to i) delays in availing of health facilities and ii) other associated illnesses, which contributed to death. However, the fact remains that instead of reduction there has been an increase in the mortality rate thereby jeopardising the achievement of zero level mortality by the end of the Mission period, i.e. 2012.

## 1.2.18 Monitoring and Evaluation

### *1.2.18.1 Failure to set up State Health Monitoring Committee (SHMC)*

As per the guidelines of NRHM, a State Health Monitoring Committee (SHMC) consisting of representatives of the Legislative Assembly, NGOs, Health, Women and Child Development, Water, Sanitation and Rural Development departments was to be set up under the Chairmanship of an MLA. The main role of the SHMC was to discuss the programme and policy issues related to access to health care and to suggest necessary changes. The committee was to review and contribute to the development of the State health Plan, including the Plan for implementation of NRHM at the State level. It was observed that the SHMC had not been set up in the State (October 2010). The State Programme Manager (NRHM) replied (October 2010) that the State of Goa being small in size, the DHS conducted the overall supervision, monitoring and planning of activities of all units. Hence, the need for an SHMC was not felt in the State. The reply is not acceptable as non-constitution of SHMC defeated the NRHM objective for more participation of community leaders in the process of planning and monitoring.

*The absence of a State Health Monitoring Committee, unsatisfactory functioning of MNGOs and reporting of incorrect statistics resulted in poor monitoring and evaluation*

### 1.2.18.2 Mother NGO Scheme

The Mother NGO (MNGO) Scheme was introduced in the Ninth Five Year Plan to strengthen NGOs' participation in the RCH programme. The NRHM guidelines envisaged identification of NGOs for establishing the rights of households to health care, monitoring and evaluating the health sector, delivering of health services, etc. GOI sanctions grants to the SHS for MNGO schemes and the MNGOs, in turn, release grants to field NGOs. Out of ₹ 50 lakh released (2007-08) by GOI to the SHS, grants of ₹ two lakh during the year 2007-08 and ₹ 30 lakh during the year 2008-09 were sanctioned to two MNGOs in the State. These MNGOs released amounts totalling ₹ 17.07 lakh to six field NGOs during the period 2007-10.

The SHS stated (October 2010) that as the achievements of these MNGOs were found unsatisfactory, it was decided (April 2010) to discontinue their services. The SHS however, did not identify any other NGOs to continue the scheme and the unutilised balance of ₹ 15.53 lakh (including bank interest) with these MNGOs was still to be recovered.

### 1.2.18.3 Reporting of incorrect statistics

The monthly performance reports compiled by the SHS in respect of sterilisation, immunisation and pregnant women registered were incorrect due to over-reporting of achievements by field offices. The achievements reported by the SHS included data reported by PHCs, CHCs, UHCs and district hospitals. It was observed that the PHC figures represented the figures collected by the Auxiliary Nurse and Midwives (ANMs) who collected the figures during field visits. It also included the statistics in respect of sterilisation and immunisation conducted in the district hospitals and at the hospitals outside Goa. The statistics of registered pregnant women were also over-reported as the same women visited the PHCs, district hospitals, the Goa Medical College and private hospitals for antenatal checkups. The SHS confirmed (October 2010) the facts and stated that there was over-reporting of figures in achievements.

### 1.2.18.4 Shortfall in conducting meetings

The periodicity of meetings to be conducted and the nature of business to be transacted in the meetings by the State Health Mission (SHM) and the SHS were prescribed in the NRHM guidelines. The shortfall in conducting of meetings of the SHM, the SHS Governing Body (GB) and Executive Committee (EC) at the State level during 2006-10 was as indicated in **Table-19**.

**Table-19: Shortfall in conducting of meetings**

Name of the committee	Periodicity of meetings prescribed	Date of registration	Number of meetings to be held	Meetings actually held	Shortfall (Percentage)
SHM	Twice every year	20-06-2005	8	1	7 (88)
SHS - GB	Twice every year	07-02-2006	8	6	2 (25)
SHS - EC	Once every month	07-02-2006	48	6	42 (88)

(Source: Figures supplied by SHS)

Thus, the shortfall in conducting meetings of the SHM, the GB and EC of SHS defeated the very objective of having meaningful deliberations on policy issues and implementation as well as monitoring and evaluation.

### **1.2.19 Conclusion**

NRHM is a programme that attempts to consolidate all existing disease control programmes while improving the health care system, infrastructure and capacity in the State. In Goa, the objective of decentralised planning remained a non-starter in the absence of village, block and district Action Plans. Infrastructure in CHCs, PHCs and district hospitals was inadequate in terms of the standards of the IPHS. Shortfalls in manpower, equipment/infrastructure and basic health services impacted the delivery of quality health care.

However, the programme showed considerable achievements in the areas of infant mortality rate, maternal mortality rate, total fertility rate, eradication of polio and progress towards eradication of leprosy.

### **1.2.20 Recommendations**

- The process of community participation at the village, block and district levels should be accelerated with Action Plans formulated at every level.
- Village Health Sanitation Committees and Rogi Kalyan Samitees should receive adequate financing to enable them to carry out the functions envisaged under the programme.
- The State Health Society must map the available services and supporting infrastructure at the health centres as well as the existing load on the available infrastructure. On this basis, the requirements for setting up of new infrastructure and strengthening of existing ones as per IPHS may be assessed.
- Effective data reporting systems should be put in place and over-reporting/misreporting should be identified and corrected.

## CHAPTER-II

### AUDIT OF TRANSACTIONS

This chapter contains audit paragraphs on misappropriation, idle investment, wasteful expenditure, avoidable expenditure and other points of interest that came to notice during the audit of transactions of Government departments.

#### 2.1 *Misappropriation*

##### URBAN DEVELOPMENT DEPARTMENT

###### 2.1.1 Misappropriation of municipal revenue

Absence of internal checks to ensure reconciliation of revenue receipts resulted in misappropriation of ₹ 12.35 lakh.

As per Section 81 of the City of Panaji Corporation Act, 2002, money received by the Corporation of the City of Panaji (CCP) has to be credited to the Corporation's Fund. The collection of revenues by way of house tax, sanitation charges, lease rent, trade and occupation fees and other revenues is accounted in the books of CCP through software developed by the National Informatics Centre (NIC), Goa. The supervisors/clerks attached to the accounts section of the CCP collect taxes and other revenues from the public across the counters located in the municipal building and a computer generated receipt is issued to the remitter in token of receipt of the cash/cheque. The alteration/cancellation to an entry already made through the software is permitted only with a password held by the Accounts/Taxation Officer. The officials collecting the revenue, deposit the daily collection along with the daily scroll summarising the day's collection generated through the software to the cashier who issues a general receipt for the amount received.

Audit scrutiny (September 2009) of the records of the CCP revealed that there was no daily reconciliation of the total receipt amounts issued to the remitters and the total amount collected. A detailed check for the month of April and May 2008 pertaining to collection of sanitation charges was carried out which revealed that although receipts for the collection of sanitation charges of ₹ 300 per household were issued to the remitters, the collection of cash in respect of 189 cases were subsequently altered as 'zero' in the daily scroll by using the password which was held only by the Accounts/Taxation Officer. Consequently, cash amounting to ₹ 56,700 collected towards sanitation charges in the month of April and May 2008 did not appear in the scroll and remained unremitted to the cashier.

On this being pointed out (September 2009) in audit, the CCP carried out an enquiry and found that during 2006-2010, an amount of ₹ 12.35 lakh revenue collected were not remitted into municipal accounts. The

alterations done in the daily scroll which were possible only with a password held by the Accounts/Taxation Officer pointed to a probable compromise of the logical access controls built into the software. Further, though the software had the facility of generating daily cash abstract as per the receipts issued to the remitter, reconciliation of the cash abstract as per the receipts issued to the remitter and the daily cash scroll was not done as a part of internal check to prevent such misappropriation.

The Commissioner, CCP stated (July and August 2010) that on enquiry one supervisor had been placed under suspension and he had expressed his willingness to make good the amount of ₹ 12.35 lakh.

Thus, the absence of internal check to ensure reconciliation of the revenue receipts coupled with probable compromise of logical access controls built in the software resulted in misappropriation of revenue to the extent of ₹ 12.35 lakh. Further, the role of Accounts/Taxation Officer in whose custody the password was entrusted for making alterations/modification to the entries made through the software was yet to be investigated.

The matter was referred to the Government (May 2010) and their reply is awaited (October 2010).

## **2.2 Idle investment**

### **URBAN DEVELOPMENT DEPARTMENT**

#### **2.2.1 Idle outlay on purchase of hydraulic garbage compactor and dustbins**

**Non-acceptance and non-utilisation of Hydraulic Garbage Compactor with dustbins purchased after paying full cost resulted in idle outlay of ₹ 32.50 lakh.**

Based on the proposal (June 2006) of Sanguem Municipal Council, (SMC), the Director of Municipal Administration (DMA), Government of Goa, sanctioned (October 2006) grant of ₹ 32.50 lakh for purchase of one Hydraulic Garbage Compacting System (HGCS) with 100 numbers of metallic dustbins.

The SMC invited tenders (November 2007) for supply of one HGCS with 100 numbers of dustbins. Two parties viz. M/s Raj Traders and Dynamic Vehicles and Equipments offered an amount of ₹ 32.50 lakh and ₹ 33.77 lakh respectively. The lowest offer of M/s Raj Traders at ₹ 32.50 lakh was accepted. The Chief Officer of SMC issued supply order (December 2007) and made 100 *per cent* advance payment amounting to ₹ 32.50 lakh to M/s Raj Traders as per the offer condition. In the meanwhile (November 2007) five Councillors of SMC requested the Chief Officer not to place supply order on the ground that the rate quoted by M/s Raj Traders was higher as compared to the market price. A copy of the request was also marked to the Vigilance Department. M/s Raj Traders delivered the HGCS with dustbins in January 2008. SMC furnished (August 2008) the utilisation

certificate to the DMA for the entire grant amount of ₹ 32.50 lakh though it has not taken over the asset created out of the grant.

Audit scrutiny revealed the following:

- The quotation put forth by M/s Raj Traders matched exactly the grant given to SMC by the DMA. The coincidence is questionable.
- The General Financial Rules stipulate that payments for supplies made should be released only after the supplies made and a performance security for an amount of five to 10 *per cent* of the value of the bid is also to be obtained. However contrary to the provisions of the Rules, the SMC had released full payment before the receipt of the equipment and no performance security was also obtained.
- The Council Members opposed (November 2007) the procurement of HGCS through M/s Raj Traders on the grounds of high rates. The Members apprised the Chief Officer that prevailing market prices were lower than the rate quoted by M/s Raj Traders. The absence of any market analysis by SMC despite this available information indicates lack of due diligence in placement of order.
- Though M/s Raj Traders delivered (January 2008) the HGCS with dustbins, the same were not accepted by SMC and were lying (August 2010) idle in the premises of the Municipal Office. The non-acceptance and non-utilisation of HGCS despite payment of full cost and allowing it to remain idle from January 2008 in the Municipal office premises was injudicious resulting in idle outlay of ₹ 32.50 lakh besides possible damage to the HGCS due to prolonged idling and being left in the open.
- The DMA sanctioned the grant with conditions such as the performance-cum-achievement report of the asset created by the grant to be furnished after close of the financial year. However failure of the SMC to take over the HGCS from the supplier resulted in non-furnishing of the report and the DMA also failed in ensuring the fruitful utilisation of the grant sanctioned.

The Chief Officer of SMC stated (March 2010) that the HGCS has not taken over since the issue of purchase of HGCS was pending with Directorate of Vigilance. The reply is not tenable as SMC had already made the payment towards purchase of HGCS and therefore the matter being with Directorate of Vigilance should not have been a deterrent in its utilisation.

The matter was referred to the Government (May 2010) and their reply is awaited (October 2010).

## RURAL DEVELOPMENT DEPARTMENT

### 2.2.2 Blocking of funds

**Poor project planning resulted in idle investment of ₹ 1.27 crore on land acquisition, blocking of funds of ₹ 3.68 crore and non-achievement of intended benefits.**

The State Government decided (March 2003) to set up a 'Goa Bazaar' in Panaji as a special project under the Swarnjayanti Gram Swarozgar Yojana (SGSY) scheme. The aim of the Goa Bazaar was to provide marketing support, training and infrastructure facilities for rural products made by Swarozgaris<sup>¥</sup> and Self Help Groups. Administrative approval for acquisition of land measuring 40,839 Sq m. for the project was granted (October 2003) by the State Government. The Government of India (GOI), Ministry of Rural Development approved (February 2004) the project at an estimated cost of ₹ 9.82 crore to be funded by the Centre and State in the ratio of 75:25 and to be completed by February 2005.

The execution of work was entrusted (October 2004) to the Goa State Infrastructure Development Corporation (GSIDC). Before taking up of the work by GSIDC, there was a change of Government and the new Government decided (July 2005) to execute the work departmentally. The Chief Engineer, Public Works Department (PWD) accorded (January 2008) technical approval to the project for ₹ 11.37 crore. Proposal for administrative approval and expenditure sanction sent by DRDA in February 2008 was still awaited from the Government (September 2010). An amount of ₹ 4.98 crore was received by DRDA during the period 2004-06 from GOI (₹ 2.95 crore in February 2004) and the State Government (₹ 2.03 crore in March 2004 and February 2006) of which ₹ 1.30 crore had been spent during the period 2003-10, mainly towards land acquisition. An unspent balance of ₹ 3.68 crore was lying with DRDA since September 2007.

Audit scrutiny (May 2009) revealed the following:

- Though GSIDC was entrusted with the work of executing the project in October 2004, the State Government subsequently decided (July 2005) to execute it through DRDA. The Government's decision to change the executing agency resulted in delay in implementation of the project.
- The project also suffered due to delay in grant of administrative approval and expenditure sanction by the State Government though the proposal was sent by DRDA in February 2008. Further, the State Government transferred (September 2009) 20,091 Sq m. of land out of the 40,839 Sq m. acquired, to the District and Sessions Court for construction of court buildings, thereby jeopardizing the implementation of the project. The Court also prohibited the use of the balance land for commercial or any other activity which could hamper or interfere with the administration of justice and cause inconvenience

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<sup>¥</sup> Self-employed persons.

to the lawyers, litigants and court staff. Thus, the changes in the executing agency and transfer of the major portion of the land resulted in non-implementation of the project.

- Funds amounting to ₹ 3.68 crore were lying unutilised between four and six years. Government of India also criticised (May 2006 and January 2008) the State Government for the poor progress in the implementation of the project and non-utilisation of funds and asked the State to sort out the issue of land to bring the project back on rails.

The Goa Bazaar did not materialise even after a lapse of six years despite the availability of funds, due to tardy implementation and transfer of a major portion of the land. This resulted in blocking of funds of ₹ 3.68 crore and idle investment of ₹ 1.27 crore on land acquisition. Further the non-completion of the project resulted in denying the anticipated marketing support and infrastructure to the beneficiaries.

The department stated (October 2010) that as per the Chief Minister's instructions, the PWD had been asked to prepare revised drawings after taking into consideration the restricted area of 20,000 Sq m. and it was proposed to complete the project by December 2011.

The non-implementation of the project, despite the availability of funds, defeated the purpose of granting marketing assistance to the rural poor.

The matter was referred to Government (May 2010). Their reply has not been received (October 2010).

## 2.3 Wasteful expenditure

### URBAN DEVELOPMENT DEPARTMENT

#### 2.3.1 Infructuous expenditure on procurement of software

**Improper selection of agency for implementation of an e-governance project and the consequent non-customisation of software as per requirement resulted in infructuous expenditure of ₹ 25.05 lakh on software purchase.**

Director of Municipal Administration sanctioned (November 2004) grant-in-aid of ₹ 49.50 lakh for the implementation of a e-governance project to Margao Municipal Council (MMC). Accordingly MMC decided (August 2004) to establish a Citizen Facilitation Center (CFC) with the objectives of bringing in transparency, accountability, efficiency in Administration and improving the quality of life of its citizens etc. To implement the e-governance project, MMC decided (August 2004) to replicate the CFC and application software module implemented in Kalyan Dombivli Municipal Corporation (KDMC) with suitable customisation. As per the agreement (December 2004) with KDMC the total value of the project was ₹ 25.50 lakh comprising of ₹ 17 lakh towards software cost and ₹ 8.50 lakh towards implementation cost.



The cost of the software was payable in advance at the time of signing the agreement. On installation of the software 50 *per cent* of the implementation cost was payable, while 40 *per cent* was payable on operationalising the CFC and balance 10 *per cent* payable after one year from the date of operationalisation of the CFC. The software comprised of 11 modules on property tax, birth and death, market and trade license, accounts etc. The entire project was scheduled to be completed within 16 weeks. The trial run was conducted in August 2005 and formally inaugurated in August 2007. MMC paid the software and implementation cost amounting to ₹ 25.05 lakh to KDMC.

Since inauguration of the project in August 2007, the software was not functioning properly due to bugs and various other software issues. Therefore, the use of all modules except two modules on registration of births and deaths and NOC for water and electricity under the project was terminated from February 2008. KDMC also expressed inability to modify the software as per the requirements of Goa Municipalities Act and Rules and suggested changes in the Municipal Act of the State. Two modules on registration of births and deaths and NOC for water and electricity modules used were also discontinued from June 2008 in view of changes to the certificates of birth and death by Goa Government.

Audit scrutiny revealed the following:

- The e-governance software was not developed in-house by KDMC but was provided and implemented in KDMC by an outside party. MMC did not ascertain the experience of KDMC in the successful implementation of e-governance software in other states. Moreover, MMC did not invite tenders for the project which would have enabled it to ascertain the competence and experience of the bidders in implementation of the project before the award of contract. KDMC did not customise the software as per the Goa Municipal Act and Rules and instead suggested changes in the Municipal code. Thus, the selection of agency without calling tenders and without ascertaining the competence and experience of KDMC in the successful implementation of e-governance software in other states and the consequent non-customisation of the software as per the requirement of MMC rendered the entire expenditure of ₹ 25.05 lakh on the project infructuous.
- The agreement entered into with KDMC was defective and did not secure the financial interest of MMC in that it provided for payment of 83 *per cent* of the project cost on installation of the software. The success of the project was wholly depended on the customisation of the software as per the requirement of MMC. Considering this aspect MMC should have ensured that the agreement provided for payment of major portion of the project cost only on successful customisation of the software as per its requirement or obtained adequate performance security to ensure successful implementation of the project.

The MMC (May 2010) stated that KDMC installed the software but could not customise the same as per MMC's requirements and KDMC suggested to adopt its better government practices instead of entire customisation.

The reply of the MMC is not acceptable for the following reasons:

- MMC should have ascertained the availability of competent bidders for the e-governance project in keeping with the local Municipal Council's requirements.
- Successful implementation in another state could not be a guarantee for the same in Goa. Adoption of a software successful in Maharashtra and replicating it in Goa without suitable customisation as per the requirements of MMC was the primary reason for the failure of the e-governance project.

Thus despite expending ₹ 25.05 lakh the CFC remains unrealised.

The matter was referred to the Government (May 2010) and their reply is awaited (October 2010).

## 2.4 *Avoidable expenditure*

### PUBLIC WORKS DEPARTMENT

#### 2.4.1 **Avoidable extra expenditure due to negligence of dealing staff and delay in processing of tender and communicating expenditure sanction**

**Non-issue of work order due to negligence of dealing staff and delay in processing of tenders and communicating expenditure sanction by the Principal Chief Engineer resulted in extra expenditure.**

According to para 18.4.1.1 of the CPWD Manual, top priority should be given to decide the award of work on receipt of tenders. To minimise chances of delay, the time schedule given in Appendix 22 of the Manual should be observed by the different authorities. The maximum time allowed in respect of a tender to be accepted by the State/Central Works Board is 45 days. Further, as per para 18.18.2 of the CPWD Manual, after the tender for a work has been accepted, the same should be communicated to the contractor by registered post, asking him to start the work at once and to complete the formal agreement within 15 days of the stipulated date of start of work.

Administrative approval and expenditure sanction for the work of 'providing hot mix carpet to the internal road in Poriem village' was sanctioned (September 2005) for ₹ 92.95 lakh by the Principal Chief Engineer (CE) and put to tender in October 2005. The lowest offer of M/s Bhavikara Construction Pvt. Ltd., at ₹ 87.24 lakh was accepted (December 2005) by the CE. On 27 December 2005, the file was forwarded by the Superintending Engineer (SE) to the Executive Engineer (EE) for issue of the acceptance letter to the contractor. The validity period of the tender was upto 20 February 2006. The

work order signed by the EE on 7 February 2006 was, however, not despatched/delivered to the contractor due to negligence of the dealing staff. The contractor, in response (22 May 2006) to the show cause notice issued (17 May 2006) by the department for not starting the work, stated that he had not received the work order and was not ready to execute the work as the cost of materials had increased inordinately. Hence, the department refunded (July 2007) the earnest money deposit of ₹ one lakh to the contractor.

The work was re-tendered in September 2007 and the single offer received (October 2007) from M/s Cherkala Construction Private Ltd., for ₹ 1.29 crore could not be accepted within the validity period (23 January 2008) due to delays in processing the tender at various\* levels. The tenderer refused (24 January 2008) to extend the validity period due to increase in material prices and the work was re-tendered in March 2008.

On the third re-tendering, three tenders were received (8 April 2008) and the lowest offer of M/s Kudroli Construction Company Pvt. Ltd., for ₹ 1.38 crore was recommended (23 April 2008) by the EE to the CE. The CE accepted it on 4 July 2008 i.e. after a lapse of 72 days. The SE conveyed the acceptance of the tender to the EE on 10 July 2008 i.e. after expiry of the validity period (8 July 2008). The contractor expressed his inability to extend the validity period of the tender and the work was again re-tendered (23 January 2009).

During the fourth re-tendering, two offers were received (February 2009) and the lowest offer of M/s Kudroli Construction Company Pvt. Ltd., for ₹ 1.72 crore was accepted (March 2009) by the CE and the work order was issued on 2 March 2009. The contractor completed (May 2009) the work at a cost of ₹ 1.62 crore.

The Principal Chief Engineer (October 2010) accepted the lapse in the first tendering and stated that the delay in the finalisation of subsequent tenders was due to the approval required from higher authorities as the acceptance was falling within the power of the CE.

The delay in finalization of the tender as pointed out by Audit was accepted by the department. The fallout resulted in extra expenditure of ₹ 74.52 lakh and deprived the public of the benefit of a good road. Further, no responsibility was fixed for the non-delivery of the work order of the first tender to the agency.

In another work, viz. 'improvement of riding surface by providing hot mix from Pillar to Old Goa and construction of gutters and cross drainage works', the Ministry of Shipping, Road Transport and Highways accorded (February 2007) administrative approval (AA) for ₹ 4.41 crore. The work was to be financed from the Central Roads Fund. As per the Government of India sanction order, the technical and financial sanctions for the project were to be accorded by the State Government within a period of four months from the date of the AA of the work. Any excess over 10 *per cent* of the sanctioned amount was to be met by the State from their own resources.

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\* Executive Engineer: 49 days, Superintending Engineer: 27 days and Chief Engineer: 19 days.

Accordingly, technical sanction for ₹ 4.35 crore was accorded (March 2007) by the CE and the work was tendered in March 2007. Of the five offers received (April 2007), the lowest offer of M/s Madanant Construction (Goa) Pvt. Ltd., of ₹ 3.86 crore which was 7.85 *per cent* below the estimated cost of ₹ 4.19 crore, was accepted by the Goa State Works Board (GSWB) in July 2007.

Audit scrutiny revealed that while the validity period of the tender was upto 25 July 2007, the department delayed the approval process of the tender far beyond the validity period. The EE took 53 days for submitting the proposal against the five days permissible under the CPWD Manual. GSWB accepted the tender on 20 July 2007. The CE, while communicating the acceptance, directed the SE to issue a work order after obtaining expenditure sanction. Despite clearance from the Finance Department on 16 July 2007, expenditure sanction was accorded by the CE only on 16 August 2007, i.e. after one month. Hence, the work order could not be issued within the validity period of the tender and the agency also refused (12 November 2007) to extend the validity period.

The work was re-tendered in January 2008 and the lowest offer of M/s Cherkala Construction Pvt. Ltd., for ₹ 5.98 crore, which was 42.96 *per cent* above the estimated cost, was accepted (February 2008) by GSWB. The work order was issued in March 2008. The work was completed and the agency was paid ₹ 5.95 crore (October 2009).

The CE stated (October 2010) that the delay in processing tenders was due to the absence of the regular Divisional Accountant who was drafted for election duty. The CE further stated that tender scrutiny and preparation of comparative statements done manually had now been computerized, resulting in avoidance of delays in finalisation of tenders. However, the fact remains that the initial delay of 53 days by the EE was further compounded by the CE who delayed in granting expenditure sanction while all other clearances had been obtained. The resulting outcome was an extra expenditure to the project of ₹ 2.10 crore. The State also incurred an expenditure of ₹ 1.10 crore on account of excess expenditure, being 10 *per cent* over the amount sanctioned by the Ministry of Shipping, Road Transport and Highways.

Thus, administrative inefficiencies at different levels in the department resulted in increasing the cost of works.

The matter was referred to Government (April 2010). Reply has not been received (October 2010).

## **2.5 General Paragraphs**

### **2.5.1 Lack of response to audit findings**

Accountant General, Goa conducts periodical inspections of Government Departments as per its audit plan to test check their transactions and to verify the maintenance of accounting and other records as per the prescribed rules and procedures. These inspections are followed up with Inspection Reports

(IRs) which are issued to the heads of offices and the next higher authorities to comply with the audit observations and to report compliance to the Accountant General. Half-yearly reports of pending IRs are sent to the Secretaries of each department to facilitate monitoring of the audit observations and their compliance.

A review of the IRs issued upto December 2009 pertaining to 40 departments showed that 1,301 paragraphs relating to 344 IRs were outstanding at the end of June 2010. Failure to comply with the issues raised by Audit resulted in the continuation of financial irregularities and losses to the Government.

Year-wise position of the outstanding IRs and paragraphs is given in **Appendix 2.1**. Even the initial replies which were required to be received from the heads of offices within six weeks from the date of issue of the IRs, were not received upto June 2010 in respect of 429 paragraphs of 51 IRs.

It is recommended that the Government should take appropriate steps to revamp the system of proper response to audit observations in the departments and ensure that a procedure exists for (a) action against the officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule, and (b) action to recover losses/outstanding advances/overpayments pointed out in audit, in a time-bound manner.

### **2.5.2 Follow-up of Audit Reports**

As per the provisions contained in the Internal Working Rules of the Public Accounts Committee of the Goa Legislative Assembly, administrative departments were required to furnish Explanatory Memoranda (EM), duly vetted by the Office of the Accountant General, Goa within three months from the date of tabling of Audit Reports to the State Legislature in respect of the paragraphs included in the Audit Reports. In spite of this, there were 24 paragraphs/reviews, in respect of which EMs were not received as of September 2010 from the administrative departments, as shown below.

<b>Audit Report</b>	<b>Date of tabling the Report</b>	<b>Number of Paragraphs &amp; Reviews</b>	<b>Number of EMs received</b>	<b>Balance</b>
2006-07	19 August 2008	14	9	5
2007-08	24 March 2009	10	3	7
2008-09	25 March 2010	12	--	12
<b>Total</b>		<b>36</b>	<b>12</b>	<b>24</b>

Department-wise details are given in **Appendix 2.2**.

## CHAPTER-III

### PUBLIC WORKS DEPARTMENT

#### 3.1 Chief Controlling Officer (CCO) based audit of Public Works Department

##### Highlights

*The mandate of the Public Works Department of Goa is to plan, design construct, repair and maintain roads, bridges, buildings as also water supply and sewerage schemes. Chief Controlling Officer based audit of the department revealed lack of budgetary control and financial management, delays in award and execution of works, non-issue of work completion certificates and weak internal control.*

- Lack of budgetary control resulted in persistent savings and non-surrender of funds.

*(Paragraph 3.1.7.1)*

- During 2007-10, 27 to 41 *per cent* of the expenditure was incurred in the month of March, indicating rush of expenditure towards the end of the year.

*(Paragraph 3.1.7.2)*

- Inadequate financial control resulted in excess payment of ₹ 7.88 crore towards loan repayment.

*(Paragraph 3.1.7.4)*

- Bank guarantees amounting to ₹ 13.72 crore obtained in lieu of security deposits from contractors were not renewed.

*(Paragraph 3.1.7.8)*

- Delays in processing of tenders within the validity period of the offers necessitated re-tendering and award of works at higher rates, resulting in extra expenditure of ₹ 2.89 crore.

*(Paragraph 3.1.8.1)*

- Failure of the department in obtaining clearance from Forest Department before issue of a work order resulted in termination of a contract and consequent extra expenditure of ₹ 18.13 lakh on its re-tendering.

*(Paragraph 3.1.8.6)*

- Payment of bills in the order of their receipt could not be ensured due to non-maintenance of a register of bills.

*(Paragraph 3.1.8.7)*

##### 3.1.1 Introduction

In Goa, the Public Works Department (PWD) is responsible for planning, designing, constructing and maintaining roads, bridges, buildings for Government offices, residential quarters, water supply and sanitation etc. The PWD also executes works for local bodies and autonomous organizations of the State and Central Government as deposit works.

The administrative control of the department vests with the Secretary, PWD. All constructions and maintenance works are carried out by 25 Divisions.

The main objectives of the department envisaged in the Eleventh Five Year Plan 2007-2012 were as under:-

- Developing land for various Government construction programmes and providing Government office accommodation at taluka headquarters.
- Construction, widening and improvement of rural roads, State highways and major district roads.
- Construction of bridges/missing links to rural areas and reduction in travelling distances.
- Improving the service level of water supply in all villages and towns to meet the increasing demands of water and providing assured sources of drinking water supply.
- Improving hygienic conditions and creating sanitary awareness in rural areas.

### **3.1.2 Organisational set-up**

The Public Works Department functions under the administrative control of the Secretary, PWD. The Principal Chief Engineer (PCE) is the head of the department. He is assisted by two Chief Engineers (CE), a Superintending Engineer (SE) (Monitoring and Evaluation), a Superintending Surveyor of Works and a Chief Architect. There are nine Circles, each under a Superintending Engineer and 25 Divisions headed by the Executive Engineers (EE). The Joint Director of Accounts is the head of the Accounts Department looking after the accounting, budgeting and internal audit functions. A chart showing the organizational structure of PWD is given in **Appendix-3.1**.

### **3.1.3 Audit objectives**

The broad objectives of the review were to assess the performance of the department on the following parameters:

- Planning process
- Financial management
- Programme implementation
- Internal control mechanism
- Monitoring

### **3.1.4 Audit criteria**

The performance of the department was assessed on the following criteria keeping in view the audit objectives:

- Central Public Works Department Works Manual adopted by PWD,
- Central Public Works Account Code adopted by PWD,

- General Financial Rules, 2005 and
- Receipt and Payment Rules.

### 3.1.5 Audit coverage and methodology

The State PWD has 40 units under its control, out of which 22 units (55 *per cent*) were selected in audit. The details of units selected are given in **Appendix-3.2**. The audit was conducted between March and October 2010 covering the period 2007-08 to 2009-10. The selection of units, which were stratified based on the risk profile of the units, was done on random basis. Aspects related to roads, bridges, buildings and water supply were covered in audit. An exit conference was held with Secretary in December 2010 to discuss the audit findings.

### Audit findings

#### 3.1.6 Planning

##### 3.1.6.1 Formulation of plans

Formulation of a comprehensive plan is of vital importance to achieve the objectives of any organization economically, efficiently and effectively. The PWD prepares Perspective Plans containing physical and fiscal targets to be achieved during the next five-year period. The targets envisaged in the Five Year Plans are considered while preparing Annual Plans. Analysis of the targets envisaged in the Five Year Plans and those fixed in the Annual Plans of the department for bridges, roads, water supply and sanitation during the period 2007-10 revealed the following:

i) The Five Year Plan (2007-12) envisaged construction of five<sup>⊕</sup> bridges with an outlay of ₹ 11.30 crore. However, the Annual Plans during the period 2007-10 included construction of eight more bridges costing ₹ 166.17 crore which were not included in the Five Year Plan. The State provided only ₹ 35.20 crore as total outlay in the Annual Plans of 2008-10 for completing the 13 bridges.

ii) In respect of piped water supply in rural areas, the Five Year Plan envisaged coverage of 752 people in three villages. The department planned coverage of all the 752 people in the first year (2007-08) itself. The department, however, planned further coverage of additional four villages with population of 1,287 during 2008-10. The additional coverage in the Annual Plans over that envisaged in the Five Year Plan indicated inadequacies in assessing the requirements while formulating the Five Year Plan.

The PCE stated (October 2010) that the Five Year Plan was prepared based on public requirements duly suggested by Executive Engineers. New schemes had

<sup>⊕</sup> Includes one spillover bridge work of the previous period.



been taken up in the Annual Plans as per the priority and approval of the Government. The fact remains that no comprehensive surveys to assess the requirements had been conducted while formulating the Five Year Plan, which resulted in preparation of the Plans on adhoc basis without long term perspective.

### ***3.1.6.2 Inadequacy in plan formulation leading to non-achievement of targets***

Based on the Annual Plans the departments fixed the targets during 2007-10 which could not, however, be achieved as detailed below.

i) The Five Year Plan envisaged construction of 30 kilometre (km) of State Highway. As against the target of 18 km fixed in the Annual Plans for the year 2007-10, the department constructed only 4.38 km which constituted only 24 *per cent* of the target.

ii) As against the target of 1,500 sewerage connections to be released during 2007-10 only 379 connections were released, resulting in shortfall of 75 *per cent*.

iii) The department had fixed a target of 15,000 latrines and 450 community latrines to be constructed during 2007-10 against which only 9,696 latrines (64 *per cent*) and 58 community latrines (13 *per cent*) were constructed.

iv) As against 210 habitations/villages to be covered for increase in supply of water from 80 LPCD<sup>£</sup> to 100 LPCD the number of habitations/villages covered were only 96 resulting in a shortfall of 54 *per cent*.

Thus, non-achievement of targets for implementation of above schemes reflected inadequacies in fixation of targets by the departments.

The department attributed (October 2010) the shortfall in achieving the target to various reasons like problems in land acquisitions, rains, objections from public, change in alignment, hurdles like water pipe lines, underground cables and other unforeseen problems. The reply is not acceptable as all the above factors are taken into consideration by the department before fixation of targets.

## **3.1.7 Financial management**

### ***3.1.7.1 Budgetary allocation and expenditure***

The budget of the PWD is prepared in the office of the PCE based on the estimates from the divisions which are submitted to the Government for approval. On approval of the demand, the allotment of funds is made to each division based on the monthly requirements intimated by it. The budget

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<sup>£</sup> litres per capita per day

estimates and actual expenditure under capital and revenue heads during 2007-08 to 2009-10 are given in **Table-1** below:

**Table-1: Details of budget allocation and expenditure**

*(₹ in crore)*

Year	Budget provision			Expenditure			Saving (-) or Excess (+)	
	Revenue	Capital	Total	Revenue	Capital	Total	Revenue	Capital
2007-08	277.52	297.57	575.09	270.58	221.83	492.41	(-) 6.94(2)	(-) 75.74(25)
2008-09	337.16	354.88	692.04	334.20	273.06	607.26	(-) 2.96(1)	(-) 81.82(23)
2009-10	412.93	381.00	793.93	407.70	353.77	761.47	(-) 5.23(1)	(-) 27.23(7)
<b>Total</b>	<b>1027.61</b>	<b>1033.45</b>	<b>2061.06</b>	<b>1012.48</b>	<b>848.66</b>	<b>1861.14</b>	<b>(-) 15.13(1)</b>	<b>(-) 184.79(17)</b>

(Source: Demands for grants & Appropriation Accounts)

(Figures in parentheses indicate percentage)

***Lack of budgetary control resulted in persistent savings***

The savings under the capital head during 2007-08 (25 per cent) and 2008-09 (23 per cent) were on account of non-approval of the project for 'Augmentation of water supply and sanitation'. The PWD did not surrender any part of the budgetary provision made for the project though it was clear that the provision made for the entire year could not be used. The savings during 2009-10 (seven per cent) were mainly due to excess budget provision of ₹ 19.36 crore made for repayment of loan to the Goa State Infrastructure Development Corporation. The PWD did not surrender the budget provision though it was aware (May 2009) that the repayment had already been completed and no provision was required. A supplementary provision of ₹ 25 crore made under the capital head during 2008-09 proved unnecessary as the expenditure did not come up to the level of the original provision. Thus, lack of budgetary control resulted in funds not being re-appropriated in time to the needy departments.

Allotment of funds to the divisions is done by the PCE based on monthly demands. Scrutiny in audit of the demands and allotments in respect of seven<sup>♦</sup> divisions for the year 2007-10 revealed that the allotment were less than the demands, which resulted in bills amounting to ₹ 43.45 crore remaining unpaid. Thus, the allotment of funds by the department was lopsided, which resulted in unpaid bills on the one hand and savings in the budgetary provisions on the other hand, reflecting poor financial management.

***3.1.7.2 Rush of expenditure***

As per the General Financial Rules, 2005, rush of expenditure, particularly in the closing month of the financial year is to be regarded as breach of financial propriety and should be avoided. The percentage of expenditure incurred in the month of March vis-à-vis the total expenditure during the year is given in **Table-2** below:

<sup>♦</sup> Division No-IV, VI, IX, X, XI, XII and XV.

**Table-2: Rush of expenditure in March**

*The percentage of expenditure in the last month of the financial year ranged between 27 and 41 per cent*

(₹ in crore)			
Year	Total capital expenditure during the year	Capital expenditure in March	Percentage of expenditure in March
2007-08	221.83	91.64	41
2008-09	273.06	85.66	31
2009-10	353.77	97.24	27

(Source: Appropriation Accounts and data furnished by the department)

As seen from the table, the department incurred 27 to 41 *per cent* of the total expenditure in March during the years 2007-10. Scrutiny of the records of Division VIII and Division XVI revealed that expenditure in the month of March ranged between 12 and 59 *per cent* during 2007-10. Details are given in **Appendix- 3.3**.

### 3.1.7.3 Non-settlement of deposit work accounts

The PWD undertakes construction, repairs and maintenance works for local bodies and autonomous organizations of the State and Central Government as deposit works. As per para 3.6 of the CPWD Works Manual, the deposit for a work should be realized before any liability is incurred on the work. Further, it has to be ensured that the expenditure incurred is not more than the deposit received for the work. Para 3.6.5 of the Manual also stipulates that the EEs should settle their accounts against the deposit works expeditiously so that the accounts do not remain unsettled for long.

Test check of records in the selected divisions revealed that Division XII received (1996) a deposit of ₹ 1.02 crore for replacing a pipeline for the Konkan Railway Corporation. However, the division incurred expenditure to the extent of ₹ 1.16 crore. The excess expenditure of ₹ 13.64 lakh had not been recovered despite the lapse of more than 14 years, as the Konkan Railway Corporation had requested to waive the 12 *per cent* departmental charges.

Further, in four ♦ divisions, 64 deposit works amounting to ₹ 16.31 crore were completed as against deposits of ₹ 17.74 crore received from them. Though the Manual provision stipulated expeditious settlement of deposit works, the deposit accounts remained unsettled to the extent of ₹ 1.43 crore. The delays in settlement of deposit accounts ranged between one and 20 years from the date of completion of the work.

The EE of Division, XXV stated (August 2010) that the deposit accounts remained unsettled due to pending final bills. The reply is not acceptable as the CPWD Works Manual stipulates final payment/settlement within three to six months from the date of completion of a work, depending on the cost of the work.

♦ Division No- VII, XVIII, XXIII and XXV.

#### 3.1.7.4 Excess repayment of loan

**Failure to watch monthly outstanding balances of loan resulted in excess repayment of ₹ 7.88 crore**

Three major water supply schemes at Assonora, Opa and Sanquelim, to be partly funded by a loan from the Goa State Infrastructure Development Corporation (GSIDC) were approved (2000) by the State Government. GSIDC sanctioned (December 2001) a term loan of ₹ 150 crore for the scheme. The loan was to be repaid in 84 equated monthly instalments (EMI) of ₹ 2.61 crore each, with interest compounded quarterly at GSIDC's prime lending rate. As against the sanctioned loan of ₹ 150 crore, the PWD availed loan of ₹ 114.84 crore only due to the inability of GSIDC to release the entire loan sanctioned. Since the loan availed of by the PWD was less than the sanctioned loan, the repayment was completed by December 2008. The PWD failed to watch the monthly outstanding balance of the loan and continued to pay the EMI at the rate of ₹ 2.61 crore per month till April 2009. The excess EMI paid was ₹ 7.88 crore and was yet to be recovered from GSIDC (July 2010). The department replied (July 2010) that the excess repayment of instalments was made due to non-submission of outstanding loan balance statements by GSIDC. The reply is not acceptable as the PWD should have worked out the monthly outstanding balances of the loan to guard against excess payment. The absence of financial controls and maintenance of data in respect of loans to be repaid was a serious deficiency in financial management.

#### 3.1.7.5 Time-barred cheques not cancelled

As per para 6.2.11 of the CPWD Account Code, cheques which have been issued but not encashed should be cancelled after three months from the date of issue and their amounts written back into the accounts of the division. Scrutiny in the selected divisions revealed that 275 cheques amounting to ₹ 91.08 lakh issued between February 1986 and September 2009 were not cancelled and written back in the accounts.

#### 3.1.7.6 Non-refund of security deposits to contractors

As per para 15.4.1 of the CPWD Account Code, security deposits remaining unclaimed for more than three complete accounts years after they become due for payment are to be treated as lapsed deposits and credited to Government account. Scrutiny in audit revealed that in 11<sup>^</sup> divisions, security deposits amounting to ₹ 12.11 crore in respect of 2,826 works, which were lying unclaimed for more than three years, were not credited to the Government account as lapsed deposits.

#### 3.1.7.7 Non-refund of earnest money deposits to contractors

As per para 18.5.1 of the CPWD Works Manual, earnest money deposits (EMD) of all the bidders except the lowest bidder should be refunded immediately on opening of a tender or latest within a week from the date of

<sup>^</sup> Division No – II, VII, VIII, X, XII, XIII, XV, XVI, XIX, XXIII and XXV.

receipt of tenders. The EE should periodically review the tender register with a view to ensure that the EMD is refunded in time. Scrutiny of the EMD register in the selected divisions revealed that in 11<sup>~</sup> divisions, 970 EMDs amounting to ₹ 2.37 crore pertaining to the period August 2002 to March 2010 had not been refunded to the contactors.

### ***3.1.7.8 Non-renewal of bank guarantees obtained in lieu of security deposits***

As per para 21.2(3) of the CPWD Works Manual, security deposit should be collected by deduction from the running account bills of a contractor. The security deposit can be released to the contractor against a bank guarantee issued by a scheduled bank. Scrutiny in selected divisions revealed that in 10 divisions<sup>\*</sup>, the security deposits collected in the form of bank guarantees amounting to ₹ 13.72 crore were not renewed by the divisions despite their expiry during the period from August 1994 to March 2010. This shows that there was no control mechanism existing in the department.

## **3.1.8 Programme management**

### ***3.1.8.1 Delays in award of works***

As per para 19.3.1 of the CPWD Works Manual, top priority should be given for expeditious finalisation of tenders. A period of seven to 45 days from the date of receipt of tenders is allowed as per the Manual for scrutiny, finalisation of tenders and awarding of works.

Test check of the records in 12 selected divisions revealed the following:

*Delays in processing of tenders ranged between 31 and 356 days*

In nine<sup>^</sup> divisions test-checked in audit, out of 244 tenders valuing ₹ 50 lakh and above, awarded during 2007-10, there were delays in processing of 99 tenders, ranging between 31 and 356 days. The delays in processing of the tenders within the stipulated time schedule resulted in delays in award of works with consequent delays in project completion. In three<sup>a</sup> divisions, the delays in processing of 12 tenders at various levels within the validity period of the offers led to re-tendering and award of works at higher rates, resulting in extra expenditure of ₹ 2.89 crore.

Thus, non-adherence to the time-frame for processing of tenders diluted the control and accountability mechanism which contributed to project delays and cost overruns.

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<sup>~</sup> Division No – II, IV, VII, VIII, XII, XIII, XV, XVI, XIX, XXIII and XXV.

<sup>\*</sup> Division No – II, IV, VII, VIII, XII, XIII, XVI, XIX, XXIII and XXV.

<sup>^</sup> Division No – II, IV, VII, VIII, XV, XVI, XVIII, XXIII and XXV.

<sup>a</sup> Division No- II, XVIII, XXIII.

### 3.1.8.2 Delays in completion of works

Test check of 14 works costing over ₹ 50 lakh of three Roads divisions (Division Nos VII, XVI and XXV) revealed that 13<sup>e</sup> works were not completed within the stipulated period. In respect of seven works which were scheduled to be completed within three months, extension of time (EOT) was granted for periods ranging from 106 to 515 days. In the remaining six works (five of Division XXV and one of Division XVI) sanction of EOT was not available on record.

The examination of EOT cases revealed that the reasons stated for delays in execution of works were the onset of monsoon, delays in making payments etc. The reasons given for grant of extension were not justified as the time required for completion of the works had been fixed after taking into account the period of the monsoon. Further, timely payment of bills was to be ensured by the department to avoid such delays.

### 3.1.8.3 Non-issue of completion certificates

*Completion certificates were not issued for many of the completed works*

As per para 29.2 of the CPWD Works Manual, a contractor has to furnish a notice of completion of work within 10 days of completion of the work. The completion certificate has to be issued by the concerned engineer within 30 days of the receipt of the contractor's notice. Additionally, the SE/EE has to give a certificate stating that the work has been carried out generally to the specifications and has been completed satisfactorily. Further, final payment is to be made within three months of completion of the work in respect of works valuing upto ₹ 15 lakh and within six months in respect of works valuing above ₹ 15 lakh.

Test check revealed that in respect of 192 works valuing ₹ 1.78 crore completed during June 1995 to December 2009, completion certificates were not issued due to non-regularisation of the extension period, non-approval of revised administrative approval and expenditure sanction etc. Pending issue of work completion certificates, the final bills of the contractors were also not released.

*During 2005-10, though the department received a grant of ₹8.42 crore towards SSA, the funds utilised was only ₹5.02 crore*

### 3.1.8.4 Non-completion of works under Sarva Shiksha Abhiyan

Under the 'Sarva Shiksha Abhiyan' (SSA) a Centrally sponsored scheme, the PWD received funds from the Project Director, SSA. The funds under the scheme were received for construction of compound walls, additional rooms, block resource centres and cluster resource centres. The year-wise position of funds received by Division VIII, Margao and Division XVI, Ponda, expenditure incurred and the balance funds under the scheme during 2005-10 is given in **Table-3**:

<sup>e</sup> Five of Division VII, three of Division XVI and five of Division XXV.

**Table-3: Utilisation of SSA funds**

(₹ in crore)

Year	Opening Balance	Funds received	Total	Expenditure incurred	Balance funds
2005-06	Nil	3.02	3.02	--	3.02
2006-07	3.02	3.90	6.92	1.87	5.04
2007-08	5.04	1.50	6.54	0.76	5.77
2008-09	5.77	Nil	5.77	0.88	4.89
2009-10	4.89	Nil	4.89	1.51	3.38

(Source: Expenditure statement furnished by divisions)

Scrutiny in audit revealed that in Division XVI out of 43 works valuing ₹ 9.04 crore envisaged under the scheme, nine works valuing ₹ 2.31 crore were not taken up till March 2010 despite delays ranging between one and two years for which no reasons were on record. Out of the 34 works valuing ₹ 6.73 crore taken up, only 10 works were completed while 24 works valuing ₹ 4.83 crore remained incomplete (71 per cent) with time overruns ranging between two and 37 months as of March 2010. It was further noticed that as against ₹ 86 lakh received by the Division XVI during 2006-08 for Cluster Resource Centres the division had finalized 11 tenders valuing ₹ 3.17 crore. The reasons for finalizing more work tenders than the number for which funds were received from SSA were awaited (October 2010).

### 3.1.8.5 Poor participation in tenders

The PWD executes construction of roads, bridges and buildings by inviting tenders. As per para 16.1 of the CPWD Works Manual, tender notices for all the works irrespective of their value, should be posted on the website.

Scrutiny of records in test-checked divisions revealed that the tender notices were published in one or two local newspapers without posting the same on the website of PWD. Test check of 43 notices inviting tenders by the seven divisions\* revealed that only two to three offers were received against them, indicating poor participation in the tenders, thereby depriving the divisions of more competitive bids.

In reply, the Executive Engineers stated that the tendering process adopted by the PWD was open tendering and therefore, there was no control whatsoever on participation of the contractors in the tendering process. Moreover, it was stated that these tenders were accepted by the higher authorities as per CPWD norms.

The department should have adhered to the norms in the CPWD Manual for e-tendering. The practice of e-tendering would encourage more participation to enable transparency. More participation in tenders called for by PWD would ensure competitive rates and inhibit the possibility of cartel bidding.

\* Division No-II, VII, XV, XVI, XVIII, XXIII and XXV.

**3.1.8.6 Avoidable extra liability of ₹ 18.13 lakh due to termination of contract and re-tendering of work**

The work of Construction of RCC<sup>®</sup> Bridge on National Highway-17 for Tillari Irrigation Project canal crossing at kilometre 17.00 Panaji Panvel section at an estimated cost of ₹ 36.85 lakh was initially awarded to the lowest tenderer M/s C.H. Abdullah at the negotiated cost of ₹ 45.86 lakh. The stipulated date of commencement and completion of work was 30 March 2007 and 25 September 2007 respectively.

It was noticed that the work could not be executed within the validity period as the site was not free from hindrances due to standing trees. The permission from the Forest Department to cut trees was obtained only in February 2008 i.e. 11 months after issue of the work order. In the meantime, M/s C.H. Abdullah expressed (August 2008) his unwillingness to execute the work due to substantial increase in market rates and non-availability of clear site within the agreement period. Further M/s C.H. Abdullah agreed to carry out the work if payment was made as per the prevailing market rates. The department did not consider the agency's request and the work was finally terminated (September 2008).

The work was subsequently re-tendered (July 2009) at an estimated cost of ₹ 60.97 lakh. The work was awarded to the same contractor as his offer was the lowest at ₹ 63.99 lakh. The work order was issued (December 2009), date of completion being June 2010. The work is yet to be completed (October 2010).

Thus, termination of work due to non-availability of hindrance free site resulted in avoidable extra liability of ₹ 18.13 lakh.

**3.1.8.7 Non-maintenance of register of bills and history sheets of assets**

As per para 10.1 of the CPWD Works Manual, a consolidated record of all the bills received from the sub-divisions in respect of works/supplies should be maintained in the register of bills. The bills should be entered in the register strictly in the order of receipts and the payment of the bills should also be made strictly in the order of their receipts. Scrutiny in 12 divisions<sup>♦</sup> selected in audit revealed that the registers of bills were not maintained to ensure that no undue favour was given to any contractor.

The maintenance of roads, bridges, buildings and water supply lines are executed by five<sup>¥</sup> divisions. Scrutiny of the records revealed that the divisions had not maintained history sheets of the assets to record the details of maintenance works carried out such as the dates of works carried out, the nature of works done, expenditure incurred etc. In the absence of history

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<sup>®</sup> Reinforced Cement Concrete.

<sup>♦</sup> Division No-II, IV, VII, VIII, X, XII, XIII, XV, XVI, XIX, XXIII and XXV.

<sup>¥</sup> Division No-II, IV, XII, XVIII and XIX.



sheets of assets, the frequency of repairs and maintenance works carried were not ascertainable.

Registers of bills and history sheets of the assets with regard to repairs and maintenance works carried out should be maintained to ensure transparency in processing and payment of bills as well as transparency in taking up of maintenance works.

### **3.1.9 Internal control mechanism**

#### **3.1.9.1 Internal audit**

The State Public Works Department follows the CPWD Works Manual, the CPWD Account Code, General Financial Rules, 2005, Receipt and Payment Rules etc., in its functioning. Para 54.17 of the CPWD Works Manual stipulates the procedure to be followed by the Internal Audit Wing.

The internal audit of PWD is conducted by the Internal Audit Wing headed by the Joint Director of Accounts. The department had not prepared its own Internal Audit Manual specifying the duties and responsibilities of the internal auditors, the percentage of checks to be exercised for various items of works, periodicity of audit, procedure for settlement of internal audit objections etc. It was noticed in audit that internal audit of only one division in 2007-08 and two divisions in 2008-09 were conducted while no internal audit was conducted in 2009-10. No pursuance of objections raised in the internal audit reports was done for their settlement. The inadequate internal audit and lack of follow up of internal audit reports contributed to the failure of the system of monitoring and checks.

#### **3.1.9.2 Inspection of sub-divisional offices**

As per para 4.2.6 of the CPWA Code, the Divisional Accountant (DA) is required to periodically inspect and check the records of sub-divisional offices. Scrutiny in audit revealed that the DAs of six divisions\* had not conducted the inspections.

#### **3.1.9.3 Surprise checks of cash balances**

As per the instructions issued by the Finance Department, surprise checks of cash balances have to be carried out once in every quarter by an officer other than the head of the office in addition to the monthly physical verification of cash by the head of office. Scrutiny revealed that in none of the units checked in audit had such prescribed surprise checks been carried out.

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\* Division No-II, IV, X, XII, XVIII and XIX.

### 3.1.9.4 Non-reconciliation of remittances

*Regular reconciliation of remittances was not carried out by the department*

As per para 22.3.1 of the CPWA Code, the department has to conduct monthly reconciliation of remittances with the Government treasury. Scrutiny revealed that 162 challans amounting to ₹ 7.45 lakh remitted but not recorded in the treasury accounts were not reconciled with the treasury by 10 divisions\*. Out of these 162 challans, 139 challans amounting to ₹ 3.10 lakh were pending reconciliation for more than five years.

The non-reconciliation of remittances, absence of surprise check of cash balances, inadequate internal audit and inspection of sub-divisions indicated weak internal controls in the department.

### 3.1.10 Conclusion

Financial management of the department was inadequate with lack of proper budgetary control such as non-surrender of anticipated savings, rush of expenditure at the fag end of year and excess repayment of loan. Further, non-cancellation of time barred cheques, non-refund of security deposits and earnest money deposits to contractors also reflected poor financial management. Programme implementation suffered from delays in award and completion of works, non-issue of works completion certificates etc. Non-conducting of surprise checks of cash balances, inadequate internal audit indicated weak internal controls in the department.

### 3.1.11 Recommendations

- Five Year Plans should be prepared on the basis of surveys and the Annual Plans should flow from the Five Year Plans.
- While making provision of funds, the department should dovetail the anticipated expenditure with the schemes drawn up in the Annual Plans.
- Bank guarantees obtained in lieu of security deposit should be renewed in a time-bound manner.
- The system of issue of work completion certificates should be reviewed to ensure issue of certificates as per the Manual provisions.
- Tender notices should be posted in the website and action should be initiated for e-tendering of works.

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\* Division No – II, IV, VII, VIII, XIII, XV, XVI, XIX, XXIII and XXV.

## CHAPTER-IV

### REVENUE RECEIPTS

#### 4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by Government of Goa during the year 2009-10, the State's share of net proceeds of divisible Union taxes and duties assigned to States and grants-in-aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(₹ in crore)

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	<b>Revenue raised by the State Government</b>					
	• Tax revenue	1096.49	1291.54	1358.91	1693.55	1762.34
	• Non-tax revenue	761.16	917.62	1042.82	1236.16	1731.20
	<b>Total</b>	<b>1857.65</b>	<b>2209.16</b>	<b>2401.73</b>	<b>2929.71</b>	<b>3493.54</b>
2	<b>Receipts from the Government of India</b>					
	• Share of net proceeds of divisible Union taxes and duties	244.70	312.11	393.72	415.44	427.42
	• Grants-in-aid	66.52	88.49	148.45	183.12	179.31
	<b>Total</b>	<b>311.22</b>	<b>400.60</b>	<b>542.17</b>	<b>598.56</b>	<b>606.73</b>
3	<b>Total revenue receipts of the State Government (1 and 2)</b>	<b>2168.87</b>	<b>2609.76</b>	<b>2943.90</b>	<b>3528.27</b>	<b>4100.27</b>
4	<b>Percentage of 1 to 3</b>	<b>86</b>	<b>85</b>	<b>82</b>	<b>83</b>	<b>85</b>

The above table indicates that during the year 2009-10, the revenue raised by the State Government (₹ 3,494 crore) was 85 per cent of the total revenue receipts against 83 per cent in the preceding year. The balance 15 per cent of receipts during 2009-10 was from the Government of India.

4.1.2 The following table presents the details of tax revenue raised during the period from 2005-06 to 2009-10:

(₹ in crore)

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) or decrease (-) in 2009-10 over 2008-09
1	Sales tax/Central sales tax/VAT	743.31	844.82	879.28	1131.64	1142.13	(+) 0.93
2	State excise	55.35	57.23	75.94	88.70	104.46	(+) 17.77
3	<b>Stamp duty and registration fees</b>						
	Stamps Judicial	0.98	1.08	1.29	1.18	1.28	(+) 8.47
	Stamps Non-Judicial	40.61	66.50	65.90	67.11	67.66	(+) 0.82
	Registration fees	18.90	48.34	50.40	47.08	42.31	(-) 10.13
	<b>Total</b>	<b>60.49</b>	<b>115.92</b>	<b>117.59</b>	<b>115.37</b>	<b>111.25</b>	(-) 3.57
4	Luxury tax	29.92	42.73	66.94	66.32	65.33	(-) 1.49
5	Taxes on vehicles	63.84	74.56	81.96	90.15	105.12	(+) 16.61
6	Entertainment tax	5.18	5.09	11.17	19.65	33.56	(+) 70.79

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7	Land revenue	5.08	6.23	7.19	9.39	10.61	(+) 12.99
8	Taxes on goods and passengers	7.41	8.66	8.50	9.80	10.37	(+) 5.82
9	Entry Tax	123.39	129.36	104.22	147.65	150.36	(+) 1.84
10	Other taxes and duties on commodities and services	2.52	6.94	6.12	14.88	29.15	(+) 95.90
<b>Total</b>		<b>1096.49</b>	<b>1291.54</b>	<b>1358.91</b>	<b>1693.55</b>	<b>1762.34</b>	<b>(+) 4.06</b>

The following reasons for variation were reported by the concerned departments:

**Sales tax/Central sales tax/VAT:** The increase was due to more receipts under Central sales tax.

**State excise:** The increase was mainly due to more receipts under Malt liquor, Indian Made Foreign liquor, spirits and licenses.

**Taxes on vehicles:** The increase was mainly due to more tax collection under the Indian Motor Vehicles Act and State Motor Vehicles Taxation Act.

**Entertainment tax:** The increase was mainly due to more receipts under entertainment tax.

**4.1.3** The following table presents the details of the major non-tax revenue raised during the period 2005-06 to 2009-10:

*(₹ in crore)*

Sl. No.	Head of revenue	2005-06	2006-07	2007-08	2008-09	2009-10	Percentage of increase (+) or decrease (-) in 2009-10 over 2008-09
1	Power	594.91	681.67	796.26	986.70	941.30	(-) 4.60
2	Non-ferrous mining and metallurgical industries	27.15	34.30	36.40	36.35	292.25	(+) 703.99
3	Water Supply and Sanitation	57.25	58.09	61.23	65.76	70.38	(+) 7.03
4	Interest receipts	12.95	15.60	16.70	20.45	13.64	(-) 33.30
5	Major and Medium Irrigation	10.32	2.93	3.56	8.51	10.57	(+) 24.21
6	Minor Irrigation	1.48	0.78	0.58	7.54	6.69	(-) 11.27
7	Medical and public health	12.67	9.06	8.33	8.30	5.98	(-) 27.95
8	Ports and Light houses	14.30	16.85	14.39	16.04	20.13	(+) 25.50
9	Misc. General Services	--	0.06	40.38	--	259.88	(+) 259.88
10	Other Administrative services	5.52	62.68	22.16	37.46	40.50	(+) 8.12
11	Education, sports, art and culture	4.78	10.57	9.40	9.24	10.96	(+) 18.61
12	Others	19.83	25.03	33.43	39.81	58.92	(+) 48.00
<b>Total</b>		<b>761.16</b>	<b>917.62</b>	<b>1042.82</b>	<b>1236.16</b>	<b>1731.20</b>	<b>(+) 40.05</b>

The following reasons for variation were reported by the concerned departments:

**Power:** The decrease was due to less receipt under “other receipts”.

**Non-ferrous and metallurgical industries:** The increase was mainly due to more receipts collected under mineral concession fees and royalties.

**Interest receipts:** The decrease was mainly due to less interest receipt from investment of cash balances.

**Water supply and sanitation:** The increase was mainly due to more receipts under rural water supply scheme.

**Ports and light houses:** The increase was mainly due to more receipts under other receipts.

**Medical and public health:** The decrease was mainly due to less receipts from Employees State Insurance Scheme.

#### 4.1.4 Variation between the budget estimates and actual receipts

The variation between the budget estimates of revenue receipts and the actual receipts under the principal heads of tax and non-tax revenue for the year 2009-10 is mentioned below:

(₹ in crore)

Sl. No.	Revenue head	Budget estimates	Actual receipts	Variations increase (+) shortfall (-)	Percentage
<b>• Tax revenue</b>					
1	Sales tax/VAT	1257.70	1142.13	(-) 115.57	(-) 9.19
2	State excise	88.00	104.46	(+) 16.46	(+) 18.70
3	Stamp duty and registration fees	112.97	111.25	(-) 1.72	(-) 1.52
4	Taxes on vehicles	103.21	105.12	(+) 1.91	(+) 1.85
5	Entertainment tax	15.00	33.56	(+) 18.56	(+) 123.73
6	Land revenue	6.97	10.61	(+) 3.64	(+) 52.22
7	Luxury tax	75.00	65.33	(-) 9.67	(-) 12.89
8	Taxes on goods and passengers	12.00	10.37	(-) 1.63	(-) 13.58
9	Entry tax	100.00	150.36	(+) 50.36	(+) 50.36
<b>• Non-tax revenue</b>					
1	Non-ferrous mining and metallurgical industries	29.60	292.25	(+) 262.65	(+) 887.33
2	Power	1069.24	941.30	(-) 127.94	(-) 11.97
3	Water supply and sanitation	115.53	70.38	(-) 45.15	(-) 39.08

The following reasons for variation were reported by the concerned departments:

**State Excise:** Due to issue of additional foreign liquor licenses on the existing licensed premises, re-structuring/upward revision of excise duties on IMFL, beer and wines based on the MRPs and re-structuring/upward revision of levies for recording of labels/renewal of labels of various brand of liquors.

**Sales Tax/VAT:** Due to reduction in the price of furnace oil, naphtha, petrol etc., closure of steel industries and recession in sale of commercial vehicles from April 2009 to November 2009.

**Taxes on goods and passengers:** Mainly due to non-payment of tax by public transport owners due to non-use of vehicles for particular periods during the year.

**Non-ferrous and metallurgical industries:** Mainly due to shifting of royalty collection rates from unit basis to ad-valorem basis and increase in export of minerals.

**Power:** Mainly due to less receipt of unscheduled interchange charges.

The reasons for variation are awaited from other departments (October 2010).

#### **4.1.5 Cost of collection**

The gross collection of major revenue receipts, expenditure incurred on collection and the percentage of such expenditure to gross collection during the years 2007-08 to 2009-10 alongwith the relevant all-India average percentage of expenditure on collection to gross collections for 2008-09 are mentioned below.

*(₹ in crore)*

Sl. No.	Head of revenue	Year	Gross collection	Expenditure on collection	Percentage of expenditure to gross collection	All India average percentage for the year 2008-09
1	Sales tax/VAT	2007-08	879.28	4.63	0.53	0.88
		2008-09	1131.64	5.82	0.51	
		2009-10	1142.13	7.15	0.63	
2	State excise	2007-08	75.94	3.76	4.95	3.66
		2008-09	88.70	5.85	6.60	
		2009-10	104.46	8.17	7.82	
3	Stamp duty and registration fees	2007-08	117.59	3.34	2.84	2.77
		2008-09	115.37	3.51	3.04	
		2009-10	111.25	4.45	4.00	
4	Taxes on vehicles	2007-08	81.96	1.30	1.59	2.93
		2008-09	90.15	1.75	1.94	
		2009-10	105.12	2.21	2.10	

**The percentage of expenditure to gross collection was higher than the all India average in respect of State excise and Stamp duty and registration fees. The Government may explore possibilities for reduction in the collection charges.**

#### 4.1.6 Failure of senior officials to enforce accountability and protect the interest of the State Government

The Accountant General, Goa (AG) conducts periodical inspection of the Government departments to test-check the transactions and verify the maintenance of the important accounts and other records as prescribed in the rules and procedures. These inspections are followed up with the inspection reports (IRs) incorporating irregularities detected during the inspection and not settled on the spot, which are issued to the heads of the offices inspected with copies to the next higher authorities for taking prompt corrective action. The heads of the offices/Government are required to promptly comply with the observations contained in the IRs, rectify the defects and omissions and report compliance through initial reply to the AG within one month from the date of issue of the IRs. Serious financial irregularities are reported to the heads of the departments and the Government.

A review of inspection reports issued upto December 2009 disclosed that 154 paragraphs involving ₹ 13.98 crore relating to 73 IRs remained outstanding at the end of June 2010 as mentioned below along with the corresponding figures for the preceding two years.

	June 2008	June 2009	June 2010
Number of outstanding IRs	69	90	73
Number of outstanding Audit observations	184	274	154
Amount involved (₹ in crore)	28.30	30.20	13.98

The department-wise details of the IRs and audit observations outstanding as on 30 June 2010 and the amounts involved are mentioned below.

(₹ in crore)

Sl. No.	Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved (₹ in crore)
1	Finance	Sales tax/VAT	13	34	3.62
		Entry tax	4	18	0.14
		Luxury tax	5	14	1.05
		Entertainment tax	9	13	0.24
2	Excise	State excise	20	33	1.12
3	Revenue	Land revenue	6	13	0.17
4	Transport	Taxes on motor vehicles	7	13	0.39
5	Stamps and registration	Stamp duty & registration fee	9	16	7.25
<b>Total</b>			<b>73</b>	<b>154</b>	<b>13.98</b>

Even the first replies required to be received from the heads of offices within one month from the date of issue of the IRs were not received for 27 IRs

issued upto December 2009. This large pendency of the IRs due to non-receipt of the replies is indicative of the fact that the heads of offices and heads of the departments failed to initiate action to rectify the defects, omissions and irregularities pointed out by the AG in the IRs.

**It is recommended that the Government takes suitable steps to install an effective procedure for prompt and appropriate response to audit observations as well as taking action against officials/officers who fail to send replies to the IRs/paragraphs as per the prescribed time schedules and also fail to take action to recover loss/outstanding demand in a time-bound manner.**

#### **4.1.7 Departmental audit committee meetings**

The details of the audit committee meetings held during the year 2009-10 and the paragraphs settled are mentioned below:

*(₹ in lakh)*

Department	Number of meetings held	Number of paragraphs settled		Amount
		IRs	Paras	
State excise	1	5	9	2.00
Taxes on vehicles	1	1	7	8.00
<b>Total</b>	<b>2</b>	<b>6</b>	<b>16</b>	<b>10.00</b>

#### **4.1.8 Response of the departments to the draft audit paragraphs**

The draft paragraphs/reviews proposed for inclusion in the Audit Report are forwarded by the AG to Secretaries of the concerned departments through demi-official letters. All departments are required to furnish their remarks on the draft paragraphs/reviews within six weeks of their receipt. The fact of non-receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Five paragraphs and one review proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2010 were forwarded to the concerned Secretaries during March-July 2010.

Reply to one paragraph was received and considered while finalising the Report (September 2010). The remaining cases have been included in this Report without receiving the reply of the Government.

#### **4.1.9 Follow up on Audit Reports – summarised position**

According to the instruction issued by the Goa Legislature Secretariat in July 2004, administrative departments are required to furnish explanatory memoranda (EMs), vetted by the Office of the Accountant General, Goa, within three months from the date of tabling of the Audit Report in the State Legislature in respect of the paragraphs included in the Audit Reports. EMs



were not received as of August 2010 in respect of 13 paragraphs from the administrative departments, as shown below:

Department	Year of Audit Report	Date of presentation to the Legislature	Last date by which departmental notes were due	Number of paragraphs for which departmental notes were due	Delay (months)
Public Works Department	2006-07	August 2008	November 2008	1	21
Finance	2007-08	March 2009	June 2009	5	14
Transport	2007-08	March 2009	June 2009	1	14
Revenue	2007-08	March 2009	June 2009	1	14
Finance	2008-09	March 2010	June 2010	3	2
Transport	2008-09	March 2010	June 2010	1	2
Revenue	2008-09	March 2010	June 2010	1	2

#### 4.1.10 Compliance with the earlier Audit Reports

In the Audit Reports 2004-05 to 2008-09, 1,296 cases of non-assessments, non/short levy of taxes etc., were included involving ₹ 157.74 crore. Of these, as of June 2010, the departments concerned have accepted 243 cases involving ₹ 22.34 crore and recovered ₹ 62.58 lakh in 239 cases. Audit Report-wise details of cases accepted and amounts recovered are as under:

(₹ in lakh)

Audit Report	Included in the Audit Report		Accepted by the Department		Recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2004-05	1	111.96	-	-	-	-
2005-06	5	469.30	3	55.16	3	55.16
2006-07	8	3391.63	3	37.69	-	-
2007-08	184	2509.11	1	2134.00	-	-
2008-09	1098	9291.83	236	7.42	236	7.42
<b>Total</b>	<b>1296</b>	<b>15773.83</b>	<b>243</b>	<b>2234.27</b>	<b>239</b>	<b>62.58</b>

#### 4.1.11 Analysis of the mechanism for dealing with the issues raised by Audit

In order to analyse the system of addressing the issues highlighted in the Inspection Reports/Audit Reports by the Department/Government, the action taken on the paragraphs and reviews included in the Audit Reports of the last five years in respect of **one Department** is evaluated and included in each Audit Report.

The succeeding paragraphs 4.1.12 to 4.1.13.2 discusses the performance of the **Transport Department** to deal with the cases detected in the course of local audit conducted during the last five years and also the cases included in the Audit Reports for the years 1999-2000 to 2008-09.

#### **4.1.12 Position of Inspection Reports**

The summarised position of inspection reports issued during the last five years, paragraphs included in these reports and their status as on 31 March 2010 are tabulated below:

*(₹ in lakh)*

Year	Opening balance			Addition during the year			Clearance during the year			Closing balance during the year		
	IRs	Paragraphs	Money value	IRs	Paragraphs	Money value	IRs	Paragraphs	Money value	IRs	Paragraphs	Money value
2005-06	4	4	4.09	-	-	-	-	-	-	4	4	4.09
2006-07	4	4	4.09	5	8	109.65	-	-	-	9	12	113.74
2007-08	9	12	113.74	5	25	27.28	6	8	29.58	8	29	111.44
2008-09	8	29	111.44	-	-	-	-	-	-	8	29	111.44
2009-10	8	29	111.44	7	16	38.28	6	28	109.95	9	17	39.77

During the year one Audit Committee meeting was held in which one IR and seven paras were discussed and settled.

#### **4.1.13 Assurances given by the Department/Government on the issues highlighted in the Audit Report**

##### **4.1.13.1 Recovery of accepted cases**

The position of paragraphs included in the Audit Reports of the last 10 years, those accepted by the Department and the amount recovered are mentioned below:

*(₹ in lakh)*

Year of Audit Report	Number of paragraphs included	Money value of the paragraphs	Number of paragraphs accepted including money value	Money value of accepted paragraphs	Amount recovered	Cumulative position of recovery of accepted cases
2001-02	1	122.00	1	122.00	122.00	122.00
2002-03	-	-	-	-	-	122.00
2003-04	-	-	-	-	-	122.00
2004-05	-	-	-	-	-	122.00
2005-06	-	-	-	-	-	122.00
2006-07	-	-	-	-	-	122.00
2007-08	1	43.50	-	-	-	122.00
2008-09	-	-	-	-	-	122.00
<b>Total</b>	<b>2</b>	<b>165.50</b>	<b>1</b>	<b>122.00</b>	<b>122.00</b>	<b>122.00</b>

Periodical reminders were issued to the Secretary (Legislature/Finance) for the compliance of paragraphs appeared in the Audit Reports and for Action Taken Reports wherein there are Public Accounts Committee recommendations.

##### **4.1.13.2 Action taken on the recommendations accepted by the Department/Government**

The draft performance reviews conducted by the AG are forwarded to the concerned department/Government for their information with a request to furnish their replies. These reviews are also discussed in an exit conference and the department's/Government's views are included while finalising the reviews for the Audit Reports.

The following paragraphs discuss the issues highlighted in the reviews on the Transport department featured in the last 10 Audit Reports including the recommendations and action taken by the department on the recommendations accepted by it as well as the Government.

Year of Audit Report	Name of the review	Number of recommendations	Details of the recommendations accepted
2007-08	Working of e-RTA and e-Transport software in Transport Department	Six	Replies awaited
2008-09	Receipt of Transport Department	Four	Replies awaited

#### 4.1.14 Audit Planning

The unit offices under various departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations and other parameters. The annual plan is prepared on the basis of risk analysis which *inter alia* include critical issues in government revenues and tax administration i.e. Budget speech, White Paper on state finances, reports of the Finance Commission (State and Central), recommendations of the Taxation Reforms Committee, 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 2009-10, the audit universe comprised of 143 auditable units, of which 54 units were planned and audited during the year 2009-10 which is 38 per cent of the total auditable units.

Besides the compliance audit mentioned above, one performance review on Transition from Sales Tax to Value Added Tax was taken up to examine the efficacy of the tax administration of these receipts.

#### 4.1.15 Arrears in assessments

There were no arrears in VAT assessments at the end of 2009-10 as informed by the Commercial Taxes Department.

#### 4.1.16 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2009-10, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2010 are as mentioned below:

Opening balance	No. of appeals filed during 2009-10	Total	No. of appeals disposed of during the year	Balance as on 31 March 2010	Percentage of cases disposed of to total number of cases
830	457	1287	265	1022	21

The Department needs to take proactive steps to reduce the pendency in appeals.

#### **4.1.17 Frauds and evasion**

The Commissionerate of Commercial Taxes and Director of Transport reported that there were no cases of frauds and evasion detected during the year.

The number of cases booked for the year 2009-10, cases finalised and additional tax raised during the year as reported by the Commissionerate of Excise are as follows:

*(₹ in lakh)*

	Number of cases	Additional demand raised
A. (i) Cases pending as on 1 April 2009	18	-
(ii) Cases detected during the year 2009-10	327	1.63
B. Cases in which investigations/assessments were completed during the year	319	1.49
C. Cases pending as on 31 March 2010	26	-

#### **4.1.18 Internal audit**

Internal audit is an effective tool in the hands of the management of an organisation to assure itself that the organisation is functioning in an efficient manner and in terms of its stated objectives and the financial and administrative systems and control procedures are functioning effectively.

Internal audit of all the departments and offices in the State is the responsibility of the internal inspection cell (IIC) under the administrative control of the Director of Accounts. The Government, in August 1996, decided that major departments, having a post of Senior Accounts Officer/Accounts Officer would be responsible for internal inspection of their subordinate offices.

The details of the number of offices due for audit and number of offices audited during the year 2009-10 are as mentioned below:

Department	No. of offices due for audit	No. of offices audited	Shortfall	Reasons for shortfall
Transport	7 Offices & 4 Check posts	7 Offices & 4 Check posts	-	-
Registration	13	11	2	Shortage of time
Excise	3	3	-	-

The details of observations made by internal audit and their clearance upto the end of 2009-10 are as follows:

(₹ in lakh)

Department	Observations relating to the year	Observations pending settlement/made during the year		Observations settled during 2009-10		Observations pending at the end of 2009-10	
		Number	Amount	Number	Amount	Number	Amount
Registration	Upto 2008-09	--	--	--	--	--	--
	2009-10	70	-- <sup>♦</sup>	27	-- <sup>♦</sup>	43	-- <sup>♦</sup>
	<b>Total</b>	<b>70</b>	<b>--</b>	<b>27</b>	<b>--</b>	<b>43</b>	<b>--</b>
Excise	Upto 2008-09	1	1.50	--	--	1	1.50
	2009-10	--	--	1	1.50	--	--
	<b>Total</b>	<b>1</b>	<b>1.50</b>	<b>1</b>	<b>1.50</b>	<b>--</b>	<b>--</b>
Transport	Upto 2008-09	2	780 <sup>¥</sup>	2	780 <sup>¥</sup>	--	--
	2009-10	1	580 <sup>£</sup>	1	580 <sup>£</sup>	--	--
	<b>Total</b>	<b>3</b>	<b>1360</b>	<b>3</b>	<b>1360</b>	<b>--</b>	<b>--</b>

The Commissionerate of Commercial Taxes have stated that no internal audits were conducted by the department. No observations were pending in respect of Transport Department.

#### 4.1.19 Position of local audit conducted during the year

Test-check of records of Sales Tax/VAT, Land Revenue, State Excise, Motor Vehicles Tax and Stamps and Registration Fees conducted during 2009-10 revealed under assessment/short levy/loss of revenue amounting to ₹ 4.45 crore in 116 cases. The Department accepted under assessment of ₹ 30 lakh in 28 cases pointed out in earlier years and short assessment of ₹ 14 lakh in 17 cases pointed out during the year and recovered ₹ 44 lakh as of June 2010 in 45 cases. No replies have been received in respect of the remaining cases.

#### 4.1.20 This Report

This report contains four paragraphs (selected from the audit detections made during the local audit referred to above and during earlier years which could not be included in earlier reports) and one performance review on Transition from Sales Tax to Value Added Tax. The Departments have accepted audit observations involving ₹ 86.20 lakh out of which ₹ 2.69 lakh has been recovered.

<sup>♦</sup> Information awaited.

<sup>¥</sup> ₹ 780.

<sup>£</sup> ₹ 580.

## CHAPTER-IV

### FINANCE DEPARTMENT

#### 4.2 Review of transition from sales tax to value added tax

##### Highlights

- There was a delay of two years in computerisation after implementation of Value Added Tax.

*(Paragraph 4.2.7.3)*

- In the absence of staff, check posts were not operational though notified in March 2005.

*(Paragraph 4.2.7.4)*

- Delay in completion of assessments under the repealed Act delayed assessments under VAT.

*(Paragraph 4.2.7.6)*

- Delay in submission of returns was rampant. There was no mechanism for monitoring timely submission of returns in the initial years.

*(Paragraph 4.2.9.1)*

- The Goa Value Added Tax Act did not provide for submission of any supporting documents for claims for input tax credit as deduction from tax payable and claims were accepted as submitted by the dealer except in cases selected for detailed assessment.

*(Paragraph 4.2.9.5)*

- In the absence of provisions laying down minimum number of cases to be selected for tax audit, only 2.19 *per cent* of total number of dealers were selected.

*(Paragraph 4.2.10.1)*

##### 4.2.1 Introduction

The Government of India, Ministry of Finance, constituted an Empowered Committee of State Finance Ministers to resolve the variations in the State Sales Tax Acts and to introduce State level Value Added Tax (VAT).

The Empowered Committee had issued a White Paper in January 2005 defining the basic designs of the State level VAT. The White Paper, however, allowed the states to adopt appropriate variations in their VAT Acts, consistent with the basic design. The major designs put forth in the White Paper were:

- ❖ The manufacturers and traders (dealers) will be given input tax credit for purchase of inputs – including that on capital goods – meant for use in manufacture or resale.
- ❖ Input tax credit remaining unadjusted till the end of the second year will be refunded to the dealers.

- ❖ The dealers will submit self assessment returns declaring their tax liability under the state level VAT. The Government will consider these self assessment returns as deemed assessment, except where the notice for audit of books of accounts of the dealer was issued within the prescribed period.
- ❖ Audit of books of accounts of the dealer will be de-linked from tax collection wing to remove any bias.
- ❖ The existing incentives will be continued in a manner deemed appropriate by the State, after ensuring that the VAT chain is not affected.
- ❖ Taxes such as turnover tax, surcharge, additional surcharge and special additional tax would be abolished. The Central Sales Tax (CST) would also be phased out.

The Goa Value Added Tax (GVAT) Act, 2005 was passed by the Legislative Assembly of Goa on 13 January 2005 and assented by the President of India on 31 March 2005. The Act was published in the Official Gazette dated 31 March 2005 and was implemented in the State of Goa with effect from 1 April 2005 repealing the Goa Sales Tax Act, 1964.

Some of the differences between the GVAT Act and the repealed Act were:

- ❖ While VAT is a multipoint taxation system, the repealed Act had a single point taxation system.
- ❖ The VAT system relies more on the dealers to pay tax willingly and submit self assessed returns and no supporting documents need be produced, whereas under the repealed Act, supporting documents were required to be produced along with the returns.
- ❖ The GVAT Act provided for selection of 'upto 20 per cent' of the total number of dealers for tax audit, whereas under the repealed Act hundred per cent dealers were required to be assessed.

Levy and collection of VAT in the state of Goa is governed by GVAT Act, 2005 and the Goa Value Added Tax Rules, 2005 (GVATR) made thereunder. Under the GVAT Act, tax is levied on the turnover of sales of goods as per rates specified in the Schedules referred to in Section 5 of the Act.

The rates of tax prescribed were:

- In respect of goods specified in Schedule 'A', one paise in a rupee.
- In respect of goods specified in Schedule 'B', four paise in a rupee.
- In respect of goods specified in Schedule 'C', the rates varied from 15 paise to 22 paise in a rupee.
- Goods specified in Schedule 'D' were exempt from tax, and all other goods were chargeable at 12.5 paise in a rupee.

Section 7 of the GVAT Act also provided a reduced rate of tax, as composition, to dealers whose turnover did not exceed a specified limit at the

rates specified in Schedule 'E'. The original turnover limit of ₹ 40 lakh has been increased to ₹ 50 lakh in April 2006 and ₹ 80 lakh in July 2009.

All the existing dealers under the Sales Tax Act were automatically registered under the VAT Act and provided with Tax Identification Number (TIN).

#### **4.2.2 Organisational set-up**

There is no separate department to administer the VAT Act in the State. The Commissioner of Commercial Taxes who heads the Commercial Taxes Department administers the GVAT Act, alongwith other taxes such as luxury tax, entertainment tax and entry tax. He is assisted by an Additional Commissioner and six Assistant Commissioners, 19 Commercial Tax Officers and 27 Assistant Commercial Tax Officers. There are seven wards headed by Commercial Tax Officers, located at different talukas of Goa, for registering the dealers, levying, assessing and collecting the tax.

#### **4.2.3 Audit objectives**

This review aimed to ascertain whether

- ❖ planning for implementation and transition from the Sales tax Act to the GVAT Act was effected timely and efficiently;
- ❖ the organisational structure was adequate and effective;
- ❖ the provisions of the GVAT Act and Rules made thereunder were adequate and enforced properly to safeguard the revenue of the State; and
- ❖ an internal control mechanism existed in the Department and was adequate and effective to prevent leakage of revenue.

#### **4.2.4 Scope and methodology of audit**

The review covered the period from 2005-06 to 2009-10 and was conducted between January and June 2010. During the review, audit verified the preparedness of the Department for the process of transition from Sales Tax to VAT, including steps taken to raise public awareness, training for staff, computerisation of procedures, etc. Assessment of returns for only 2005-06 and 2006-07 were completed by the Department by 31 March 2010. Therefore the review was mainly conducted with reference to the files and records pertaining to assessments for 2005-06 and 2006-07. The records maintained at the office of the Commissioner of Commercial Taxes and all the seven wards\* were test checked.

The average number of live dealers in all the seven wards of the State during the years 2005-07 was 17,228. During the field audit a sample of 10 *per cent* of assessment files of all live dealers was examined. For this, the list of live dealers was obtained from the assessing authorities and every tenth file in the list was examined irrespective of the turnover or tax paid.

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\* Bicholim, Curchorem, Mapusa, Margao, Panaji, Ponda and Vasco.



The criteria adopted for audit were the GVAT Act, GVAT Rules and notifications/circulars/orders issued under the said Act and Rules.

The review revealed a number of systems and compliance deficiencies which are discussed in the subsequent paragraphs.

#### 4.2.5 Acknowledgement

The Indian Audit and Accounts Department acknowledges the co-operation of the Commissioner and all the officers and staff of the Department of Commercial Taxes in providing information and records for audit.

Though a formal Entry conference could not be held, the methodology of the review was discussed with the Commissioner of Commercial Taxes at the time of commencement of the review. The review was forwarded to the Government on 13 July 2010. An Exit conference was held on 16 August 2010 in which audit findings and recommendations were discussed.

#### Audit findings

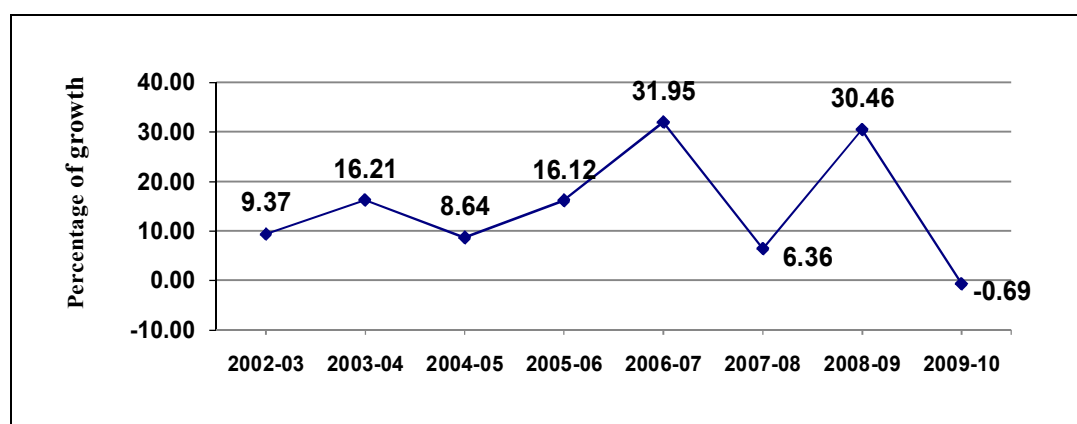
#### 4.2.6 Pre-VAT and post-VAT tax collection

The comparative position of pre-VAT sales tax collection (2002-03 to 2004-05) and post-VAT (2005-06 to 2008-09) tax collection and growth rate in each of the years compared to the previous year is furnished below:

(₹ in crore)

Pre-VAT			Post-VAT		
Year	Actuals	Growth per cent over previous year	Year	Actuals	Growth per cent over previous year
2002-03	396.16	9.37	2005-06	580.81	16.12
2003-04	460.41	16.21	2006-07	766.36	31.95
2004-05	500.20	8.64	2007-08	815.08	6.36
			2008-09	1063.37	30.46
			2009-10	1055.93	(-) 0.69

(Source: Finance Accounts for the respective years.)



The average growth rate during 2002-03 to 2004-05 was 11.41 per cent while the average growth rate for 2005-06 to 2008-09 was 21.22 per cent. Thus, the

average growth rate in the post-VAT period registered an increase of 9.81 *per cent*. The Department attributed the decrease in growth rate during the year 2007-08 to rebates offered in the rates of VAT on petroleum products at the instance of the Government of India so as to reduce the burden of the public due to increase in prices of petroleum products. Further ₹ 66 crore was refunded to a fertilizer manufacturing company during the year for exports.

For these years, the average collection per dealer was as given in the following table:

Year	Actual collection (₹ in crore)	No. of registered dealers	Collection per dealer (₹ in crore)
2002-03	396.16	24268	0.016
2003-04	460.41	26085	0.018
2004-05	500.20	26959	0.019
2005-06	580.81	16708	0.035
2006-07	766.36	17747	0.043
2007-08	815.08	20225	0.040
2008-09	1063.37	22249	0.048

(Source: Information furnished by the Department)

Though the number of registered dealers reduced considerably in the first year after introduction of VAT, it gradually increased in the subsequent years. However, the total number of registered dealers under VAT is still less (22,249 as on 31 March 2009) than the total number of registered dealers (26,959 as on 31 March 2005) under the Sales tax regime.

#### **4.2.7 Preparedness and transitional process**

##### **4.2.7.1 Planning for implementation of VAT**

The GVAT Act, 2005 was implemented with effect from 1 April 2005 replacing the Goa Sales Tax Act, 1964.

The GVAT Rules, 2005 were prepared and notified by the State Government on 31 March 2005.

The Government had also issued notification (March 2005) for establishment of six check posts<sup>♦</sup> at the various entry/exit points of the State to prevent tax evasion.

##### **4.2.7.2 Creation of awareness among stakeholders**

During the initial period before and after introduction of the GVAT Act, the State Government publicised the contents and intents of the Act in local newspapers and held seminars for generating awareness among the stakeholders.

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<sup>♦</sup> Anjunem, Dodamarg, Molem, Naibag, Patradevi and Pollem.

#### **4.2.7.3 Computerisation**

The Empowered Committee of State Finance Ministers through the White Paper had stressed the need for computerisation and pointed out that this was extremely important for document-based verification and integration with the Taxation Information Exchange System as well as with information of the Central Excise and Income Tax Systems.

As a part of planning for introduction of VAT in Goa the Commercial Taxes Department had entered into an agreement in August 2003 with a Pune-based private company for design, development and implementation of IT solutions for VAT using the iCOMITRAX application developed by the agency. This work should have been completed within 18 months of execution of the agreement i.e. by March 2005. However, the work was not completed within the scheduled time and most of the modules were found not functioning. As the agency could not rectify the defects, the contract with the agency was foreclosed. Besides delaying computerisation, the expenditure of ₹ 50.68 lakh incurred in payments made to the agency thus became infructuous. Thereafter the National Informatics Centre, Goa (NIC) was entrusted with the work of implementation of the VATSoft programme developed for the state of Karnataka, in Goa (October 2007). NIC started the work in April 2008 and completed the same within the prescribed period. Due to delay in implementation of computerisation, assessments for the initial two years (2005-06 and 2006-07) were completed without the aid of computerised information. The Department stated (August 2010) that all modules have been completed and are in operation.

#### **4.2.7.4 Manpower management and training for staff**

The same staff deployed for implementation of sales tax were entrusted the work of implementation of VAT in the State. No additional staff were sanctioned specifically for implementation of VAT except for two programmers on contract basis.

Audit observed that although the Government had notified establishment of check posts in March 2005, the same have not been established so far due to want of manpower. The Commissioner stated (May 2010) that the proposal for creation of required posts was pending with the Government.

Training programmes for administration of VAT including the VATSoft package were conducted for the staff to adapt to the VAT regime. The department schedules programmes regularly for this purpose.

#### **4.2.7.5 Compilation of manuals**

For effective implementation of VAT, necessary guidelines were required to be laid down by publication of a manual of instructions for the staff. The Department did not prepare a manual for the guidance of the officials administering VAT in the State.

**4.2.7.6 Completion of assessments under the repealed Act**

As on 31 March 2005, 46,859 cases under the Goa Sales Tax Act were pending assessment. Assessment of these continued upto 31 December 2006 thereby delaying assessment of returns under VAT for 2005-06. The assessment for 2005-06 due to be completed by 31 March 2008 continued upto 31 March 2009 and resulted in delay in assessments of subsequent years. The assessments for the year 2006-07 were completed by 31 March 2010. There are 130 assessments pending as on 28 February 2010. The delay in computerisation affected the timely completion of assessments/scrutiny of VAT returns.

**4.2.7.7 Collection of arrears under the repealed Act**

As on 31 March 2005 tax arrears on account of Local Sales tax and Central Sales tax had accumulated to ₹ 173.63 crore. To speed up recovery of the arrears of tax, the State Government enacted the Goa (Recovery of arrears through Settlement) Act, 2009 in August 2009. Applications under this Scheme were accepted upto 25 November 2009. As per the Scheme:

- i) In case of arrears on account of any order of assessment relating to the specified period and where no review/appeal/revision was preferred against the said order on the date of commencement of the Act, 50 *per cent* of tax in arrears and 50 *per cent* of interest were only to be paid. The balance and penalty in full was waived.
- ii) In case arrears arising on account of any order of assessment relating to the specified period, was disputed either in review or in appeal or in revision or in any other suit or in a writ petition, filed before any court of law on the date of commencement of the Act, such arrears would be settled at the rate of 50 *per cent* of the arrears of tax and 25 *per cent* of the interest only and penalty levied thereof would be waived fully.
- iii) In case arrears arising out of post assessment interest and penalty, the applicant would pay 50 *per cent* of the post assessment interest and the penalty levied thereof would be waived fully.
- iv) Where the arrears had arisen due to non-receipt of declaration forms or certificates, such arrears would be settled at the rate of 50 *per cent* of the arrears of tax only and no interest and penalty would be payable.

Audit observed that out of the total sales tax arrears of ₹ 173.63 crore as on 31 March 2005, ₹ 8.66 crore was settled (₹ 3.45 crore received and ₹ 5.21 crore waived) under the Scheme.

The accumulation of arrears could be attributed to non-pursuance of recoveries in time by the department. By waiving off 50 *per cent* of the tax due by introduction of the settlement scheme the defaulting dealers got the benefit of retention of sales tax recovered from the consumers. The scheme therefore served as an incentive for non-payment of tax in time and would be considered as a disincentive for dealers paying taxes in time. Further, the success of the

settlement scheme was doubtful in view of the poor settlement of the arrears (4.99 per cent).

#### **4.2.8 Registration and database of dealers**

Rule 14 of the GVAT Rules, 2005 laid down the procedure for registration of dealers. The fees payable for registration and renewal of registration were specified in the Schedule appended to the Rules.

Rule 17 of the GVAT Rules laid down the procedure for cancellation of Registration certificate of dealers.

##### **4.2.8.1 Creation of database of dealers**

The Commercial Taxes Department has maintained a database of registered dealers in VATSoft. However, unused TIN were not identified and deleted resulting in inflated number of dealers, without returns.

Audit observed that out of 16,708 dealers registered as on 31 March 2006, no VAT returns were filed by 8,590 dealers as they were not liable to pay VAT on account of falling in the exempted category.

##### **4.2.8.2 Registration and survey of dealers**

Section 18 of the GVAT Act, 2005 provided that no dealer would, while being liable to pay tax under Section 3 or under sub Section (6) of Section 19, be engaged in business as a dealer, unless he possessed a valid certificate of registration as provided in the Act.

As provided in the White Paper all the existing dealers under the Sales Tax Act were automatically registered under the VAT Act and provided with TIN.

Section 76 of the Act provided that with a view to identifying dealers who were liable to pay tax under the Act, but remained unregistered, the Commissioner would from time to time cause a survey of unregistered dealers to be taken. However, audit observed that no targets were fixed by the Commissioner for such surveys. Further, the wards did not maintain any records to indicate details of surveys, if any, conducted.

##### **4.2.8.3 Database of dubious/risky dealers**

The Department had not maintained a database of dubious/risky dealers nor created any database of the dealers having unsatisfactory track records regarding compliance of the requirements of the repealed Act as well as the GVAT Act.

##### **4.2.8.4 Non-registration of casual dealers**

Section 18 read with Section 3(4) of the VAT Act provided that casual dealers with annual turnover more than ₹ 10,000 were also required to be registered under the Act. Audit observed that no casual dealers were registered in any of the wards, although collection of tax proceeds from such dealers were indicated in the departmental records.

#### **4.2.8.5 Non-renewal of registration**

Rule 15 (4) of the GVAT Rules, 2005 provided that the registration initially issued would be valid for a period of three years except for registration certificate issued to a person making application under sub Section (3) of Section 18, which would be valid for the year for which it was granted or for such further period not exceeding one year and was required to be renewed before its expiry by payment of the prescribed fees (ranging from ₹ 1,000 to ₹ 10,000).

Audit observed that as against 16,708 dealers registered as on 31 March 2006, 5008 dealers had not renewed their registration by paying the necessary fees. Though registration certificates were not renewed, returns for subsequent years were also filed by such dealers. Calculated at the minimum rate of ₹ 1,000 the amount recoverable on this account worked out to ₹ 50.08 lakh.

This had also resulted in such dealers carrying on business without having a valid registration certificate and amounted to unauthorised collection of tax attracting penalty under Section 57.

The Department stated (August 2010) that all the renewals would be taken up on priority and it would be ensured that all the pending renewals were completed in a time bound manner shortly.

#### **4.2.9 Deficiencies in the Act and the Rules**

The review revealed a number of deficiencies in the provisions of the VAT Act and the Rules. Some of the important deficiencies are discussed below:

##### **4.2.9.1 Mechanism to monitor filing of returns**

Section 24 of the GVAT Act provided that every registered dealer should file a correct and complete quarterly return in such form, by such date and to such authorities as may be prescribed.

Rule 23 of the GVAT Rules provided that a return to be filed by a registered dealer under Section 24 of the Act, other than those who opted for composition of tax under Section 7 of the Act, should be in Form VAT-III and should be filed within 30 days from the end of each quarter.

Audit observed that there was no mechanism to monitor timely filing of returns. Out of 1,731 cases test checked, in 1,029 cases all or many of the returns were filed late.

Section 46(1) of the GVAT Act provides that a person who failed to file a return or other documents as required by the Act or the Rules made thereunder, was guilty of an offence and liable on conviction to a fine not exceeding ₹ 25,000 or to imprisonment for a term not exceeding three months, or both. No action was initiated for obtaining conviction. The only action taken by the Department in such cases was levy of penalty under Section 55 of the GVAT Act at the time of final assessment/scrutiny. The penalty for delay in filing of returns was only ₹ 500 per quarter (increased to ₹ 1,000 w.e.f.

August 2008) irrespective of the delay. No timely notices were sent to the defaulting dealers to file their returns.

#### **4.2.9.2 Scrutiny and verification of returns**

The White Paper prescribed that every return furnished by the dealer should be scrutinised expeditiously within the prescribed time limit from the date of filing the return. However, no time limit was seen prescribed in the GVAT Act or Rules for completion of scrutiny of returns. Further in the absence of supporting documents, such as copies of accounts and statement of invoices for claims of Input Tax Credit (ITC), the scrutiny of returns was restricted to mere check of arithmetical accuracy leaving no scope to detect evasion of tax, if any.

Audit observed that scrutiny of returns were done only at the time of final verification/assessments and not immediately on submission of each return.

#### **4.2.9.3 Inadequacy of documentation to be given along with the returns**

Section 72 of the GVAT Act required that every person registered under the Act and every dealer or other person liable to get himself registered under the Act should keep and maintain true and correct accounts and such other records, as may be specified by the Commissioner.

Rule 43 of the GVAT Rules specified the records to be maintained by the registered dealers which *inter alia*, includes annual accounts with trading, profit & loss account and balance sheet with schedules.

Though accounts as above were required to be maintained by all dealers, Section 70 of the GVAT Act required only dealers with turnover of over ₹ one crore in a year or whose input tax credit exceeded ₹ 10 lakh in a year to submit their accounts to the assessing authority. A provision for submission of accounts along with an annual return by all dealers would have ensured transparency as envisaged by the Empowered Committee in their White Paper besides facilitating cross verification of details furnished in the returns. In the absence of accounts, miscellaneous income such as sale proceeds of capital assets which are to be included in total turnover may escape VAT.

#### **4.2.9.4 Delay in remittance of tax**

Rule 24 of the GVAT Rules provided that every registered dealer having monthly tax liability exceeding ₹ one lakh, other than those who opted for composition of tax under Section 7 should pay the tax payable under the Act for every month within 20 days of expiry of each month; and in respect of those having monthly tax liability upto ₹ one lakh, the payment should be made within 30 days from the expiry of each month.

Audit observed that out of 1,731 cases test checked, in 544 cases, payments were not made monthly but quarterly/yearly or otherwise.

#### **4.2.9.5 Input Tax Credit**

Section 9 of the GVAT Act provided that subject to such conditions and restrictions as may be prescribed ITC, either partially or wholly, would be allowed for the tax paid during the tax period in respect of goods including capital goods purchased and/or taken on hire or leased to a dealer within Goa, other than those specified in Schedule 'G' and/or such other goods as may be notified by the Government, provided the goods purchased were for sale in Goa or for sale in course of inter-state trade or in course of export outside the territory of India or used by him as raw material/capital goods in the manufacture or processing of taxable goods in Goa or for sale by transfer of right to use.

Audit observed that though the conditions for claiming ITC were prescribed, the Act did not specify any documents to be submitted along with the returns for supporting ITC claims made by the dealers. Out of 1,731 cases test checked, in 459 cases ITC claims were seen accepted without any verification.

#### **4.2.10 Assessments**

##### **4.2.10.1 Tax audit**

Section 29 of the VAT Act provided that the returns submitted by a dealer would be accepted as self assessed. However, the Commissioner may select upto 20 *per cent* of the total number of cases in a year for detailed assessment or the Government may notify a percentage for detailed assessment from time to time.

Audit observed that the Government had not notified any percentage and out of 16,708 live dealers registered as on 31 March 2006 in the State, only 366 cases constituting 2.19 *per cent* were selected for tax audit by the Commissioner. Such low numbers of cases selected for detailed assessment could be attributed to non-provision of a minimum number/percentage in the Act.

Further, as per the prescribed time schedule for completion of assessments, the assessment for 2005-06 should have been completed by March 2008. Audit however observed that out of 366 dealers selected for detailed assessments under Section 29, 94 cases were selected in August/September 2008 and the balance 272 cases in January/February 2009, barely a month prior to the extended time limit for completion of assessments for 2005-06.

The Empowered Committee in its White Paper had stated that a certain percentage of the dealers would be taken up for audit every year on a scientific basis. The Department had not adopted any scientific method for selection of cases for audit. Audit observed that 142 dealers selected for audit of cases pertaining to 2005-06 were again selected for 2006-07. Further, none of the cases of one ward (Bicholim) was selected for audit for 2005-06.



Audit further observed that consequent to tax audit of the selected 366 cases pertaining to the year 2005-06 the department issued demand notices for ₹ 14.94 crore.

#### **4.2.10.2 Acceptance of self assessed cases**

Section 29(3) of the VAT Act provided that no assessment under the Section for any year would be made after a period of two years from the end of the year to which the return under Section 24 was submitted by a dealer. Further, the Commissioner may, if it is considered necessary by him so to do, by notification published in the Official Gazette, extend the period specified by a further period not exceeding one year.

Rule 27 of the GVAT Rules provided that if a registered dealer furnished the return in respect of any tax period within the specified time and the return so furnished was found to be in order, it would be accepted as self-assessed subject to adjustment of any arithmetical mistake apparent on the face of the said return. For ascertaining the correctness of the returns it was necessary that each return be scrutinised and accepted.

In Ponda ward, audit observed that even though the time limit for assessments of returns pertaining to 2005-06 ended on 31 March 2009 (prescribed time extended by one year), out of 40 cases test checked, in the case of 11 dealers, even though the dealer had submitted all the four quarterly returns, either some or all the returns were submitted late. However these cases were not scrutinised and penalty levied. This indicated that assessments for 2005-06 were not completed within the prescribed time. The CTO, Ponda stated that all the four returns were accepted as self-assessed. However there was no indication in the file indicating that the returns were accepted.

#### **4.2.10.3 Non-recovery of interest for delayed payments**

Section 56 of the VAT Act provides for payment of interest @ 15 per cent if the amount demanded after assessment/scrutiny are not paid within 60 days from the date of service of such notices. Audit observed that no such interest was being recovered. Out of 55 cases test checked, in two cases in the Vasco ward, interest not recovered was ₹ 1.01 lakh. The CTO issued demand notices on being pointed out by audit.

#### **4.2.10.4 Rush of assessments**

Audit observed that even though three years were provided for scrutiny/assessments of dealers for 2005-06, a significant number of assessments were done in March 2009.

As against 16,708 dealers for the year 2005-06, assessment/scrutiny of 3,461 cases constituting 20.71 per cent of the total number of scrutiny/assessments done, were done in March 2009. This indicated lack of planning and non-fixation of monthly targets for assessments/scrutiny.

#### **4.2.10.5 Arrears of revenue**

The arrears of revenue pertaining to VAT as on 31 March 2009 was ₹ 64.95 crore.

Rule 41(1) of the GVAT Rules, 2005 provided that when a dealer or a person, from whom any amount of tax or penalty had been demanded by issue of a notice or order, failed to pay the demanded amount within the time specified in the notice or order, or on expiry of extended time, if any, granted for making such payment, the Appropriate Assessing Authority would issue for the purpose of recovery of the arrears from the defaulter or other person responsible for the payment, a certificate for recovery of the amount due in Form VAT-XXIII. The Government of Goa under a notification dated 16 July 2005 had designated the Assistant Commissioners of Commercial Taxes as recovery officers under the Goa Land Revenue Code, 1968 for effecting recoveries under the Act.

This certificate shall be the basis to proceed to recover the amount due as arrears of land revenue, in case such recovery is to be effected by the officer authorised by the Government under Section 64 of the GVAT Act. However, it was observed that Revenue Recovery Certificates were not issued resulting in tax dues remaining unrecovered indefinitely.

#### **4.2.11 Acceptance and disposal of appeal cases**

Sub Section(1) of Section 35 of the GVAT Act, 2005 provided that any person objecting to an order affecting him passed under the provisions of the Act by an authority may appeal to the Appellate Authority as may be prescribed within 60 days from the date of receipt of the order by him.

As per Sub Section(6), after considering the appeal and after affording an opportunity of hearing, the Appellate Authority may allow it in whole or part and amend the assessment or remand it for fresh disposal or dismiss the appeal or enhance the assessment of penalty or other amount.

Audit observed that no time limit was prescribed in the Act for disposal of appeal cases by the Appellate Authorities. As per information obtained from the Appellate Authorities, out of 113 appeals involving ₹ two crore pertaining to VAT filed upto 31 March 2009, 62 cases involving ₹ 63.94 lakh only were disposed of leaving a balance of 51 cases involving ₹ 1.36 crore undisposed for over an year.

#### **4.2.12 Deterrent measures**

Sections 54 to 59 of the GVAT Act, 2005 prescribed the penalties to be levied for various offences. However Section 54 (failure to apply for registration), Section 57 (collection of tax in contravention of provisions of the Act) and Section 58 (failure to maintain proper records in accordance with the provisions of the Act) did not specify any minimum penalty to be levied. This facilitated levying of penalty at the discretion of the assessing authority and, therefore, was not in conformity with the principle of transparency envisaged in the White Paper.

#### **4.2.13 Internal control**

The VAT Act or Rules did not prescribe any registers to be maintained by the Assessing Authorities for monitoring registration, timely submission of returns, timely assessments, details of arrears, etc. Therefore no standard registers were maintained. The computer based monitoring of the above was also not done due to delay in implementation of VATSoft. In the absence of such monitoring records, internal control mechanisms were lacking in the department.

#### **4.2.14 Internal audit**

Internal audit is one of the most vital tools of the internal control mechanism. It is intended to help the management by evaluating the efficiency and effectiveness of the mechanism by independent appraisal of the activities of the organisation/department.

Audit observed that no Internal Audits were conducted in the Department indicating that a very vital component of internal control had not been utilised. The Commissioner of Commercial Taxes stated (March 2010) that due to paucity of adequate trained personnel, the internal audit was not carried out. It was also stated in August 2010 that the proposal to create an Internal audit cell has been recommended to the Government.

#### **4.2.15 Conclusion**

The transition from the Goa Sales Tax to Value Added Tax regime was hampered by lack of systems for control and monitoring. The backlog of assessments pending under the Goa Sales Tax Act further hindered the transition process. While the growth in revenue under VAT and self-assessment by dealers are positive trends in VAT administration, there is an urgent need for closer monitoring of returns and enforcement of penal provisions. Deficiencies in the Act/Rules and its administration indicate need for further strengthening of provisions whereby tax officials can check assessments with access to dealer records. The implementation of all modules of VATSoft is critical for the efficient functioning of VAT administration. Emphasis must be given to sufficient tax audits, better monitoring of returns and payment of taxes and computerisation to realise the full potential and revenue gains under VAT in Goa.

#### **4.2.16 Recommendations**

The Government may consider the following steps for effective implementation of the VAT system:

- ❖ Introduce procedures for effective monitoring of timely submission of quarterly returns and prescribe a time limit for scrutiny of such returns.
- ❖ Amend the GVAT Act to make it mandatory for all dealers to submit an annual return along with final accounts for the year.
- ❖ Select cases for tax audit in a manner so that all the dealers are subjected to audit scrutiny within a specified number of years. To

attain this, a minimum percentage of cases for selection for tax audit is required to be prescribed.

- ❖ Monthly remittance of tax collected may lead to avoidable difficulties in the case of very small dealers. To relieve them of this, monthly remittances may be insisted only for dealers who have a tax liability of over ₹ 1,000 per month.
- ❖ Make provision in the Act for submission of verifiable information along with the returns for supporting claims for Input Tax Credit.

## FINANCE DEPARTMENT

### 4.3 Short levy of value added tax due to incorrect application of rate

**Incorrect application of rate by Assessing Authority resulted in short levy of value added tax of ₹ 54.50 lakh.**

Under the Goa Value Added Tax Act, 2005 (GVAT) mobile phones, CDs and DVDs were taxable at 12.5 *per cent* of turnover upto July 2005 and at four *per cent* for the subsequent period as these were included in Schedule 'B' of the GVAT by notification dated 1 August 2005. The Commissioner of Commercial Taxes further clarified (September and November 2005) that mobile phones, CDs and DVDs were taxable at 12.5 *per cent* upto 31 July 2005 and at four *per cent* from 1 August 2005.

Scrutiny of the records (August 2009) of the Commercial Tax officer, Panaji revealed that two dealers<sup>1</sup> of mobiles phones, CDs and DVDs were assessed for the entire year 2005-06 at four *per cent* instead of at 12.5 *per cent* upto July 2005 and four *per cent* from August 2005. This resulted in short levy of value added tax of ₹ 54.50 lakh.

The Department stated (February 2010) that a re-assessment order was passed in September 2009 demanding ₹ 52.18 lakh from one dealer and the dealer has filed an appeal against the assessment and the other dealer was called for re-assessment.

The matter was referred to the Government (April 2010) and their reply is awaited (September 2010).

### 4.4 Short levy of luxury tax due to incorrect grant of exemption

**Incorrect grant of exemption resulted in short levy of luxury tax of ₹ 8.06 lakh.**

Under the provisions of Section 21 of the Goa Tax on Luxuries Act, (GTLA) 1988, the State Government issued notification (March 2004), exempting luxury tax in excess of three paise in a rupee for luxuries provided in a hotel during the months from March to November every year with effect from 1 April 2004, subject to the condition that the hotelier holds a valid registration certificate/renewal of registration certificate, pays all the taxes in time and clears all undisputed arrears and other dues.

Scrutiny of the assessment records of the Luxury Tax Officer, (LTO) Mapusa, in October 2009 indicated that exemption was allowed to four assessees during the years 2005-06 to 2006-07 though payment of tax was delayed by

<sup>1</sup> Nokia India Pvt. Ltd. and Salora International Limited.

them. This resulted in incorrect grant of exemption and short levy of luxury tax of ₹ 8.06 lakh.

On this being pointed out the LTO, stated that interest was demanded for delayed payment while doing the assessment. It was further stated that since the registration certificates were found received hence the rate applicable during off season was applied. The fact, however remains that exemption was available only to the hoteliers who paid the tax in time and cleared the dues.

The matter was referred to the Government (April 2010) and their reply is awaited (September 2010).

## **REVENUE DEPARTMENT**

### **4.5 Short levy of stamp duty and registration fees**

#### **Undervaluation of land resulted in short levy of stamp duty and registration fees of ₹ 11.75 lakh.**

In exercise of the powers conferred under Rule 4(4)(b) of the Goa Stamp (Determination of true market value of property) Rules 2003, Revenue Department notified (January 2009) taluka-wise minimum land rates (base value) depending upon the settlement zone and area involved.

Scrutiny (January 2010) of records at Civil Registrar-cum-Sub-Registrar, Sanguem indicated that a sale deed was registered in July 2009 in respect of land admeasuring 2,93,725 sq. mtrs. situated at Dharbandora village. This land was valued at the rate of ₹ 25 per sq. mtr. for stamp duty purpose instead of ₹ 100 per sq. mtr. (50 *per cent* less than the base value) as notified. This resulted in undervaluation of land and resultant short levy of stamp duty and registration fees amounting to ₹ 11.75 lakh.

When the matter was referred to the Government (April 2010), the Department (May 2010) stated that the matter was referred to the Collector for recovery of the deficit stamp duty and registration fees.

Further report is awaited (September 2010).

### **4.6 Short levy of stamp duty due to non-application of revised rates**

#### **Failure of the Department to apply revised rates of stamp duty resulted in short levy of ₹ 22.27 lakh.**

By a notification issued on 8 August 2008, the Government revised the stamp duty on conveyance of immovable properties as under:-

- (a) Where the amount or value of the consideration for such conveyance as set forth therein exceeds ₹ 600 but does not exceed ₹ 1,000 the stamp

duty shall be ₹ 20 and for every ₹ 1,000 or part thereof in excess of ₹ 1,000 upto ₹ 50 lakh, the stamp duty shall be ₹ 20.

- (b) Where the amount or the value of the consideration for such conveyance as set forth therein exceeds ₹ 50 lakh, for every ₹ 1,000 or part thereof upto ₹ one crore, the stamp duty shall be ₹ 25.
- (c) Where the amount or value of the consideration for such conveyance as set forth therein exceeds ₹ one crore, for every ₹ 1,000 or part thereof, the stamp duty shall be ₹ 30.

Scrutiny of the records at four<sup>2</sup> Civil Registrar cum Sub Registrar offices between June 2009 and October 2009 revealed that in 16 immovable properties registered on or after 8 August 2008, the Department failed to apply the revised rates of stamp duty resulting in short levy of stamp duty of ₹ 22.27 lakh.

On this being pointed out the Department recovered ₹ 2.69 lakh in four cases and the recovery details in the remaining cases were awaited.

The matter was referred to the Government (March 2010) and their reply is awaited (September 2010).

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<sup>2</sup> Bardez, Ilhas, Mormugao and Salcete.

## CHAPTER - V

### Government Commercial and Trading Activities

#### 5.1 Overview of State Public Sector Undertakings

##### Introduction

**5.1.1** The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Goa, the State PSUs occupy a moderate place in the state economy. The State PSUs registered a turnover of ₹ 440.04 crore for 2009-10 as per their latest finalised accounts as of **September 2010**. This turnover was equal to 1.95 *per cent* of State Gross Domestic Product (GDP) for 2009-10<sup>1</sup>. Major activities of Goa State PSUs are concentrated in Infrastructure development sector. The State PSUs earned a profit of ₹ 26.19 crore in the aggregate for 2009-10 as per their latest finalized accounts. They had employed 3,342 employees\* as of 31 March 2010. The State PSUs do not include two prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings on these DUs have also been incorporated in this chapter.

**5.1.2** As on 31 March 2010, there were 17 PSUs as per the details given below. None of these companies included in these PSUs was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs <sup>ψ</sup>	Total
Government Companies	15	NIL	15
Statutory Corporations	2	NIL	2
<b>Total</b>	<b>17</b>	<b>NIL</b>	<b>17</b>

**5.1.3** During the year 2009-10, no PSUs were established or closed down.

##### Audit Mandate

**5.1.4** Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it

<sup>1</sup> GDP figure for 2000-10 taken as 22512 based on past trend.

\* As per the details provided by 17 PSUs.

<sup>ψ</sup> Non-working PSUs are those which have ceased to carry on their operations.



were a Government company (deemed Government company) as per Section 619-B of the Companies Act. However, the state had no 619-B company.

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

**5.1.6** Audit of statutory corporations is governed by their respective legislations. CAG is the sole auditor for both the statutory corporations viz. Goa Industrial Development Corporation and Goa Information Technology Development Corporation.

### Investment in State PSUs

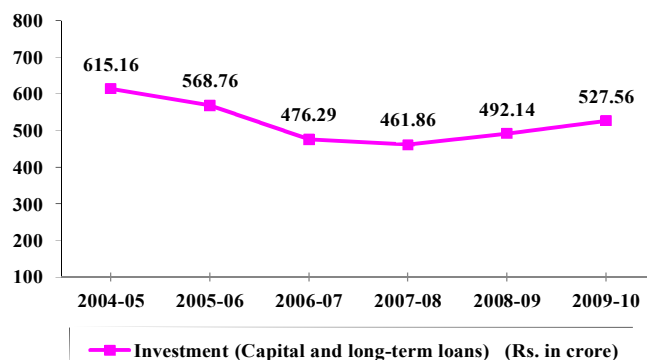
**5.1.7** As on 31 March 2010, the investment (capital and long-term loans) in 17 PSUs was ₹ 527.56 crore as per details given below.

(Amount ₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	251.71	242.69	494.40	33.16	-	33.16	527.56

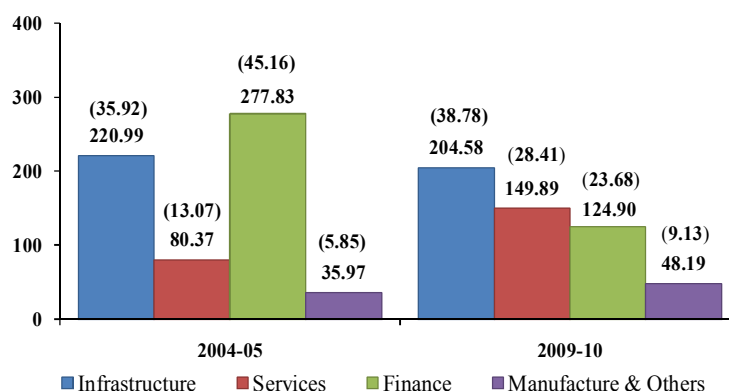
A summarised position of Government investment in State PSUs is detailed in *Appendix 5.1*.

**5.1.8** As on 31 March 2010, investment in State PSUs consisted of 54 *per cent* towards capital and 46 *per cent* in long-term loans. The investment has dropped by 14.24 *per cent* from ₹ 615.16 crore in 2004-05 to ₹ 527.56 crore in 2009-10 as shown in the graph below.



**5.1.9** The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar

chart. The investment in Finance sector was reduced by 55.04 per cent in 2009-10 compared to 2004-05, whereas investment in Service sector and Manufacturing & Others increased by 86.50 per cent and 33.97 per cent respectively.



(Amount: ₹ in crore and figures in brackets show the percentage of total investment)

#### Budgetary outgo, grants/subsidies, guarantees and loans

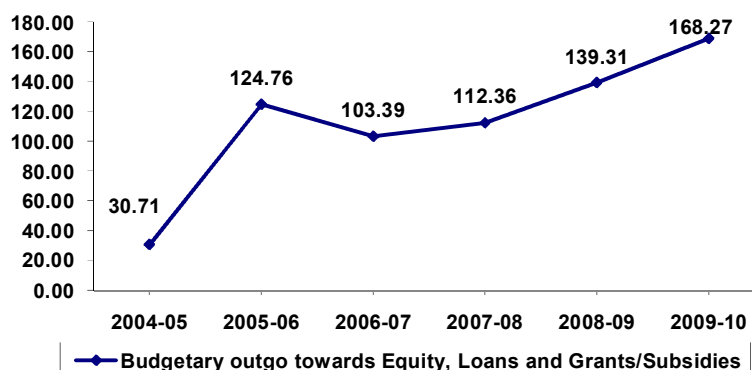
5.1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 5.3**. The summarised details are given below for three years ended 2009-10.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs*	Amount	No. of PSUs*	Amount	No. of PSUs*	Amount
1	Equity Capital outgo from budget 5.3.(a)	7	26.04	3	4.45	6	11.70
2	Loans given from budget	-	NIL	2	6.55	-	NIL
3	Grants/Subsidy received	5	86.32	6	128.31	7	156.57
4	Total Outgo (1+2+3) <sup>2</sup>	10	112.36	9	139.31	10	168.27
5	Guarantee Commitment	3	87.35	4	86.60	3	86.00

\* Number of PSUs represents actual number of PSUs which have received budgetary support from the State Government in the form of equity, loans and grants/subsidy, etc.

5.1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below.



The rising trend of budgetary outgo of the State Government towards Equity contribution, Loans, Grants and Subsidies can be seen up to 2005-06 when the budgetary outgo increased to ₹ 124.76 crore as compared to 2004-05 (₹ 30.71 crore). After marginal decrease of ₹ 21.37 crore in 2006-07, the budgetary outgo again showed increasing trend and stood at ₹ 168.27 crore during 2009-10.

5.1.12 The guarantee commitment by the State Government against the borrowings of State PSUs was showing a declining trend. Guarantees for ₹ 87.35 crore were outstanding as at the end of 2007-08 which came down to ₹ 86 crore at the end of 2009-10. The State Government is usually levying a one time guarantee fee of 0.5 per cent of the amount guaranteed. This, however, was not levied in some cases.

#### Reconciliation with Finance Accounts

5.1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2010 is stated below.

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	217.31	222.87	5.56
Loans	<sup>3</sup>	8.88	-
Guarantees	111.42	86.00	25.42

<sup>3</sup> State Government's loan to State PSUs are extended through the Government Departments. These Government Departments re-allocate the loan funds to different PSUs. Hence, PSU wise figures of State Government loans are not available in the Finance Accounts.

**5.1.14** Audit observed that the differences occurred in respect of 10 PSUs and some of the differences were pending reconciliation since 1998-99. Though the Director of Accounts, Government of Goa as well as the PSUs concerned were appraised by Audit about the need for reconciliation, considerable progress has not been achieved. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

**Performance of PSUs**

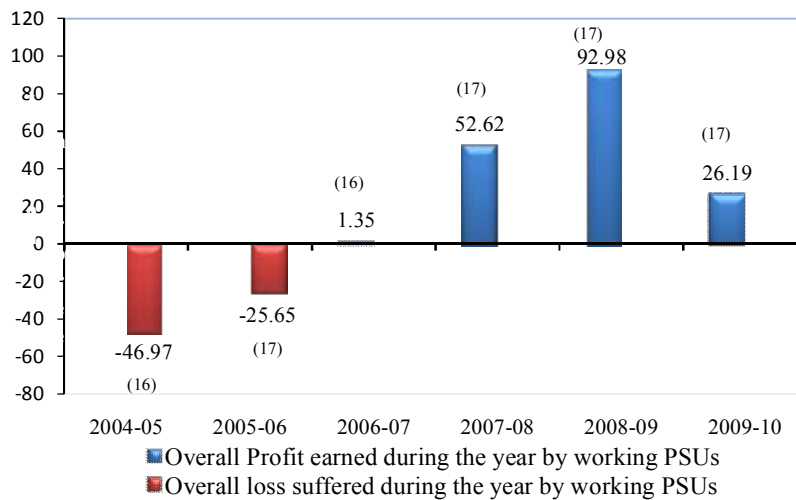
**5.1.15** The financial results of PSUs, financial position and working results of working statutory corporations are detailed in *Appendix 5.2, 5.5 and 5.6*. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover	210.20	303.74	221.11	350.86	459.33	440.04
State GDP	11482	13354	15023	16901	19014	22512
Percentage of Turnover to State GDP	1.83	2.27	1.47	2.08	2.42	1.95

It can be seen from the above that the extent of PSU activities in the State economy showed marginal decline during 2009-10.

**5.1.16** Profit/(loss) earned/(incurred) by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



(Amount: ₹ in crore; Figures in brackets show the number of working PSUs in respective years)

During the year 2009-10, out of 17 PSUs, four PSUs earned a profit of ₹ 47.91 crore and 11 PSUs incurred loss of ₹ 21.72 crore. One working PSU

did not prepare the Profit and Loss Account while the other working PSU had not finalized its first account. The major contributors to profit were EDC Ltd (₹ 30.02 crore) and Goa Industrial Development Corporation (₹ 14.77 crore). Heavy losses were incurred by Kadamba Transport Corporation Limited (₹ 15.60 crore) and Goa Tourism Development Corporation (₹ 1.59 crore).

**5.1.17** The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of ₹ 200.67 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	52.62	92.98	26.19	171.79
Controllable losses as per CAG's Audit Report	158.52	40.25	1.90	200.67

**5.1.18** The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the overall profits of the PSUs can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

**5.1.19** Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed ( <i>Per cent</i> )	1.17	3.74	8.49	15.23	21.64	10.01
Debt	442.66	374.30	256.01	216.54	224.73	242.69
Turnover	210.20	307.74	221.11	350.86	459.33	440.04
Debt/Turnover Ratio	2.11:1	1.22:1	1.16:1	0.62:1	0.49:1	0.55:1
Interest Payments	49.84	40.96	34.15	27.63	27.67	29.20
Accumulated Profits (losses)	(189.11)	(222.65)	(222.53)	(171.70)	(82.46)	(34.56)

**(All PSUs are working PSUs – Figures pertain to all PSUs).**

**5.1.20** The percentage of return on Capital Employed showed a rising trend improving from 1.17 *per cent* in 2004-05 to 21.64 *per cent* in 2008-09 and declined to 10.01 *per cent* in 2009-10. The total debt position also showed improvement as total debts declined from ₹ 442.66 crore in 2004-05 to ₹ 224.73 crore in 2008-09, however increased to ₹ 242.69 crore in 2009-10. The outgo of PSUs towards payment of interest had shown a declining trend up to 2007-08 and stood at ₹ 29.20 crore as on 31 March 2010 showing a marginal increase of ₹ 1.57 crore when compared to 2007-08. The turnover

position showed improving trend up to 2008-09 except for 2006-07 (₹ 221.11 crore) and marginal decline to ₹ 440.04 crore in 2009-10. The debt-turnover ratio improved from 2.11:1 in 2004-05 to 0.55:1 in 2009-10. The position of accumulated losses has improved gradually after 2005-06.

**5.1.21** The State Government has not formulated any dividend policy for payment of any minimum return by PSUs on the paid up share capital contributed by the State Government. As per their latest finalised accounts, four PSUs earned an aggregate profit of ₹ 47.91 crore but two<sup>4</sup> PSUs declared a dividend of ₹ 1.32 crore.

**Arrears in finalisation of accounts**

**5.1.22** The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Number of Working PSUs	17	17	17	17	17
2	Number of accounts finalized during the year	20	12	15	16	16
3	Number of accounts in arrears	21	26	28	29	30
4	Average arrears <i>per</i> PSU (3/1) <i>(upto 2 decimal Pts.)</i>	1.24	1.53	1.65	1.71	1.76
5	Number of Working PSUs with arrears in accounts	13	14	14	13	12
6	Extent of arrears	1 to 5 years	1 to 6 years	1 to 7 years	1 to 7 years	1 to 8 years

**5.1.23** It can be seen from the above that the quantum of arrears in accounts was on the rise and the average stood at more than one account per PSU in the last five years.

**5.1.24** The State Government had invested ₹ 166.90 crore (Equity: ₹ 9.83 crore, Loans: ₹ 0.00 crore and grants/subsidies ₹ 157.07 crore) in nine PSUs during the years for which accounts have not been finalized, as detailed in *Appendix 5.4*. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalization of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

<sup>4</sup> EDC Limited (₹ 1.01 crore) and Goa State Infrastructure Development Corporation Ltd (₹ 0.31 crore).

**5.1.25** The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also taken up (June 2010) with the Chief Secretary/Finance Secretary to expedite the backlog of arrears in accounts in a time bound manner.

**5.1.26 In view of above state of arrears, it is recommended that:**

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

**Accounts Comments and Internal Audit**

**5.1.27** Thirteen working companies forwarded their audited 15 accounts to AG during the year 2009-10, of which 13 accounts were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	2	3.89	2	0.32	2	0.46
2	Increase in loss	4	0.39	5	5.10	3	2.13
3	Non-disclosure of material facts	7	41.18	6	61.85	7	11.03
4	Errors of classification	3	21.30	3	24.79	3	0.03

**5.1.28** During the year 2009-10, the statutory auditors had given unqualified certificates for two accounts, qualified certificates for 13 accounts. None of the PSUs were given adverse comments or disclaimer certificates for their accounts by the CAG or statutory auditors. The compliance of companies with the Accounting Standards remained poor as there were 19 instances of non-compliance in 10 accounts during the year.

**5.1.29** Some of the important comments in respect of accounts of companies are stated below.

**EDC Limited (2008-09)**

- Current liabilities and provisions include ₹ 3.90 crore being sale proceeds received (July 2008) through IFCI, towards company's share on disposal of assets of a defaulted loanee (Vishwas Steel Ltd, a Company jointly financed by IFCI, IDBI and EDC). The entire loan was classified in earlier years as loss assets and categorized as Non-Performing Asset. As the sale proceeds received was not adjusted against loan account, 'Current Liabilities' is overstated with corresponding understatement of profit by ₹ 3.90 crore.
- Current liabilities and provisions were overstated by ₹ 3.13 crore due to inclusion of provision for pay revision arrears (₹ 2.92 crore) for the period from January 2006 and ex-gratia for the year 2008-09 (₹ 20.57 lakh). The amount was provided as per the decision of the Board of Directors, disregarding the Government's specific instructions not to take any decision regarding personal matters involving financial implications without its prior approval. It resulted in understatement of profit as well, by same amount.

**Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited (2008-09)**

- Reserves and Surplus includes ₹ two crore being Grant in Aid received from Government of Goa for the implementation of Deen Dayal Swayam Rojgar Yojana scheme. The subsidy (₹ 41.55 lakh) released along with the soft loan to the beneficiaries under the Scheme was not recoverable from the Government and should have been reduced from the total Grant in Aid. But this has been accounted as "Receivable from Government" under "Loans & Advances" resulting in overstatement of 'Loans & Advances' as well as "Reserves & Surplus" by ₹ 41.55 lakh.
- Cash in Bank excluding Fixed Deposit (₹ 1.87 crore) included :- (a) 45 cheques aggregating ₹ 1.05 crore accounted as received on or before 31 March 2009, but actually received and deposited in to Bank after 31 March 2009 and (b) seven cheques aggregating ₹ 10,042 received from Debtors, dishonoured between June 2008 and December 2008 but not written back. Thus "Cash at Bank" is overstated by ₹ 1.05 crore with corresponding understatement of Debtors.

**Goa Tourism Development Corporation Limited (2008-09)**

- Sundry Debtors includes an amount of ₹ 85.63 lakh receivable from different parties (other than Government) on account of accommodation, tour and cruise which was provided without any approved credit policy or any agreement with customers for extension of credit facility or proper security. In addition to this, ₹ 56.68 lakh represents amount due from ex-Licensees of Shops and Restaurants for which also no securities were held. As the Company could not recover the dues within a reasonable time, adequate provision should have been made in the accounts towards 'bad & doubtful debts'.



**Kadamba Transport Corporation Limited (2008-09)**

- Fixed Assets includes ₹ 135.65 lakh being the original cost of vehicles scrapped on the basis of technical evaluation but not actually sold. As required by AS-10, assets held for disposal as scrap should have been shown separately. Hence the reporting of the Auditors (item 5(iv) that the Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 was factually incorrect.

**Goa Forest Development Corporation Limited (2008-09)**

- Salaries, Wages and allowances does not include ₹ 122.33 lakh being the liability towards arrears of pay and allowances consequent to implementation of 6<sup>th</sup> Pay Commission recommendation, payable to Government employees who are on deputation to the Corporation. It does not include ₹ 17.29 lakh, being wages for February and March 2009 payable to casual labourers engaged in maintenance of plantations of which, an amount of ₹ 12.27 lakh was shown as advance with Range Forest Officers (RFOs) without adjusting the same against 'wages payable'. Consequent to the above, 'Loss' for the year is understated by ₹ 139.62 lakh with corresponding understatement of "Current liabilities" (₹ 127.35 lakh) and overstatement of "Current Assets – Advances" (₹ 12.27 lakh).

**Goa Antibiotics and Pharmaceuticals Limited (2008-09)**

- Capital Work-in-progress represents the capital expenditure incurred for the 'Heating, Ventilation and Air Control (HVAC) Systems' (₹ 111.92 lakh) and related civil works (₹ 5.79 lakh). Though these projects were commissioned during June-October 2003, the expenditure had not been capitalized so far resulting in overstatement of Capital Work-in-Progress and understatement of Gross block of Fixed Assets to the extent of ₹ 117.71 lakh, understatement of accumulated depreciation on Fixed Assets by ₹ 30.28 lakh and overstatement of profit for the year by ₹ 5.59 lakh.
- As a part of restructuring of loans, EDC Ltd intimated (June 2009) the Company that they would not remit the interest on the loan of ₹ five crore availed during 2005-06 till the same is reimbursed to EDC by Government of Goa. In the event of non receipt of reimbursement of interest from Government, GAPL was bound to pay, quarterly interest at the rate of 12.5 *per cent* per annum on the loan. Thus EDC had not waived interest outstanding upto 31 March 2009. As such, the liability towards interest on the above loan existed as of March 2009 and the same should have been provided in the accounts. This non-provision of interest for the year 2008-09 has resulted in under statement of financial expenses to the extent of ₹ 62.50 lakh with corresponding understatement of Current Liabilities and overstatement of profit for the year. Further, the Company had written back the outstanding interest of ₹ 131.77 lakh upto 31 March 2008 during 2008-09, resulting in

overstatement of interest written back by ₹ 131.77 lakh with corresponding overstatement of profit carried to Balance Sheet.

**5.1.30** Similarly, one working statutory corporation (GIDC) forwarded one account (2008-09) to AG during the year 2009-10. This was subjected to sole audit by CAG. The Audit Reports of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	Nil	Nil	2	1.21	1	1.97
2	Increase in loss	Nil	Nil	Nil	Nil	Nil	Nil
3	Non-disclosure of material facts	Nil	Nil	2	4.06	2	62.06
4	Errors of classification	Nil	Nil	2	437.36	2	21.68

**5.1.31** Some of the important comments in respect of accounts of Statutory Corporation are stated below.

**GOA INDUSTRIAL DEVELOPMENT CORPORATION (2007-08)**

- ‘Liabilities’ did not include ₹ 31.21 lakh being the liability towards civil works completed, measured and bills received before 31 March 2008.
- Accounting of the amount paid to LIC towards Group Gratuity Scheme as ‘Investments’ instead of as expenditure resulted in overstatement of investments, understatement of expenditure and overstatement of surplus for the year by ₹ 1.92 crore.

**GOA INDUSTRIAL DEVELOPMENT CORPORATION (2008-09)**

- Liabilities included ₹ 319.99 crore being premium amount received/receivable from allottees of land. In the absence of specific conditions in the allotment order/lease agreement for refund of premium collected, accounting the same under liability lacked justification.
- ‘Liabilities’ do not include ₹ 22.93 lakh being the liability towards civil works completed, measured and bills received before 31 March 2009.

**5.1.32** The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 14 companies<sup>£</sup> for the year 2008-09 and 13 companies<sup>µ</sup> for the year 2009-10 are given below.

<sup>£</sup> Sr. No. 1 to 15 (except Sr.No.5) of Appendix – 5.2.

<sup>µ</sup> Sr. No. 1 to 15 (except Sr.No.6 and 7) of Appendix – 5.2.

**Audit Report for the year ended 31 March 2010**

Sl. No.	Nature of comments made by Statutory Auditors	2008-09		2009-10	
		Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2
1	Auditors Report & Comments /Draft paras/Mini Reviews not discussed in Audit Committee	4	A-4,11,12,15	4	A-5,9,12,13
2	No system of making a business plan/short/long term plan	8	A-1,3,4,6,11,13,14,15	6	A-1,3,12,13,14,15
3	No clear credit policy	4	A-12,13,14,15	6	A-3,5,12,13,14,15
4	No delineated fraud policy	10	A-1,2,4,7,10,11,12,13,14,15	11	A-1,4,3,5,9,10,11,12,13,14,15
5	No separate vigilance department	9	A-1,2,4,7,8,10,11,12,14	10	A-1,3,4,5,8,9,10,12,13,14
6	Non prescribing of Maximum/Minimum level of stock	4	A-1,3,13,15	1	A-13
7	No ABC analysis adopted to control the inventory.	2	A-1,11	Nil	Nil
8	Inadequate scope of Internal Audit	4	A-1,6,9,13	3	A-2,9,10
9	Absence of proper maintenance of Fixed Asset Register	4	A-4,6,9,15	2	A-2,10

**Recoveries at the instance of audit**

5.1.33 During the course of propriety audit in 2009-10, recoveries of ₹ 39.64 lakh were pointed out to the Divisional Officers of Goa Electricity Department, which were admitted by the Department of which an amount of ₹ 7.26 lakh was recovered during the year 2009-10. In respect of one Corporation and two companies, recoveries of ₹ 90.35 lakh were pointed out by audit of which ₹ 32.96 lakh have been recovered during the year.

**Status of placement of Separate Audit Reports**

5.1.34 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Goa Industrial Development Corporation	2006-07	2007-08	04/09/2009	Report under print.
			2008-09	23/07/2010	
2	Goa Information Technology Development Corporation	First accounts (2006-07) awaited			

**Disinvestment, Privatisation and Restructuring of PSUs**

5.1.35 During the year 2009-10, no exercise was undertaken by the Government of Goa for the Disinvestment, Privatisation and Restructuring of PSUs.

**Reforms in Power Sector**

5.1.36 The Power Sector in the State is managed by the Electricity Department of Goa. The Union Government had set up (May 2008) a “Joint Electricity Regulatory Commission for the State of Goa and for Union Territories”, under the Electricity Act, 2003. Presently, the Commission is in the process of framing various regulations as mandated in the Electricity Act 2003, to facilitate its functioning.

5.1.37 A Memorandum of Understanding (MoU) was signed in October 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:-

Sl. No.	Milestone	Achievement
1	Government of Goa will Corporatise its electricity Department by 31 March 2002.	Studies were carried out and final report obtained. Decision awaited from Government.
2	Government of Goa will set up SERC by 31 December 2001 and file tariff petitions.	Has joined Joint Electricity Regulatory Commission (JERC) set up.
3	The State Government would provide full support to the SERC to enable it to discharge its statutory responsibilities. The tariff orders issued by SERC will be implemented fully unless stayed or set aside by a court order.	Full support being provided.
4	Government of Goa will ensure timely payment of subsidies required in pursuance of State Government's orders on the tariff determined by the SERC.	Not applicable as yet.
5	Government of Goa will undertake Energy audit and Energy Accounting at all levels to promote accountability and reduce transmission and distribution losses and bring them to the level of 18 per cent and achieve break even in current distribution operations in two years and positive returns thereafter. This will be achieved by taking following measures: - Install meters on all 11 KV feeders by 31 December 2001. - 100 per cent metering of all	Losses reduced to below 18 per cent. The Department is achieving substantial operating surplus.  Achieved (March 2003)  Achieved (March 2004)

	<p>consumers by 31 December 2001.</p> <ul style="list-style-type: none"> <li>- Computerised billing at towns by December, 2002.</li> <li>- Development of distribution Management Information System.</li> </ul>	<p>In process in some towns and balance under implementation. Will be implemented under Re-structured APDRP during XI Plan.</p>
6	Goa would achieve 100 <i>per cent</i> electrification of villages by 2002.	Achieved (December 1988)
7	Government of Goa will securitise outstanding dues of CPSUs as per scheme approved by Government of India. After the securitization Government of Goa will ensure that CPSU outstanding does not cross the limit of two months billings.	Achieved
8	Goa will maintain grid discipline, comply with grid code and carry out the directions of Regional Load Despatch Centre	Maintains Grid discipline.
9	Goa will constitute district level committees to undertake resource planning monitoring of distribution reforms and rural electrification.	DRC was constituted.
10	Government of Goa will follow the guidelines on captive power policy as issued by Government of India on 11 July 2001.	Following ministry guidelines.

**Departmentally managed Government commercial/quasi commercial undertakings**

**5.1.38** There were two departmentally managed Government commercial/quasi commercial undertakings viz., the Electricity Department and River navigation Department in the state as on 31 March 2010. The proforma accounts of the River Navigation Department were in arrears for the years from 2004-05 to 2009-10 and that of the Electricity Department for the year 2006-07 to 2009-10 (September 2010).

The summarized financial results of the Electricity Department and River navigation Department for the last three years for which their proforma accounts are finalized are given in **Appendix 5.7**

## SECTION A

## 5.2 DEPARTMENT OF ELECTRICITY, GOA

## Executive summary

The Department of Electricity (DoE) was formed in January 1963 under the Government of Goa, Daman and Diu. Out of 5.09 lakh consumers as of March 2010, 601 were HT consumers and the contribution of HT consumers to the Department's total revenue during 2008-09, was ₹ 470.87 crore (69 per cent).

The electricity tariff was last revised by Government in April 2002 and the tariff structure contained six categories of consumers under Low Tension Tariff, five categories under High Tension and one under Extra High Tension (EHT).

The "High Tension Consumer Billing System" (HTCBS) deals with monthly billing of all EHT/HT consumers of all the nine billing Divisions of the Department and covers functions of preparation and issue of bills to consumers. Information Technology Audit of the HTCBS was conducted from March to July 2010, to see the:

- Correctness of bills generated with reference to tariff orders issued by Government;
- Adequacy of controls built in with reference to 'conditions of supply of electricity'; and
- General adequacies or deficiencies in the system.

**System Design deficiencies**

The System permitted adjustments (credit or debit/plus or minus) without exhibiting reasons for such adjustments. There was no provision in the system to incorporate data regarding Minimum Guarantee amount, deemed date of connection etc.

Provision was also absent in the system to indicate the reason for zero consumption, the basis of average billing, and the annual line minimum charges in the absence of which correctness of bills could not be ensured.

**Continued dependency over manual procedures**

Absence of provision in the system to enter any supporting details of payment received such as receipt number, date of receipt, amount actually received, etc. provides scope for errors during generation of bills and necessitates manual intervention for ensuring correctness and integrity of the data. Further, as there is no integrated system linking the billing and cash collection, the correctness of collection with respect to the billing could not be vouchsafed.

**Mapping of business rules**

There was no system of computing the 'average maximum recorded demand' based on the reading during the period the meter was not working and billing the demand charges accordingly. As the HTCBS does not indicate whether the meter installed was owned by the Department or by the consumer, the veracity of data regarding meter rent collection could not be ensured. Further, meter rent was not collected in full for the month of initial service connection/ disconnection by some of the Divisions, whereas some Divisions collected the rent on pro-rata basis, which indicate that the HTCBS was flexible so as to adopt any rate.

Absence of provision in the system to compute the average consumption by default and to raise the bill accordingly, resulted in short billing of 27.24 lakh units valued ₹ 84.94 lakh in respect of 25 consumers of four Divisions.

Though no Electricity duty shall be leviable on the units of energy consumed by Government Departments, ₹ 5.97 crore was collected as duty unauthorisedly from 98 consumers, as there was no provision in the system to identify and segregate Government consumers.

Computation of power factor and power factor rebate by the HTCBS could not be relied upon as the power factor data contained errors. Further, though the Power factor was recorded as zero in 2,952 cases, penal charges were not collected and disconnection effected.

As electricity bill for the first month of connection was omitted to be prepared loss of revenue of ₹ 12.96 lakh was noticed in 20 cases.

#### **Input Controls**

Most of the fields in the Master data were left blank or recorded as 'Zero'. Entries in the Master data were also found varying with the details available in the generated bills indicating that Master data was not promptly updated. Instances were also noticed where the Multiplying Factor (MF) applied for KVA of the same consumer for the same month was found varying with the MF applied for KWH.

As the tariff recorded in the system and applied for billing varied with reference to the service connection records in the Department loss of revenue of ₹ 14.98 lakh was noticed in respect of four consumers test checked.

#### **Logical, physical and Change Management controls**

Audit scrutiny revealed that the access to the system is being controlled by a common username and common password for data administrator as well as the other data entry operators and no scope existed for audit trail and user accountability.

As the revised rates of electricity duty was not implemented from the date of applicability of the order, the Department had incurred loss of revenue of ₹ 75.39 lakh.

The Department does not have any approved 'System Operation Manual' or 'User Manual' and is fully dependant on a single person for its day to day system related issues. Further, an approved/ documented back-up policy, Disaster Recovery Plan etc. were also not in existence.

#### **System integration of billing and revenue collection**

As System integration of billing and revenue collection was lacking, payment was recorded as received before the due date whereas the field records revealed that payments were received after the due date, which led to omission in levying Delayed Payment Charges (DPC). DPC is computed manually for disputed amounts also and levied and subsequently reversed.

#### **Delay in issue of bills**

The very purpose of the computersation of billing is to avoid delay and processing and issuing of bills. However, billing was delayed in all months in all the divisions except in division 3 for 24 months causing delay in realization of revenue and consequent loss of ₹ 101.37 lakh by way of interest.

Though the annual revenue generated from HT/EHT consumers was 69 per cent of the total revenue of the Department, internal audit of the billing system was not being conducted.

#### **Conclusion and Recommendations**

The High Tension Billing System did not have effective physical security, logical and change management controls. There were several deficiencies in input controls and processing controls in the system and hence data integrity could not be ensured which led to generation of erroneous bills and loss of revenue. In short, the system was not effective in achieving the objectives of a computerised billing operation. Hence the Department should take immediate action to rectify the deficiencies in the existing HTCBS and to review system data with reference to service connection records. Further, the system of collection of electricity charges should be automated and linked to the HTCBS and all faulty HT meters should be replaced and exact consumption data recorded/billed. Manual interventions in the system should also be avoided.

## Introduction

**5.2.1** The Department of Electricity (DoE) was formed in January 1963 under the Government of Goa, Daman and Diu. Consumers of the Department are broadly divided into two categories *viz.* High Tension (HT)<sup>1</sup> consumers and Low Tension (LT) consumers. Out of 5.09 lakh consumers, 601 were HT consumers (March 2010) and the contribution of HT consumers to the Department's total revenue during 2008-09 was ₹ 470.87 crore (69 *per cent*).

The DoE does not have its own power generation units and hence purchases power through the national grid from Central Sector Power Stations as per the allocation made by the Central Government. On an average, around 2,300 MU of energy is purchased yearly, 1,950 MU is billed and the remaining 350 MUs (15 *per cent*) is accounted as Transmission and Distributions losses. The electricity tariff was last revised by Government in April 2002 and the tariff structure contained six categories of consumers under Low Tension Tariff, five categories under High Tension and one category under Extra High Tension (EHT).

## Organisation Setup

**5.2.2** The Department is headed by the Chief Electrical Engineer and assisted by four Superintending Engineers, Deputy Director (Administration), Joint Director of Accounts and Executive Engineers. There are 17 divisional offices each headed by Executive Engineer, of which nine<sup>2</sup> are Operation and Maintenance Divisions engaged in the distribution of power. These nine Divisions were having a total of 33 sub divisions, each headed by Assistant Engineer.

The High Tension Consumer Billing System (HTCBS) installed in the Chief Electrical Engineer's office at Panaji, Goa is operated by two Junior Engineers of the Department and supervised by an Executive Engineer.

## Salient features of HT billing system

**5.2.3** The HTCBS was initially developed in the year 1988 by National Informatics Centre (NIC), using COBOL<sup>3</sup>. The system was modified using 'C' language on UNIX platform in the year 1992 and further ported to Red Hat LINUX platform in 2003. The System may be considered as a self operated one, as the data entry and printing of bills was done with the involvement of staff of DoE only with technical help, from NIC. In the recent past, an ex-employee of NIC who had developed the programme, while he was in service, has been appointed as consultant for any necessary technical assistance.

<sup>1</sup> High Tension Consumers means those who obtain power supply at pressures higher than 400/450 volts AC 50 cycles (11 KV and above).

<sup>2</sup> Divisions: 1, 3, 4, 5, 6, 7, 10, 11 and 14.

<sup>3</sup> COmmon BUsiness-Oriented Language.



The system deals with monthly billing of all EHT/HT consumers of all the nine billing Divisions of the Department and covers functions of preparation and issue of bills to consumers only. Functions such as sanction of new connection to a consumer, periodical meter reading, collection of amount billed, collection of shortfall in security deposit, *etc.* are done manually and the details fed in to the system.

Basic inputs comprise ‘Master’ and ‘Transaction’ data. Master data relate to data pertaining to each consumer *viz.* consumer number, billing unit, processing cycle, details of address, applicable tariff code, data in respect of the connection such as date of connection, connected load, details regarding the meter installed for measuring consumption. Transaction data relate to the periodical data pertaining to the meter reading, status of meter, payments by consumers, *etc.* Master and transaction data are linked to each other by consumer number. Data input is done manually via key board by Junior Engineers of concerned Division offices. Bills generated by the HTCBS are checked by the Division office and issued to consumers.

### **Objectives of High Tension Billing System**

**5.2.4** Although the Department had not documented any objectives of the billing system, it is expected that a computerised billing system must be able to achieve:

- Reduction of time lag between meter reading and issue of bills
- Accurate and current billing and accounting information
- Effective control over billing operations and prompt follow up action in the event of non-payment of energy bills

### **Scope of Audit and Audit Methodology**

**5.2.5** Information Technology Audit of the “High Tension Consumer Billing System” was conducted from March to July 2010. Billing data in the system related to all the HT consumers of all the Divisions for the five years from March 2005 to February 2010 was analysed in audit and test checked with reference to the service connection and meter reading records maintained by Division offices to see the :

- Correctness of bills generated with reference to tariff orders issued by Government
- Adequacy of controls built in with reference to ‘conditions of supply of electricity’, and
- General adequacies or deficiencies in the system.

In addition, the following areas of importance, required to be maintained in an established computerized system, were also examined:

- Access controls policy – both physical and logical
- IT back-up policy and Disaster recovery policy/plan
- MIS reports generated by the HTCBS, and
- Input verification methods and system checks in place.

Data analysis was done by obtaining the data in MS EXCEL format and filtering the same. Audit also used dummy data to understand the software checks in place and the reliability of the system.

### Audit Findings

### General Controls

### System Design

On a review of the system along with the data obtained from the department, the following system design deficiencies were noticed.

#### *Adjustment entries without supporting documents*

*The system permitted credit/debit adjustments without indicating reasons*

**5.2.6** It was noticed that provision existed in the System to create adjustment entries (credit or debit/plus or minus) without exhibiting reasons for such adjustments. Further, supporting authenticated documents/details were not available with the billing centre and as such the authenticity of such adjustments could not be verified/relied upon. Out of 36,531 records verified in audit, adjustment by way of ‘other charges (-)’, which gives effect of credit to consumer was found in 187 cases, value of which aggregated to ₹ 47.42 crore.

On a further scrutiny, it was noticed that payment of electricity charges in advance, adjustments relating to subsequent corrections made by the Division offices manually in the previous bills were being accounted as credit under the head ‘other charges’. In the event of a dishonoured cheque, Delayed Payment Charges (DPC) along with Bank charges is computed manually and incorporated in the system in the subsequent month’s Bill as “Other/Sundry Charges”.

The adjustments on account of reduction or additions in the bills are incorporated in the system in the subsequent month’s bill which is highly irregular and defeats the very purpose of computerised billing. Further, there was no provision in the system for issuing supplementary bills.

#### *Agreement for contract demand*

*Correctness of Demand charges billed could not be ensured as documentation was not proper*

**5.2.7** It is required that a consumer has to execute an agreement with the Department for a new connection, which, *inter alia*, includes the Contract Demand. Energy Bills include Demand charges which is computed based on the Contract Demand<sup>4</sup>. A new agreement has to be executed as and when any reduction or addition is made in the Contract Demand. The HTCBS did not contain any provision to indicate such agreements. Hence the authenticity of the Contract Demand recorded in HTCBS and demand charges billed could

<sup>4</sup> Contract Demand” means the maximum KVA (Kilo Volt Ampere) for which the Electricity Department has undertaken to provide the facilities from time to time.

not be ensured. It was also noticed during test check of records in Divisions 3 and 4 that such changes were only endorsed to the original agreements instead of executing fresh agreements.

### ***Charges for factory/residential lighting purposes***

**5.2.8** The monthly energy consumption (KWH) of a HT consumer included factory lighting consumption and residential light consumption also. Separate meters are to be installed for factory lighting and residential lighting and consumption arrived at by taking the differences between opening meter reading and closing meter reading of each meter. As per the tariff orders, in respect of energy consumed for factory lighting purposes by certain HT consumers<sup>5</sup>, maximum of 10 *per cent* of the total monthly energy consumption is allowed to be billed under HT-Industrial tariff and excess is to be billed at a higher LT-commercial rate.

*Meter reading data was not fully available in the system and certain bills were raised without data*

Audit Scrutiny, however, revealed that:

- No provision existed in the billing system to incorporate/indicate the opening and closing reading of factory light meter and residential light meter. These data are computed manually and fed in to the HTCBS.
- In several cases factory lighting consumption/residential light consumption was billed based on ad-hoc figures. This could be due to the fact that either no such meter was installed or the meter reading was not taken or meter was faulty.

In the absence of separate meter readings, the accuracy of the bills generated by HTCBS could not be ensured.

### ***Minimum Guarantee***

**5.2.9** HT consumers while applying for connection have to execute an agreement with the Department which, *inter alia*, contain the “Minimum Guaranteed” (MG) amount per annum being 15 *per cent* of the total capital cost. Further, the agreement also stipulates that the consumer shall commence power consumption within a period of three months from the date of intimation of line being ready for charging. The date of commencement of supply shall be deemed as the date of expiry of the three months period from the date of intimation or the date of actual supply whichever is earlier. However, there was no provision in the system to incorporate data regarding Minimum Guarantee amount, deemed date of connection, etc.

*Minimum Guarantee data was not available in the system*

### ***Temporary connections***

**5.2.10** As per the tariff orders issued by Government, separate rates are fixed for HT-Temporary consumers. However instances were noticed where details of HT-Temporary consumers are not recorded and billed by the system, instead bills were manually prepared.

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<sup>5</sup> HT-Industrial, HT-Metal, EHT- Industrial, HT-PW, HT-Steel, and HT-IT consumers.

### **Bank guarantees from Consumers**

**5.2.11** As per the tariff rules, each HT consumer has to furnish security deposit in the form of Bank Guarantees (BG) from Nationalised Bank for an amount equal to three month's energy charges<sup>6</sup> either in a single or multiple documents. BG is to be reviewed and renewed periodically and raised according to the increase in energy charges.

However it was noticed that the HTBCS is not designed to compute, on its own, the required BG to be submitted by the consumer. The system is capable of incorporating data of only three BGs of a consumer at a time. In respect of one of the divisions, aggregate value of BG alone is incorporated in the system.

*Adequacy of bank Guarantee could not be verified from the system data*

Test check of details of BG as available in the system in three Division Offices further revealed that out of a total of 222 consumers required to submit the BG, details of BG furnished by 77 consumers were not available in the system and in respect of 103 consumers, the value of BG furnished by them was not adequate to cover three months' current charges. The amount of shortage is worked out at ₹ 9.22 crore. Moreover, out of 235 BGs held by these Divisions, 89 BGs were invalid/time-expired. This indicated non-updating of the data in the system.

### **Other System design deficiencies**

**5.2.12** The following system deficiencies were also noticed.

*No provision existed in the system to show Check Meter reading data*

(i) As per the guidelines issued by the Department, each HT meter is to be supported by a 'Check Meter' (Standby Meter) which would facilitate computation of consumption when the main meter is faulty. The billing system did not incorporate the Check Meter Reading and hence the accuracy of meter reading and billed consumption could not be cross checked and confirmed.

*No reasons available for recording zero consumption*

(ii) It was noticed that energy consumption was recorded as "Zero" in 1,565 bills. However, there was no provision in the system to indicate the reason for zero consumption. The possible reasons could be:- (a) Meter reading not taken (b) Meter faulty/not working and (c) Consumer not using power.

(iii) Where zero energy consumption is recorded, billing was not done in 618 cases for energy charges and in the remaining 947 cases average was computed manually and fed in to the system. However there was no provision in the system to indicate the basis of such billing.

*Initial reading was not equal to final reading of previous month*

(iv) The initial energy meter reading of a month recorded in the system was found not equal to the closing reading of previous month, in several cases. Similarly, closing meter reading of a month was found less than the opening reading. The possible reasons could be faulty meter or wrong meter reading or replacement of meter. However, there was no provision in the system to indicate the reason and to compute the exact consumption (KWH) by default.

<sup>6</sup> In respect of HT consumers under Industrial- Metallurgical, steel melting and steel rolling categories, BG is required for two month's energy charges only.

In such cases, consumption is arrived at manually and fed in to the system. Thus the reliability of the data could not be ensured.

*No provision existed in the system to indicate line minimum charges*

(v) As per Tariff orders, consumers under HT Industrial (Metal and Steel Rolling) have to pay demand charges on pro rata basis if the industry is closed continuously for a minimum period of seven days or more during a month. In the event of such industries remaining closed, one-twelfth of 'annual line minimum charges', as indicated in the HT Agreement executed with the Consumer, is to be charged. However, there was no provision in the HTCBS to incorporate the annual line minimum charges and the number of days during which industry was closed. Hence the correctness of demand charges billed for such industries under such situations could not be ensured.

### **Continued dependency on manual procedures**

#### **Demand, Collection and Balance (DCB)**

*As the system was not capable of generating accounting statements manual records were to be prepared*

**5.2.13** The Computerised HT Billing system can derive the data regarding the monthly arrear position of all consumers of all Divisions. However, it was noticed that the Department continued to prepare Demand, Collection and Balance (DCB) statement manually.

*There was no integrated system of billing and cash collection*

Cash collected against the billing demand is entered manually in the system during the next billing cycle. The payment received in full is indicated by codified flags and the system would process the next bill considering the previous bill amount as 'received in full'. There is no provision in the system to enter any supporting details such as receipt number, date of receipt, amount actually received, etc. This provides scope for errors during such generation and necessitates manual intervention for ensuring correctness and integrity of the data. As there is no integrated system linking the billing and cash collection, the correctness of collection with respect to the billing could not be vouchsafed.

A review of the arrear position in the manually prepared DCB to the details available in the system revealed wide variations as shown below:

Division No.	Arrear position as of 31 March 2009 as per		Difference ₹
	DCB Statement (Manual) ₹	Computerised Billing system ₹	
1	15271130	904011	14367119
3	170639734	121733764	48905970
4	338678856	(-) 18614303	357293159
5	51708082	42708927	8999155
6	38876110	8535162	30340948
7	20193333	5456663	14736670
10	15195753	6533384	8662369
11	12140122	5330756	6809366

It was observed that no effort was made to reconcile the differences thus rendering the data in HTCBS unreliable.

## Mapping of business rules

### *Faulty demand meter*

**5.2.14** As per Tariff orders, demand charges for each month is to be computed based on (i) the actual maximum demand recorded during the month or (ii) 75 per cent of the contract demand or (iii) actual maximum demand recorded during the previous 11 months or (iv) 50 KVA, whichever is higher.

*Correctness of demand charges billed could not be ensured*

In respect of 62 consumers, though the energy meter was showing normal consumption, the KVA reading (Maximum Recorded Demand) was showing zero in 758 bills indicating that the meter was faulty or no reading was available. Hence, in such cases demand charges were assessed on the basis of 75 per cent of Contract Demand and not on the basis of actual maximum recorded demand. There was no system of computing the 'average maximum recorded demand', based on the reading during the period the meter was not working and billing the demand charges accordingly.

### *Short collection of Meter Rent*

**5.2.15** As per the Tariff orders issued by Government, meter rent is to be collected from all HT consumers (@ ₹ 500 per month per meter for the main meter and @ ₹ 10 per month per meter for light meter). However, no meter rent is required to be collected from consumers who have installed their own meters. As the HTCBS does not indicate whether the meter installed was owned by the Department or by the consumer, the veracity of data regarding meter rent collection could not be ensured.

*Meter rent was not being collected from some consumers*

Analysis of the billing data related to 85 months (January 2003 to January 2010) revealed that no meter rent was levied in respect of 43 consumers. Further, meter rent was not collected in full month of initial service connection/disconnection by some of the Divisions, whereas some Divisions collected the rent on pro-rata basis. This indicates that the HTCBS was flexible so as to adopt any rate.

At the instance of Audit, the Department agreed to effect recovery of meter rent amounting to ₹ 1.44 lakh in respect of 12 consumers. In respect of nine consumers the meter was stated to be installed by consumers themselves. For the balance consumers, reply is awaited. The fact, however, remained that there was no provision to indicate the ownership of meter in the system.

### *Average billing*

*Incorrect computation of average consumption caused loss of revenue of ₹ 0.85 crore*

**5.2.16** Clause 24 of the 'Conditions of Supply of Electrical Energy' stipulates that a consumer should be finally billed for the periods when meter was faulty, on the basis of three month's average consumption subsequent to the replacement of faulty meter. Audit scrutiny of HTCBS revealed that there was no provision in the system to compute the average consumption by default and to raise the bill accordingly. This had resulted in short billing of

27.24 lakh units valued ₹ 84.94 lakh (including electricity duty) in respect of 25 consumers of four Divisions<sup>7</sup>.

### ***Billing of Agricultural consumers***

*Correctness of billing of Agriculture consumers could not be ensured in the absence of adequate data in the system*

**5.2.17** As per the *tariff* orders, in respect of HT (Agriculture) consumers, energy charges were to be levied at the rate of ₹ 1.25 per unit subject to a minimum of ₹ 10 per HP of connected load (minimum of ₹ 700 per month). It was observed that though connected load (HP) was available in HTCBS, the same is not considered, instead, minimum charges are computed based on Contract Demand (KVA). Contract Demand (in KVA) and connected load (HP) are different and cannot be equal. Further, there were variations between the connected load and Contract Demand recorded in the system as to those available in the manual records. Thus the correctness of the bills raised by the system could not be ensured.

### ***Collection of Electricity duty from Government Departments***

*Excess of ₹5.97 crore was collected as Electricity duty*

**5.2.18** As per Section 2(2) of the Goa, Daman and Diu Electricity Duty Act, 1986, no duty shall be leviable on the units of energy consumed by Government Departments. Audit scrutiny revealed that, no provision existed in the HTCBS to identify and segregate Government consumers. Hence Electricity duty was seen collected throughout the period on energy consumed by Government Department/Institutions. The amount of duty collected unauthorisedly from 98 consumers through 4,337 Bills during the period of 60 months (March 2005 to February 2010) aggregated to ₹ 5.97 crore.

### ***Billing of Hotel Consumers***

**5.2.19** As per the Tariff orders, HT Consumers engaged in Hotel Business are to be billed under HT-Mix Tariff<sup>8</sup>. However, hotel HT Consumers on producing certificate from the Tourism Department can avail the concessional HT-Industrial tariff<sup>9</sup>. The Electricity duty was revised to ₹ 0.58 per unit in May 2008 for industrial HT consumers and to ₹ 0.18 per unit for HT-Mix Tariff consumers. As a result, the total rate per unit (energy charges plus electricity duty) for HT-Mix Tariff became cheaper by ₹ 0.15 per unit compared to HT-Industrial tariff.

*Absence of adequate data led to discriminatory billing*

In this context, Audit scrutiny of the HTCBS revealed that certain HT-Mix consumers doing hotel business who had produced the prescribed certificate and availed the benefit of cheaper tariff of HT Industrial were changed suo moto by the Department, back to HT-Mix tariff without any request from the consumer. This was, however, not implemented for all consumers doing hotel business.

There was no provision in the HTCBS for identifying HT (Hotel) consumers who were billed under Industrial tariff and Mix tariff. The system also did not

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<sup>7</sup> Division 6, 10, 11 and 14.

<sup>8</sup> Energy charges @ ₹ 3.25 per unit and Electricity duty @ ₹ 0.05 per unit.

<sup>9</sup> Energy charges @ ₹ 3 per unit and Electricity Duty @ ₹ 0.05 per unit.

indicate whether the prescribed Certificate had been submitted by HT (Hotel) consumers who were availing the concessional tariff. The omissions could lead to discriminatory billing.

### ***Pro rata billing of demand charges***

***Short collection of demand charges caused loss of revenue of ₹19.88 lakh***

**5.2.20** When a new HT connection is effected, demand charges is levied in certain cases for the full month irrespective of date of connection, whereas in some cases demand charges were being collected on *pro rata* basis only. Similarly, in the case of disconnection also full Demand Charges is billed for the month in which disconnection is effected, but *pro rata* Demand Charges was only levied in some cases. Further, there were cases where no bill was raised for the month of disconnection. This discriminatory billing had caused loss of revenue of ₹ 19.88 lakh in respect of 14 consumers, test checked in audit. This also indicates that HTCBS was flexible and not free from loopholes.

### ***Billing of Demand Charges in respect of HT installations with LT metering system***

***Absence of the specified metering system caused incorrect computation of demand charges***

**5.2.21** All HT/EHT consumers are required to install HT metering system which provides two readings:- Maximum Demand reading and the main Energy Meter reading. Maximum Demand reading (expressed in KVA) is the basis for computing the monthly Demand Charges and Energy Meter reading (expressed in KWH) is the basis for computing the monthly energy charges. As per the rules, even if an HT connection is released with LT Metering System (LTMS), the same is to be replaced with HT Metering System (HTMS) within three months from the date of connection. The LTMS is not having the facility to indicate the Maximum Demand meter data and hence, Demand Charges in such cases are computed by the system based on *75 per cent* of the Contract Demand. Thus the exact Demand Charges cannot be billed in such cases.

Audit scrutiny revealed that, in nine cases LTMS installed was not replaced by the HTMS and hence Demand Charges was being billed continuously since inception based on *75 per cent* of Contract Demand, causing huge revenue loss. The loss could not be assessed as the Maximum Demand data was not available. It was also noticed that there is no provision in the HTCBS to indicate whether the HT installation is having proper HTMS.

### ***Rebate for power factor***

***Excess rebate granted has not been recovered***

**5.2.22** Tariff notification stipulates that “*all High Tension and Extra High Tension installation where the power factor is maintained above 0.95 lagging shall be eligible for a rebate at the rate of one per cent of the energy charges only for every one per cent improvement in the Power Factor above 0.95 lagging*”. Rebate of one *per cent* of the energy charges was allowable only when one *per cent* improvement of power factor was achieved in full and not in part. The HTCBS, however, allowed rebate by rounding off fraction of power factor to the upper stage and thus without achieving the one *per cent*



power factor in full. This was pointed out by Audit vide earlier Audit Report, and the department assured (January 2009) to recover the excess rebate (₹ 4.53 crore). However, the same has not been recovered so far (September 2010).

*Data regarding power factor derived by the system was not reliable*

**5.2.23** Technically, Power Factor can never be more than '0.99'. However, out of 36,531 records (Bills from March 2005 to February 2010, in respect of all consumers of all Divisions) verified in Audit, power factor was recorded as '1', in 8,746 cases and the total amount of power factor rebate charges allowed was ₹ 12.72 crore. Meanwhile in 16 cases, though the power factor recorded was '1', no rebate was allowed. It was also noticed that in 125 cases, Power Factor recorded was more than "1". This indicates that computation of power factor and power factor rebate by the HTCBS cannot be relied upon.

**5.2.24** As per the tariff notification, if the power factor is less than 0.85, penal charges<sup>10</sup> at the prescribed rates shall be levied. In case the power factor is less than 0.7, the installation shall be disconnected. Out of 36,531 records (Bills from March 2005 to February 2010, in respect of all consumers of all Divisions) verified in Audit, power factor was recorded as zero in 2,952 cases in respect of 308 consumers. However, penal charges were neither collected nor disconnection effected in any of the cases, resulting in considerable loss of revenue.

#### ***Omission in billing***

*Omission in billing caused revenue loss of ₹ 12.96 lakh*

**5.2.25** When a new HT connection is effected, the initial meter reading on the date of connection is recorded and the billing is to be started from that date. Audit scrutiny revealed that the date of connection was not being recorded in the HTCBS. Further, in certain cases, the date of connection as per service connection records varied from the date of initial reading recorded in the HTCBS. Consequently, electricity bill for the first month of connection was omitted to be prepared and issued in 20 cases which caused loss of revenue of ₹ 12.96 lakh by way of Demand Charges.

#### **Input control**

**5.2.26** Data integrity refers to the completeness, accuracy and relevance of the data in the system. Existence of adequate controls is necessary to ensure data integrity. A control is a system that prevents, detects and/or corrects unlawful events. Input to the billing system comprises data and instructions for processing. Effective control over inputs is critical as they involve considerable human intervention and are, therefore, error prone and susceptible to fraud.

Audit tested the billing system for existence and adequacy of management controls, input controls and processing controls and found the following deficiencies:-

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<sup>10</sup> These charges are termed as "Low Power Factor Charges".

**Master Data**

**5.2.27** The HT billing system consists of a Master file for defining various categories of HT Tariff to be applied to different categories of HT consumers. The billing system refers this to the Master tariff file for applying the relevant tariff applicable to each category of HT consumer. Master data in the system contained details of Tariff code, HT Meter rent, connected load, category of consumers, Contract Demand, etc. of each consumer. Audit scrutiny revealed that:-

(i) Most of the fields were left blank or recorded as ‘Zero’ out of a total 677 consumer records, as given below:-

*Master file was not updated*

Fields	Number of entries kept blank or zero
HT Meter rent	31
LT Meter rent	653
HT Meter Number	12
Connected load	321
Category	126
HT Meter ratio	8
Installation date	74

*Variations noticed between Master data and bill data*

(ii) Entries in the Master data were also found varying with the details as available in the generated bills. For instance, Contract Demand recorded in the Master Data varied from the Contract Demand recorded in the Bill data in 25 cases out of 230 records test checked. The variation ranged between (+) 19,650 KVA and (-) 19250 KVA.

(iii) Entries in the Master data contained factual errors. For instance, category of consumers recorded in the Master data as “Government” was found wrong in 57 cases.

*Multiplying Factor used for computing consumption was not correct*

(iv) The meter reading figures are to be multiplied by a ‘Multiplying Factor (MF)’ for arriving at the exact number of units consumed (KWH) and to calculate the energy charges. This factor varies according to the type and specification of meter. Based on the details of meter specification available in the Master File, audit had computed the exact MF to be applied for each consumer. This MF varied from the actual MF used for billing in respect of 97 consumers.

This indicated non updation of the Master data and non utilization of the same for billing purpose. Thus the reliability of the data in the system could not be ensured.

**Meter reading**

**5.2.28** A meter provided by the Department at the consumer’s premises records energy consumed by the consumer. Monthly meter reading is done by a meter reader and details thereof are entered in the billing system. As the meter reading is vital for accurate computation of the energy bill, adequate

control should be exercised to ensure its accuracy. In this context, audit scrutiny revealed the following deficiencies:-

*Confirmation of meter reading was not obtained*

(i) Though the meter reading statement contained a provision to incorporate the signature of consumer as a confirmation/acceptance of the reading data, the same was not seen obtained in most of the statements. Absence of confirmation by the consumer resulted in non-acceptance and subsequent revision of bills.

*Multiplying Factor applied for KVA and KWH varied*

(ii) Demand Charges is computed based on the 'connected load' which is expressed in terms of "KVA" (Kilo Volt Ampere). Monthly KVA is arrived at by multiplying 'KVA reading' with the 'multiplying factor' applicable. The Multiplying Factor (MF) for KVA of an HT installation will be same as that of KWH. However, instances were noticed where the MF applied for KVA of the same consumer for the same month was found varying with the MF applied for KWH.

*Test checked reading data was not available in the system*

(iii) Meter reading furnished by Meter Readers were not being test checked by an authority other than the Meter Reader for ensuring accuracy and identification of variance. The billing system is also not depicting any data regarding 'test check readings'.

(iv) The tariff recorded and applied for billing for same category of consumers was found varying from Division to Division indicating absence of input control and inadequate supervisory checks. For example, though all BSNL Telephone Exchanges are billed under HT (Industrial) Tariff, one of the Exchange is billed under HT-mix Tariff.

*Rent for factory light meter was not levied*

(v) Every HT consumer under industrial tariff have to install a separate meter for recording the factory light consumption and meter rent for the same is ₹ 10 per month. However, in several cases, though factory light consumption charges were levied, no meter rent was seen levied.

#### ***Loss of revenue due to incorrect application of tariff***

**5.2.29** While analyzing the billing data of HT/EHT consumers it was noticed in Audit that in respect of certain consumers, the tariff recorded in the system and applied for billing was found varying with reference to the service connection records maintained by Division offices, resulting in loss of revenue of ₹ 14.98 lakh in respect of four consumers, as detailed in **Appendix 5.8**.

### **Logical and physical controls**

#### ***Logical access controls and Audit Trail***

*Logical access control and audit trail were absent*

**5.2.30** The HT Billing system is installed on a personal computer (PC) in the Office of the Chief Electrical Engineer, Panaji. The access to the system is being controlled by a common username and common password for data administrator as well as the other data entry operators.

This provides scope for unauthorized modification of software and modification of master data as well. Further, this also leaves no scope for existence of audit trail and user accountability. In view of the above, the security of the data and the software has been compromised.

It was noticed in audit that the 'Master Tariff File' was accessible to every user. This provides scope for manipulation of tariff rates and incorrect computation of bills.

#### **Physical access controls**

*Physical access controls were not adequate*

**5.2.31** The computer room in which HT Billing system is installed did not have firefighting equipment installed to protect against occurrence of fire due to short-circuit or any other reason.

It was also noticed that the Computer room was dumped with stationeries, and used/damaged computer hardware. The approach way to the Computer room is being used as storage space for old records and thus had accumulated lot of dust, which may be harmful for the day to day functioning of the HTBCS.

#### **Change management controls**

**5.2.32** Change management control refers to control to be exercised in carrying out changes to the system. It also includes proper authorization for changes to the system to incorporate tariff and other changes.

It was noticed that there was no formal documentation procedure describing the manner in which changes made to the programme are to be documented such as records of programme code, use of charts to show the structure of programme in terms of its major components, the relationships among these components and flow of logic in calculation of various charges. The following instances relating poor change management procedures were noticed.

#### **Loss of revenue due to short collection of electricity duty**

*Short collection of electricity duty caused revenue loss of ₹ 75.39 lakh*

**5.2.33** The electricity duty was revised by the Government from five paise to 18 paise per unit of energy from 28 May 2008 in respect of all HT consumers except in the case of HT Industrial consumers where it was revised to 58 paise per unit. However, the corresponding changes in the billing programme were not effected immediately and the revision was effected from June 2008 only. Non-levying of the revised rates from the date of applicability of the order has resulted in short collection of revenue to the tune of ₹ 75.39 lakh in respect of 602 consumers for the four days in May 2008.

#### **Rebate for power factor**

**5.2.34** The system of granting rebate for power factor contained some errors due to which the Department had been incurring revenue loss. The same was corrected at the instance of Audit (Para 5.6 of CAG'S Audit Report,

Government of Goa, 31 March 2009) in March 2009. This change, however, was not properly documented.

### ***Delayed Payment Charges (DPC)***

*Delayed Payment Charges was not being properly billed*

**5.2.35** If the electricity bill is not paid before the due date, Delayed Payment Charges (DPC) is calculated by the system by default for the entire amount of arrears. However, vide executive orders DPC need not be computed for the Electricity duty portion w.e.f 1 April 2009. However, necessary changes to effect this decision was not made in the system. Hence the excess DPC collected on Electricity duty is computed manually and credit is given in the subsequent bills. There was no provision in the system to exclude Electricity duty arrears and to calculate Delayed Payment Charges on the remaining portion of arrears.

### **Systems Operation/User Manual**

*System Operation Manual was not available*

**5.2.36** In order to ensure use of a software system in an authorized and useful manner, it is necessary to have a ‘Systems Operation Manual’ and ‘User Manual’ approved by the user department which shall list out the method of operation of the software, hardware requirements, security controls provided by the system, list of reports that the system is designed to generate, guidance necessary for ‘system operator’ and normal ‘users’ of the system. Audit scrutiny revealed that the Department does not have any approved Systems Operation Manual or User Manual. The Department has been fully dependant on a single person (One retired official of NIC) for its day to day system related issues.

### **Back-up Policy and Disaster Recovery Plan**

*Back-up policy was not documented*

**5.2.37** The HT billing software and the data pertaining to bills generated from the system is being stored in the PC placed in the Computer room itself. Audit scrutiny revealed that the Department does not have an approved/documented back-up policy and there was no system of taking periodic back-up of data or testing the quality/reliability of the backed up data. It was also noticed that the Department does not have any approved and documented ‘Disaster Recovery Plan’ except a copy of the software system and current data kept separately in the same building.

### **System integration of billing and revenue collection**

#### ***Delayed Payment Charges***

**5.2.38** As per the tariff order and the “Conditions of Supply of Electricity”, DPC is to be levied from all consumers who have paid the bill after the due date. Audit scrutiny, however revealed that in certain cases, the system recorded that payment was received before the due date whereas the field records revealed that payments were received one or two days after the due date in 10 instances test checked. Thus DPC was omitted to be levied.

**Computation of DPC required manual intervention**

It was noticed that in the event of payments after the due date, DPC to be levied is calculated manually and collected on the spot and in some cases it is added as arrears in the subsequent month. As the system is not computing DPC by default, omissions in levying DPC cannot be ruled out. At the end of March 2009, the amount pending collection from HT Consumers was ₹ 66.27 crore (Net) and it included disputed amount of ₹ 1.72 crore. DPC is computed manually for disputed amounts also and levied and subsequently reversed. In view of such manual intervention in the system, the accuracy cannot be ensured.

**Management information**

**Non-recording of age/period of arrears**

**System was not capable of generating proper accounting records**

**5.2.39** It was noticed that though the system indicated the total amount of arrears of a defaulted consumer as on a particular date, the age/periodicity of such arrears was not ascertainable. In the absence of this vital information, progress of recovery of arrears could not be ascertained from the system.

**5.2.40** Personal Ledger Account of each consumer showing opening balance, addition/demand, collection and closing balance of electricity dues was not being prepared using the HTCBS.

**Delay in issue of bills**

**Delay in billing caused loss of revenue of ₹101.37 lakh by way of interest**

**5.2.41** The very purpose of the computerisation of billing is to avoid delay in processing and issuing of bills. As per the standing instructions, billing for HT consumers has to be completed and bills issued to consumers on or before fifth of every month.

- (i) On examining the billing data relating to 60 months of all Divisions it was revealed that, billing was delayed in all months in all the Divisions except in Division 3 for 24 months. The delay in billing ranged from one to 10 days. The delay in billing caused delay in realisation of revenue and led to loss of ₹ 101.37 lakh (@14 per cent per annum) by way of interest.
- (ii) Payment of electricity charges are to be made in 14 days from the date of Bill. Hence last date of payment is fixed by the billing system by adding 14 days to the bill date. However, on 10 occasions more days were allowed while fixing the last date of payment. The extension of last date of payment caused delay in realisation of revenue.

**Other points of interest**

**Energy consumption data was erratic**

**5.2.42** There were several cases of erratic energy consumption data which indicate that there was no system to analyse and compare the consumption data of each month with previous month's/year's data and to find out cases of short/excess billing.

**5.2.43** When payment is received by cheque or demand draft, pre-printed receipt is filled up and issued to consumer on the spot. This system is not fool

proof as receipt can be prepared/issued at any time with back date and levy of DPC can be avoided.

Though the due date/last date for receipt of bill amount is mentioned in the bill, no timing is prescribed for the last date and payment is received till the end of office hours. Hence cheques/DDs received could not be remitted into the Bank on the date of receipt itself.

### **Internal Audit**

*Internal audit of HT billing system was not conducted*

**5.2.44** The role of the HTCBS of the Department is vital as well as critical as 69 *per cent* of its total annual revenue is from HT/EHT consumers. However, no system existed to conduct internal audit of the billing system so as to avoid errors and omissions. Further, though the Chief Electrical Engineer had instructed (March 2005) that all bills of HT Consumers were to be checked by the Accounts Officer of Electrical Circle Office, no such exercise was being conducted.

### **Conclusion**

**The High Tension Billing System used by the Department to cater to the needs of HT consumer billing continued to be used with lot of system deficiencies like absence of provisions to accommodate advance payments, Delayed Payment Charges, supplementary billing and thus was permitting adjustments through credits in the subsequent bills without exhibiting reasons. This made the system not reliable. The physical and logical controls were inadequate. Poor change management controls resulted in loss of revenue. Lack of proper input controls and non mapping of business rules resulted in generation of erroneous bills and loss of revenue. Revenue collection process was not mapped in the system. Thus, the system was found not effective in achieving the objectives of a computerised billing operation.**

### **Recommendations**

- **The Department should take immediate action to rectify the deficiencies in the existing HTCBS, as discussed in the foregoing audit findings.**
- **Service connection records of all HT consumers are to be thoroughly reviewed and compared with the system data.**
- **The system of collection of electricity charges should be automated and linked to the HTCBS.**
- **Faulty HT meters should be replaced without delay and exact consumption data recorded/billed.**
- **Manual interventions should be avoided as far as possible.**

The matter was referred to the Government in September 2010, their reply had not been received (October 2010).

**SECTION B – TRANSACTION AUDIT OBSERVATIONS**

**GOVERNMENT COMPANIES**

**Goa Tourism Development Corporation Limited**

**5.3 Loss due to non-availing of CENVAT credit on payment of service tax**

**Payment of service tax on output services without availing CENVAT credit on input services, resulted in loss of ₹ 1.07 crore.**

As per the Finance Act, 1994<sup>1</sup>, Service tax was leviable at the prescribed rates, on certain specified output services. CENVAT Credit Rules 2002 and Service Tax Credit Rules, 2002 further provided that the provider of any such taxable services was eligible to avail CENVAT credit of Excise Duty, Service Tax and Education Cess paid by him on input goods/services received, for payment of Service Tax on output services.

As a part of its tourism development activities, the Company has been providing various services such as leasing of shops/restaurants, renting of halls and operating river cruise/conducted tours etc. During the period from April 2004 to March 2009, the Company paid ₹ 1.28 crore as Service Tax (including Education Cess) for the output services provided by it. During the same period, the Company received input services such as insurance, telephone, Architectural consultancy, bank charges, security services etc. (gross value - ₹ 4.77 crore), purchased excise duty paid items (aggregate value - ₹ 3.77 crore) and engaged various contactors for civil works (gross amount - ₹ 5.14 crore), for which service tax paid/payable to the suppliers/service providers was ₹ 1.07 crore<sup>2</sup>.

We observed that the Company did not maintain any account of service tax paid on input services received by it. Excise Duty paid invoices or Tax invoices from the Suppliers/Contractors were available in some cases only. The Company did not avail the benefit of CENVAT credit aggregating to ₹ 1.07 crore which would have been otherwise eligible for adjustment against Service Tax paid on output services provided by it.

Management has been repeatedly replying since March 2010 that input credit will be calculated and set off availed while remitting Service Tax in future. We, however, observed that the claim for CENVAT Credit was not preferred till date (July 2010). Thus, the possibility of getting the benefit of earlier years is remote.

The matter was referred to the Government in April 2010; their reply has not been received (July 2010).

<sup>1</sup> Clause 105 of Section 65 Chapter V.

<sup>2</sup> Approximate amount, as worked out by Audit based on the Annual Accounts of the Company.



**Sewage and Infrastructure Development Corporation Limited**

**5.4 Loss of interest due to improper management of funds**

**Improper planning and management of funds caused loss of ₹ 27.37 lakh by way of interest, besides non-compliance of Government directions.**

The Company received ₹ seven crore (02 September 2008) and ₹ 11.65 crore (21 October 2008) by way of budgetary allocation from the Government for executing various sewer line projects in the state. As the Company had not formulated any investment policy, the funds were initially deposited in the Current Account (₹ seven crore) and in Savings Bank Account (₹ 11 crore) with a private Bank and later transferred to Term Deposits of six months with the same private Bank (₹ 16 crore on 4 November 2008) and with Andhra Bank (₹ two crore on 16 October 2008) at an interest rate of 12 *per cent* per annum.

Audit scrutiny revealed the following:

- The funds remained in current account (₹ two crore for 43 days and ₹ five crore for 63 days) without fetching any interest and in Savings Bank Account (₹ 11 crore for 14 days) with nominal interest (@ 3.5 *per cent* per annum). Thus the delay in investing the funds in term deposits, led to loss of interest of ₹ 16.77 lakh.
- Further, there were delays ranging from two to 27 days in re-investing the matured deposits resulting in loss of interest of ₹ 4.95 lakh. During the intervening period before re-investment, the interest rate declined from eight to 7.5 *per cent* per annum. This led to further loss of ₹ 5.65 lakh.
- As per the directions issued (5 March 2008) by the Government of Goa, decision on investment of surplus funds of PSUs shall be taken by the Board of Directors (BoD) or delegated to a Group of Executives (GoE) which should invariably include Managing Director. The Government had also directed (26 March 2008) that surplus fund with organisations funded by Government shall, at least to the extent of 60 *per cent*, be placed with Public Sector Banks. The company violated the Government directions as more than 88 *per cent* of the funds were deposited with private Bank and that too without the approval of BoD/GoE.

The Management, while confirming the audit observations stated (October 2009/February 2010) that there was some procedural delay in understanding the methodology and taking decision regarding parking of surplus funds.

The Company was in the initial stages of the process of awarding the works at the time of receipt of funds and hence it was aware of the fact that the funds were not likely to be utilized immediately. Moreover, as the Company was pursuing the release of funds provided in the budget for the year 2008-09 from April 2008 itself, there was adequate time to plan the parking of funds in Term Deposits immediately on receipt of funds.

The matter was referred to the Government in March 2010; their reply has not been received (July 2010).

## **EDC Limited**

### **5.5 Loss due to waiver of loan pre-closure charges**

**Waiver of loan pre-closure charges despite specific conditions in the loan agreement resulted in loss of ₹ 18.93 lakh.**

With a view to avoid Standard loan accounts from getting transferred to other financing institutions, the Board of Directors (BoD) of the Company decided (October 2004) to introduce the system of levying pre-payment/pre-closure charges (PCC) on all loans where mortgage of landed property is involved. All such loan agreements contained a condition that in case the loan amount was repaid in full or in part before the due dates, the borrower/mortgager shall pay to the Company a premium calculated at the rate of one *per cent* per annum on the amount so pre paid for the period from the date of such payment upto its due date. Accordingly the Company had collected ₹ 32.42 lakh as PCC in respect of 36 loan accounts pre-closed during the period from October 2004 to March 2010.

We observed that the Company had disbursed (March to June 2007) a term loan of ₹ 4.77 crore to Goa Formulations Limited (GFL) which was repayable in 24 quarterly instalments commencing from 15 November 2008. GFL repaid (February 2008) the entire loan amount before the first instalment was due. Though the loan agreement contained provision to levy PCC, the BoD decided (February 2008) not to collect the pre-closure charges, which amounted to ₹ 18.93 lakh.

Management stated (July 2010) that PCC was waived as (a) no refinance was availed in this case, and (b) the Company was in need of funds to meet its financial commitment especially for repayment of loan availed from re-financing agencies. It was, however, noticed in audit that the Company had stopped the system of availing refinance even before the disbursement of loan to GFL and even before the receipt of refund of loan amount of GFL, the Company had planned to settle the loans availed from refinancing agencies.

The matter was referred to the Government in May 2010, their reply has not been received (July 2010).

## **Goa Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited**

### **5.6 Inordinate delay in finalization of accounts**

**On account of delay in finalization of accounts, Government's investment (₹ 1.66 crore) in the Company remained outside the scrutiny of the State Legislature.**

Section 210 of the Companies Act, 1956, read with Sections 166 and 216, casts the duty on the Board of Directors of a Company to place the accounts of the Company along with Auditor's Report (including supplementary comments of CAG) in the Annual General Meeting of the shareholders within six months of the close of its financial year. As per Section 210(5) of the Act

*ibid*, if any person, being a Director of a Company, fails to take all reasonable steps to comply with the provisions of Section 210, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to ten thousand rupees or with both. Similar provision exists under Section 210 (6) in respect of a person who is not a Director but is charged with the duty of ensuring compliance with Section 210.

Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited (Company) was incorporated in April 1990. In spite of clear provisions in the Companies Act, the Company has not been finalising its accounts in time and there were arrears of seven years in finalisation of its accounts as of 30 June 2010. The Company has finalised its accounts up to 2001-02 only. Audit has been bringing out the fact regarding arrears in finalisation of accounts to the notice of the State Government (Finance Secretary/ Chief Secretary) from time to time. However, there was no effective action to liquidate the arrears and during past four years the Company could finalise only one account (2001-02). The State and Central Governments had already made an investment of ₹ 1.66 crore in the Company in the form of equity, grants subsidy, loans etc. during the period for which the accounts were not finalised. Audit scrutiny revealed that many of the primary records and accounts, especially bank reconciliation, accounts for loan/interest on loan were not made upto date and hence finalization of accounts got delayed.

In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred were properly accounted for and the purpose for which the amount was invested achieved or not and thus Government's investment in the Company remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act.

Management stated (June 2010) that they are in the process of appointing experienced accounts personnel on contract basis to finalise the accounts in arrears.

It is recommended that the Government and the Company management may make a time-bound programme to clear the arrears and monitor it on a continuous basis.

The matter was referred to the Government in April 2010; their reply has not been received (July 2010).

## **DEPARTMENTAL COMMERCIAL UNDERTAKINGS**

### **Goa Electricity Department**

#### ***5.7 Extra expenditure due to purchase of stores at higher rates***

**Elimination of lower offers for supply of stay rods/plates on insignificant grounds resulted in purchase of the item at higher rates with resultant extra expenditure of ₹ 37.06 lakh.**

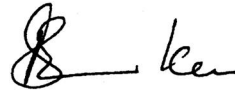
While inviting tenders for procurement of galvanized stay rods/plates, the Department called upon tenderers to submit Type Test Certificate (TTC)

obtained within the last 10 years from any reputed or Government institutions. This condition was newly incorporated in the tender document from March 2007 onwards. In June 2007 tenders were invited for the supply of 5,500 sets of 'Hot dip galvanized iron stay rods/plates'. The Department received nine offers for the supply of the item out of which eight lower offers (ranging from ₹ 700 to ₹ 1,246 per set) were rejected due to non submission of TTC. The highest offer of ECOUNTRY, Goa at ₹ 1,299 per set was accepted (July 2007). Thus, due to elimination of the lowest offers the item was procured at the higher rate (₹ 1,299 per set) resulting in extra avoidable expenditure of ₹ 37.06 lakh (including Service Tax).

We observed that TTC was not a vital requirement for the item as the stay rod is not an electrically connected device. The quality parameters for these items are dimensional accuracy and uniformity of coating. These parameters could have been ensured by a routine test certificate to accompany the goods. By making TTC mandatory which was not important for the goods procured, the Department incurred an avoidable expenditure of ₹ 37.06 lakh. It was further seen that TTC was not being insisted by the Department at present for galvanized iron stay rods which confirmed our observation.

The matter was referred to the Government/Department in May 2010; their reply has not been received (July 2010).

**Panaji  
The**



**(DEVIKA)  
Accountant General, Goa**

Countersigned

**New Delhi  
The**



**(VINOD RAI)  
Comptroller and Auditor General of India**

## APPENDIX – 1.1

*(Referred to in paragraph 1.1.7)*

Statement showing components of expenditure during 2005-10

*(₹ in crore)*

Year	Expenditure on procurement of food grains, warehousing etc.	Expenditure on salaries, office expenses etc.	Expenditure on subsidy	Expenditure on transportation of food grains	Total expenditure
2005-06	15.96	1.62	Nil	0.74	18.32
2006-07	23.63	1.75	Nil	0.95	26.33
2007-08	25.18	2.16	Nil	1.00	28.34
2008-09	34.30	3.04	8.37	0.82	46.53
2009-10	51.17	3.85	5.04	1.95	62.01

**APPENDIX – 1.2**

*(Referred to in paragraph 1.1.8.1)*

**Statement showing allotment of foodgrains by GOI, lifting and distribution during 2005-10**

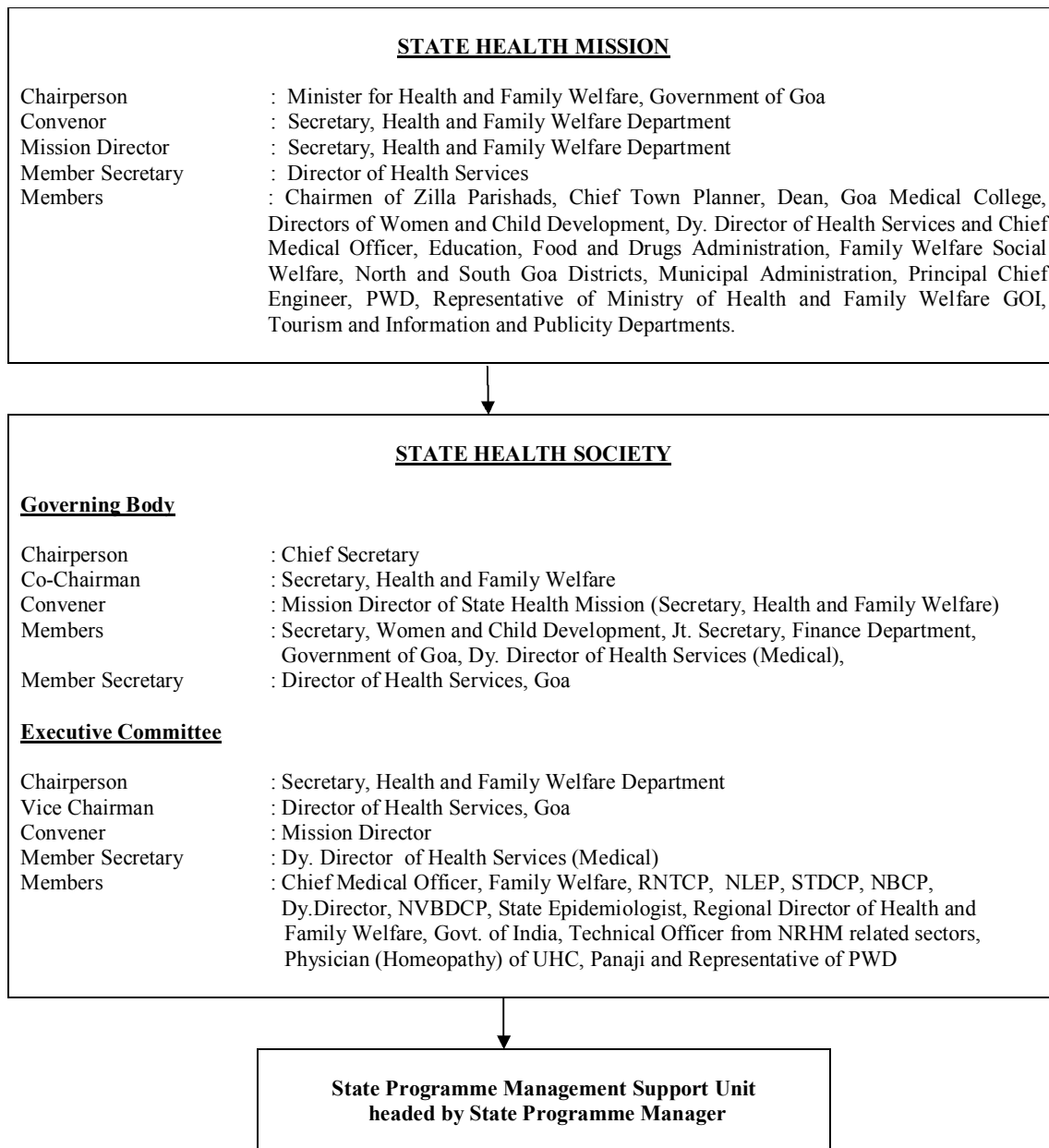
*(Quantity in Metric Tonnes)*

Year	Allotment	Lifting	Distribution	Percentage of lifting to allotment
<b><i>APL RICE</i></b>				
2005-06	81200.00	5358.57	5242.57	6.60
2006-07	79968.00	14554.08	14583.02	18.20
2007-08	10970.00	11167.74	11170.61	101.80
2008-09	18078.00	16607.52	16704.79	91.87
2009-10	31892.00	28665.51	27869.47	89.88
<b>Total</b>	<b>222108.00</b>	<b>76353.42</b>	<b>75570.46</b>	<b>34.38</b>
<b><i>APL WHEAT</i></b>				
2005-06	37096.00	7781.23	7821.64	20.98
2006-07	11222.00	6826.31	6822.64	60.83
2007-08	9114.00	7940.46	7793.38	87.12
2008-09	9209.00	6389.44	6233.74	69.38
2009-10	7148.00	4281.01	4223.95	59.89
<b>Total</b>	<b>73789.00</b>	<b>33218.45</b>	<b>32895.35</b>	<b>45.02</b>
<b><i>BPL RICE</i></b>				
2005-06	6540.00	6555.01	6580.69	100.23
2006-07	5150.00	4830.78	4781.78	93.80
2007-08	5460.00	5601.75	5632.63	102.60
2008-09	5460.00	5457.09	5473.57	99.95
2009-10	5460.00	5458.45	5445.49	99.97
<b>Total</b>	<b>28070.00</b>	<b>27903.08</b>	<b>27914.16</b>	<b>99.41</b>
<b><i>AAY RICE</i></b>				
2005-06	5739.00	4144.92	4160.31	72.22
2006-07	6108.00	4572.39	4520.88	74.86
2007-08	6108.00	5164.76	5218.23	84.56
2008-09	6108.00	5503.62	5508.38	90.11
2009-10	6108.00	5587.18	5565.60	91.47
<b>Total</b>	<b>30171.00</b>	<b>24972.87</b>	<b>24973.40</b>	<b>82.77</b>
<b><i>ANNAPURNA RICE</i></b>				
2005-06	90.36	59.41	58.51	65.75
2006-07	90.36	47.31	48.54	52.36
2007-08	90.36	40.86	39.40	45.22
2008-09	90.36	33.32	34.77	36.87
2009-10	88.64	33.65	27.33	37.96
<b>Total</b>	<b>450.08</b>	<b>214.55</b>	<b>208.55</b>	<b>47.67</b>

**APPENDIX – 1.3**

*(Referred to in paragraph 1.2.2)*

**Organogram of State Health Mission and State Health Society**



## APPENDIX – 1.4

*(Referred to in paragraph 1.2.6)*

### List of test-checked units

Health Centres	Total number selected	Selected health centres
District Hospital	1	Margao
Urban Health Centre	2	Margao and Vasco
Cottage hospital	1	Chicalim
Community Health Centres	3	Canacona, Ponda and Pernem
Primary Health Centres	10	Bali, Betki, Bicholim, Cansarvarne, Camurlim, Colvale, Cortalim, Curtorim, Quepem, Shiroda and Siolim.
Sub Centres	45	Agonda, Ambaulim, Arambol, Assonora, Bhatpal, Borim, Cansavernem, Chandor, Chicalim, Chimbél, Consua, Cotombi, Deao, Dramapur, Gantamorod (Aquém), Gowal (Cola), Guirim, Hasapur, Macazana, Mayem, Morpila, Mulgao, Nanora, Naquelim-Sindolum (Sancoale), Orgao, Paaz, Parsem, Pernem, Pirna, Poinguinim, Queula, Quitol, Savoi-verem, Siolim, Sodiém, Tamboxem, Tuem, Usgao, Velim, Verla, Vazangal, Vaddi-Talaulim, Vagurben-Murdi and Voroda (Cuncolem).
Rural Medical Dispensaries	8	Cuncolem, Durbhat, Maxem (Lolím), Molorem (Cola), Morjim, Rivona, St. Estevem and Volvoi.
Leprosy Hospital	1	Leprosy Hospital, Macasana



## APPENDIX – 1.5

*(Referred to in paragraph 1.2.7.2)*

## Statement showing VHSCs formed in the test-checked Sub Centres

Name of the test-checked Sub Centres	No. of VHSCs formed	Formation of VHSCs	Number of Meetings Held by VHSCs
Consua	1	December 2008	2
Naquelim-Chicalim	2	December 2008	3
Sindolum (Sancoale)	1	December 2008	3
Deao	Not formed	NA	NA
Ambaulim	1	September 2008	2
Cotombi	2	October 2009	4
Veroda (Cuncoлим)	Not furnished	Not furnished	Not furnished
Morpila	1	November 2008	0
Velim	1	November 2008	0
Quitol	1	November 2008	0
Gantamorod (Aquem)	1	December 2008	2
Dramapur	2	February 2009	2
Chandor	3	January 2009	2
Macazana	1	April 2009	2
Gowal (Cola)	1	November 2008	12
Agonda	1	January 2009	9
Poinguinim	1	November 2008	14
Bhatpal	1	November 2008	9
Assonora	2	Not furnished	Not furnished
Pirna	3	Not furnished	Not furnished
Camurlim	1	Not furnished	Not furnished
Pernem	1	April 2009	8
Parsem	1	April 2009	3
Tuem	1	September 2008	5
Arambol	1	February 2009	6
Vazangal	1	May 2008	1
Borim	1	April 2008	Not furnished
Paaz	Not furnished	April 2008	Not furnished
Usgao	2	November 2008	3
Queula	1	May 2009	1
Vaddi-Talaulim	2	May 2008	5
Savoi-verem	2	March 2009	1
Vagurben-Murdi	2	May 2009	1
Cansarvarne	3	August 2008	3
Tamboxem	1	Not furnished	Not furnished
Hasapur	1	February 2009	1
Mulgao	1	December 2008	8
Nanora	1	December 2008	4
Mayem	1	October 2008	2
Siolim	Not formed	NA	NA
Sodiem	1	March 2009	2
Gurim	Not formed	NA	NA
Verla	Not formed	NA	NA
Orgao	1	September 2008	4
Chimbel	1	October 2008	2

*(Compiled from records of test-checked units)**NA : Not applicable*

**APPENDIX – 1.6**

*(Referred to in paragraph 1.2.8.1)*

**Statement showing programme-wise utilization of funds**

*(₹ in lakh)*

Programme	Opening Balance as on April 2006	2006-07			2007-08			2008-09			2009-10		
		Funds received	Funds Utilised and disbursed	Closing balance with interest	Funds received	Funds Utilised and disbursed	Closing balance with interest	Funds received	Funds Utilised and disbursed	Closing balance with interest	Funds received	Funds Utilised and disbursed	Closing balance with interest
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
RCH Flexible Pool <sup>1</sup>	163.47	66.59	80.12 <sup>2</sup>	161.10	94.73	76.95	182.69	267.45	138.34	320.32	253.05	134.63	452.22
NRHM Flexible Pool	97.20 <sup>3</sup>	167.70 <sup>4</sup>	38.75	216.02 <sup>5</sup>	179.31	120.47	280.93	252.12	147.29	395.36	663.70 <sup>6</sup>	719.41 <sup>7</sup>	351.48
RNTCP	11.43	29.80	31.18	10.43	28.00	33.68	5.11	45.43	46.73	4.14	53.14	53.13	4.42
NVBDCP	20.43	19.82	17.47	22.78	108.09	49.52	81.35	0.00	29.05	52.70	23.91	59.74	24.01
IDSP	35.44	33.30	55.95	13.34	21.11	27.67	7.06	25.00	20.97	11.56	33.83	33.75	11.79
NPCB	0	0	0	12.75	26.60	28.43	10.92	107.05	31.26	86.82	0.00	88.81	0.10
NLEP	1.81	2.83	4.40	0.49	6.68	5.17	2.04	9.54	6.84	4.75	7.67	9.48	3.03
<b>Total</b>	<b>329.78</b>	<b>320.04</b>	<b>227.87</b>	<b>436.91</b>	<b>464.52</b>	<b>341.89</b>	<b>570.10</b>	<b>706.59</b>	<b>420.48</b>	<b>875.65</b>	<b>1035.30</b>	<b>1098.95</b>	<b>847.05</b>

(Source: Compiled from the financial statements of SHS and other Societies)

<sup>1</sup> Including immunization, MNGO, population stabilization, IEC.

<sup>2</sup> Including ₹ 0.71 lakh refunded to GOI.

<sup>3</sup> Kept in the account of RCH initially and transferred to NRHM.

<sup>4</sup> Including ₹ 14.78 lakh transferred from State Family Welfare Bureau.

<sup>5</sup> ₹ 12.75 transferred to NPCB.

<sup>6</sup> Including ₹ 300.00 lakh from the State Government.

<sup>7</sup> Including payments to Emergency Management and Research Institute ₹ 4.20 crore and ₹ 9.76 lakh refunded to GOI.

## APPENDIX – 1.7

*(Referred to in paragraph 1.2.8.2)*

Statement showing the difference in amounts shown by test-checked PHC/CHCs and SHS records

Name of Unit	Particulars of grant	Year	Differences noticed in	As per SHS records	As per test-check units' records	Differences
PHC Quepem	Maintenance Grants	2009-10	Grants released	75000	85000	(+) 10000
		2009-10	Expenditure	60555	82281	(+) 21726
		2009-10	Closing Balance	30812	19086	(-) 11726
	Contingencies	2009-10	Expenditure	8653	1450	(-) 7203
		2009-10	Closing Balance	1347	8550	(+) 7203
	Telephone Bills	2009-10	Expenditure	Nil	13303	(+) 13303
2009-10		Closing Balance	24000	10697	(-) 13303	
CHC, Canacona	Maintenance and Untied Grants	2009-10	Expenditure	344287	300492	(-) 43795
	Maintenance and untied grants to SCs	2009-10	Expenditure	47677	39508	(-) 8169
	Grant to VHSCs	2009-10	Expenditure	Nil	57478	(+) 57478
	Training Support	2009-10	Expenditure	Nil	520	(+) 520
	Untied grants to RMDs	2009-10	Expenditure	Nil	1000	(+) 1000
	Contingency	2009-10	Expenditure	Nil	5225	(+) 5225
PHC, Balli	Maintenance Grants	2009-10	Expenditure	82883	73500	(-) 9383
			Closing Balance	21971	31354	(+) 9383
	Untied Grants	2009-10	Expenditure	Nil	9731	(+) 9731
			Closing Balance	46308	35885	(-) 35885
	Telephone	2009-10	Grants received	6000	7000	(+) 1000
			Expenditure	1640	1955	(+) 315
	Sub centre maintenance	2009-10	Expenditure	28108	20897	(-) 7211
	Village Health Sanitation Committee	2009-10	Expenditure	25627	21257	(-) 4370
UHC, Margao	Contingency support	2009-10	Expenditure	6500	4547	(-) 1953
PHC, Curtorim	Maintenance Grants	2009-10	Expenditure	73984	51317	(-) 22667
	Untied Grants	2009-10	Expenditure	46736	104817	(+) 58081
Cottage Hospital, Chicalim	Untied Grants	2009-10	Expenditure	35941	38441	(+) 2500
PHC, Cortalim	Telephone	2009-10	Expenditure	1019	11114	(+) 10095
	Maintenance Grants + Untied Grants	2009-10	Expenditure	54022	75618	(+) 21596
CHC, Ponda	Maintenance Grants + Untied Grants	2009-10	Expenditure	134999	134177	(-) 822
	Grant to VHSCs	2008-09	Grants received	140000	Nil	(-) 140000
		2009-10	Grants received	110000	200000	(+) 90000
			Expenditure	9280	Nil	(+) 9280
Salary of Homeopathy Physician	2009-10	Expenditure	140000	120000	(-) 20000	

*(Source: compiled from the records of SHS)**(+) indicates excess amount and (-) indicates less amount in the test checked units over SHS figures.*

**APPENDIX – 1.8**

*(Referred to in paragraph 1.2.9.2(a))*

**Statement showing non-availability of physical infrastructure**

<b>Particulars</b>	<b>District Hospital/ Cottage Hospital</b>	<b>CHCs</b>	<b>PHCs</b>	<b>SCs</b>	<b>RMDs</b>	<b>UHCs</b>
Total Health Centres audited	2	3	10	45	8	2
Government Building	Av	Av	Av	28	5	1
Water Supply	Av	Av	Av	5	1	Av
Waiting room for patients	1	Av	2	7	1	1
Labour Room	Av	Av	3	NA	7	2
Operation Theatre	Av	1	6	NA	NA	NA
Clinic room	Av	Av	Av	3	Av	1
Emergency/Casualty Room	Av	Av	3	NA	NA	NA
Residential Facilities for staff	1	1	4	44	7	2
Separate Utility for Male & female	Av	Av	Av	19	6	1
Suggestions/Complaint Box	Av	Av	2	45	5	1
Office room	Av	Av	Av	43	5	Av
Store room	Av	Av	1	40	6	1
Kitchen	Av	1	Av	44	7	2
Telephone	Av	Av	Av	13	5	Av

*(Source: Figures compiled from the records of test-checked units)*

*Av = Available, NA = Not applicable, **The Numbers indicated the facilities not available in the health centres***

**APPENDIX – 1.9**

*(Referred to in paragraph 1.2.12.4)*

**Statement showing performance in the State under the immunization programme in respect of other vaccines**

Year	DPT			DPT (Booster)			DT(5)			DT(10)			DT(16)		
	Target	Achievement	Percentage	Target	Achievement	Percentage	Target	Achievement	Percentage	Target	Achievement	Percentage	Target	Achievement	Percentage
2005-06	24580	28821	117	21320	23567	111	24473	24409	100	27664	23737	86	22168	19685	89
2006-07	22096	24238	110	22827	23187	102	22576	24511	109	26673	24114	90	23399	20029	86
2007-08	22355	23768	106	24235	22536	93	26750	25580	96	27921	25165	90	24854	19920	80
2008-09	24020	24552	102	23230	21752	94	24817	19142	77	26437	23918	90	23879	19070	80
2009-10	22895	19046	83	22895	20696	90	23046	20297	88	25498	20541	81	25535	16375	64

*(Source: Figures from monthly performance reports of SHS)*

## APPENDIX – 2.1

*(Referred to in paragraph 2.5.1)*

## Statement showing year-wise position of inspection reports and paragraphs pending settlement

Sl. No.	Name of the Department	Up to 2004-05		2005-06		2006-07		2007-08		2008-09		2009-10		Total	
		IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para
1	Agriculture	-	-	1	2	-	-	3	3	8	15	-	-	12	20
2	Animal Husbandry & Veterinary Services	-	-	-	-	-	-	-	-	1	1	1	2	2	3
3	Archives, Archaeology & Museum	-	-	-	-	-	-	-	-	2	3	-	-	2	3
4	Art & Culture	-	-	1	1	1	2	2	3	2	9	-	-	6	15
5	Civil Supplies	-	-	-	-	-	-	-	-	1	2	1	4	2	6
6	Co-operation	-	-	-	-	-	-	-	-	3	11	-	-	3	11
7	Education	-	-	-	-	1	9	1	1	10	21	8	21	20	52
8	Finance	-	-	-	-	-	-	-	-	4	5	-	-	4	5
9	Fisheries	-	-	-	-	-	-	1	3	1	5	-	-	2	8
10	Forests	-	-	-	-	2	2	3	4	2	2	3	17	10	25
11	General Administration	-	-	1	2	1	2	2	5	1	2	-	-	5	11
12	Goa Public Service Commission	-	-	-	-	-	-	-	-	-	-	1	4	1	4
13	Housing	1	1	-	-	1	1	-	-	-	-	1	12	3	14
14	Health	-	-	1	2	3	7	4	10	12	35	7	18	27	72
15	Higher Education	1	1	-	-	1	1	2	2	2	2	2	6	8	12
16	Home	2	3	-	-	-	-	5	6	3	9	5	9	15	27
17	Industries	-	-	-	-	-	-	2	3	1	1	2	6	5	10
18	Information & Publicity	-	-	-	-	-	-	3	3	2	3	2	11	7	17
19	Inland Water Transport	-	-	-	-	1	2	2	3	-	-	-	-	3	5
20	Irrigation	1	1	-	-	3	5	2	3	1	2	7	51	14	62

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21	Labour	-	-	-	-	-	-	3	5	2	5	1	3	6	13
22	Law	-	-	-	-	3	5	2	2	4	5	1	1	10	13
23	Legislature	-	-	-	-	-	-	-	-	1	3	-	-	1	3
24	Mines	-	-	-	-	-	-	1	4	-	-	-	-	1	4
25	Panchayati Raj	2	5	4	12	7	37	2	5	3	27	2	10	20	96
26	Printing & Stationary	-	-	-	-	-	-	1	3	-	-	1	1	2	4
27	Provedoria	-	-	-	-	-	-	1	7	-	-	-	-	1	7
28	Public Works	1	1	3	6	5	5	7	13	7	10	13	68	36	103
29	Revenue	-	-	6	16	3	11	3	6	8	30	17	157	37	220
30	Rural Development	-	-	2	3	1	2	1	3	1	4	2	13	7	25
31	Science, Technology & Environment	-	-	-	-	-	-	-	-	1	3	-	-	1	3
32	Social Welfare	-	-	-	-	-	-	2	6	-	-	1	3	3	9
33	Sports & Youth Affairs	-	-	-	-	2	2	1	3	-	-	1	2	4	7
34	Technical Education	1	1	-	-	-	-	-	-	3	5	4	8	8	14
35	Town & Country Planning	-	-	1	1	1	6	1	1	1	6	1	4	5	18
36	Transport	-	-	-	-	1	1	1	2	-	-	1	2	3	5
37	Tourism	-	-	-	-	-	-	-	-	1	2	-	-	1	2
38	Urban Development	1	2	2	3	4	14	12	59	9	74	11	204	39	356
39	Vigilance	-	-	-	-	-	-	-	-	1	3	-	-	1	3
40	Women & Child Development	-	-	-	-	2	3	1	2	3	7	1	2	7	14
<b>Total</b>		<b>10</b>	<b>15</b>	<b>22</b>	<b>48</b>	<b>43</b>	<b>117</b>	<b>71</b>	<b>170</b>	<b>101</b>	<b>312</b>	<b>97</b>	<b>639</b>	<b>344</b>	<b>1301</b>

## APPENDIX - 2.2

*(Referred to in paragraph 2.5.2)*

**Statement showing number of paragraphs/reviews in respect of which Government explanatory memoranda had not been received**

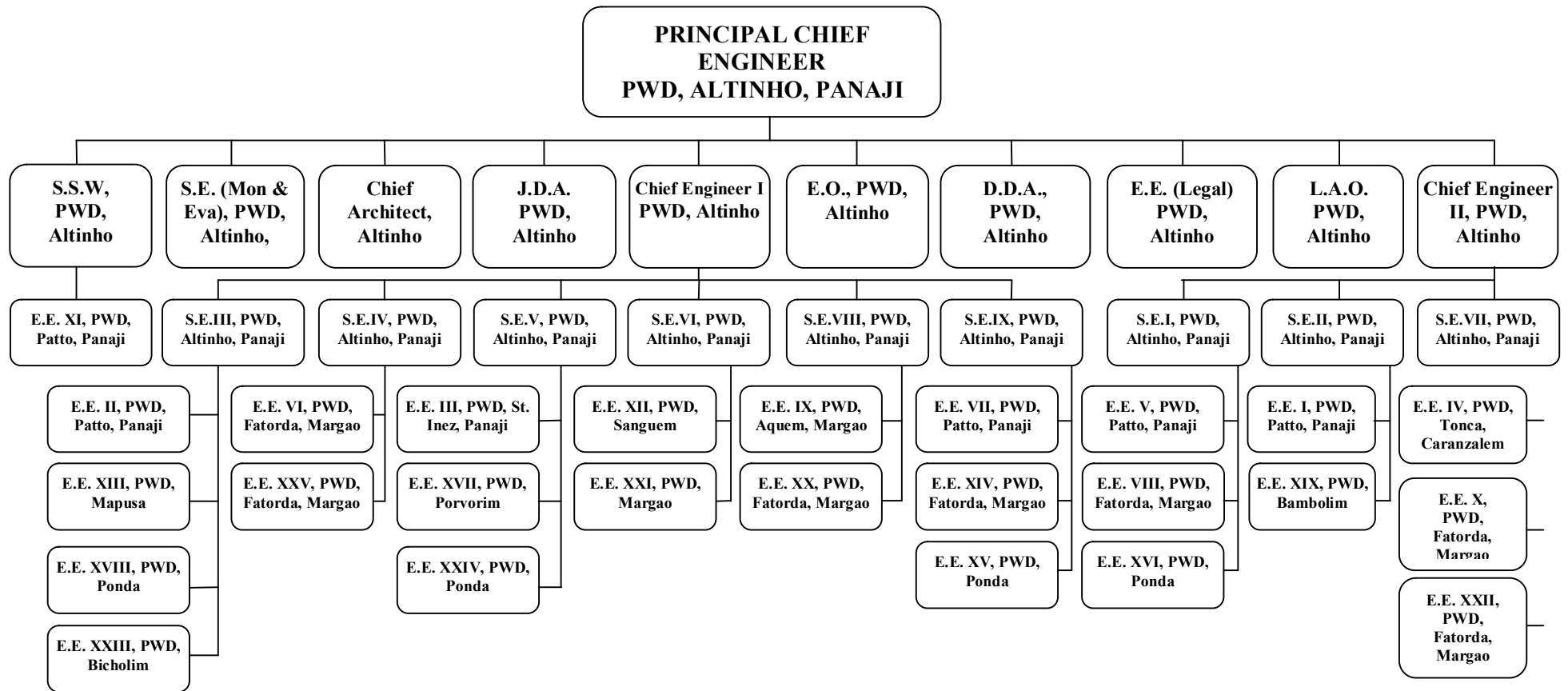
Sl. No.	Name of Department	2006-07	2007-08	2008-09	Total
(1)	(2)	(3)	(4)	(5)	(6)
1	Revenue	1	1	-	2
2	Social Welfare	1	1	-	2
3	Information and Publicity	1	-	-	1
4	Education	1	-	-	1
5	Public Works	1	3	1	5
6	Panchayati Raj and Community Development	-	1	-	1
7	Labour and Employment	-	1	-	1
8	Home	-	-	1	1
9	Finance	-	-	1	1
10	Urban Development	-	-	3	3
11	Civil Supplies and Consumer Affairs	-	-	1	1
12	Art and Culture	-	-	2	2
13	Housing	-	-	1	1
14	Forests	-	-	1	1
15	Fisheries	-	-	1	1
<b>Total</b>		<b>5</b>	<b>7</b>	<b>12</b>	<b>24</b>



**APPENDIX - 3.1**

*(Referred to in paragraph 3.1.2)*

**Organisational Chart**



## APPENDIX - 3.2

*(Referred to in paragraph 3.1.5)*

### Selection of units for audit

Sl. No.	Name of the department/division
1	Principal Chief Engineer, Panaji
2	Chief Architect, Panaji
3	Superintending Engineer, Circle I, Panaji
4	Superintending Engineer, Circle V, Panaji
5	Superintending Engineer, Circle VIII, Margao
6	Superintending Engineer, Circle IX, Panaji
7	Superintending Engineer, Monitoring and Evaluation, Panaji
8	Executive Engineer, Division-II, Roads and Bridges, Panaji
9	Executive Engineer, Division-IV, Mechanical and Electrical, Panaji
10	Executive Engineer, Division-VII, National Highways, Panaji
11	Executive Engineer, Division-VIII, Buildings, Margao
12	Executive Engineer, Division-IX, Water Supply, Margao
13	Executive Engineer, Division-X, Stores, Margao
14	Executive Engineer, Division-XI, Quality Control, Panaji
15	Executive Engineer, Division-XII, Water Supply, Sanguem
16	Executive Engineer, Division-XV, National Highways, Ponda
17	Executive Engineer, Division-XVI, Buildings, Ponda
18	Executive Engineer, Division-XVII, Water Supply, Panaji
19	Executive Engineer, Division-XVIII, Roads and Bridges, Ponda
20	Executive Engineer, Division-XIX, Buildings, Panaji
21	Executive Engineer, Division-XXIII, Roads and Bridges, Bicholim
22	Executive Engineer, Division-XXV, Roads and Bridges, Margao

### APPENDIX - 3.3

*(Referred to in paragraph 3.1.7.2)*

Statement showing rush of expenditure in the month of March during 2007-10

#### Executive Engineer, Division VIII

Year	Total Expenditure (₹ in lakh)	Expenditure during March	Percentage
2007-08	347.87	43.21	12
2008-09	468.53	176.26	38
2009-10	584.66	345.43	59

#### Executive Engineer, Division XVI

Year	Total Expenditure (₹ in lakh)	Expenditure during March	Percentage
2007-08	578.39	173.94	30
2008-09	805.75	297.03	37
2009-10	746.70	303.59	41

## APPENDIX - 5.1

(Referred to in paragraph 5.1.7)

Statement showing particulars of up-to-date paid-up capital, loans outstanding and manpower as on 31 March 2010  
in respect of Government Companies and Statutory Corporations

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

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital <sup>§</sup>				Loans** outstanding at the close of 2009-10				Debt Equity Ratio for 2009-10 (Previous Year)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
<b>A. Working Government Companies</b>													
<i>AGRICULTURE &amp; ALLIED</i>													
1	Goa Forest Development Corporation Limited (GFDCL)	Forest	April 1997	268.91	-	-	268.91	-	-	-	-	-	74
2	Goa Meat Complex Limited (GMCL)	Animal Husbandry	March 1971	25.00	23.96	12.86	61.82	-	-	-	-	-	71
3	Goa State Horticultural Corporation Limited (GSHCL)	Agriculture	August 1993	499.50	-	-	499.50	124.00	-	-	124.00	0.25:1 (0.25:1)	35
<b>Sector wise total</b>				<b>793.41</b>	<b>23.96</b>	<b>12.86</b>	<b>830.23</b>	<b>124.00</b>	<b>-</b>	<b>-</b>	<b>124.00</b>	<b>0.15:1</b>	<b>180</b>
<i>FINANCE</i>													
4	EDC Limited (EDCL)	Finance	March 1975	8620.26	-	1472.22	10092.48	-	-	-	-	-	92
5	Goa Handicraft Rural and Small Scale Industries Development Corporation Limited (GHRSSIDCL)	Industries, Trade & Commerce	November 1980	783.00	17.00	-	800.00	-	-	-	-	-	64

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Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital <sup>5</sup>				Loans <sup>**</sup> outstanding at the close of 2009-10				Debt Equity Ratio for 2009-10 (Previous Year)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
6	Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited (GSSCOBCFDCL)	Social Welfare	April 1990	191.33	158.21	-	349.54	-	-	327.64	327.64	0.94:1 (0.71:1)	13
7	Goa State Schedule Tribes Finance and Development Corporation Limited (GSSTFDCL)	Tribal Welfare	March 2004	743.00	-	-	743.00	25.00	-	152.30	177.30	0.24:1 (0.18:1)	11
	<b>Sector wise total</b>			<b>10337.59</b>	<b>175.21</b>	<b>1472.22</b>	<b>11985.02</b>	<b>25.00</b>	<b>-</b>	<b>479.94</b>	<b>504.94</b>	<b>0.04:1 (0.03:1)</b>	<b>180</b>

Sl. No.	Sector and Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital <sup>§</sup>				Loans** outstanding at the close of 2009-10				Debt Equity Ratio for 2009-10 (Previous Year)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
<b>INFRASTRUCTURE</b>													
8	Goa State Infrastructure Development Corporation Limited (GSIDCL)	Finance	February 2001	305.00 61.00 *	-	5.00 1.00 *	310.00 62.00 *	-	-	14581.13	14581.13	47.04:1 (53.69:1)	74
9	Info Tech Corporation Limited (ITCGL)	Information Technology	April 1990	1314.56	-	318.90	1633.46	-	-	-	-	-	42
10	Sewerage and Infrastructural Development Corporation Limited (SIDCL)	Public Works	February 2001	555.00	-	-	555.00	-	-	-	-	-	13
<b>Sector wise total</b>				<b>2235.56</b>	<b>-</b>	<b>324.90</b>	<b>2560.46</b>	<b>-</b>	<b>-</b>	<b>14581.13</b>	<b>14581.13</b>	<b>5.69:1</b>	<b>129</b>
<b>MANUFACTURING</b>													
11	Goa Auto Accessories Limited (GAAL)	Finance	September 1976	-	-	559.00	559.00	-	-	36.02	36.02	0.06:1 (0.08:1)	80
12	Goa Antibiotics and Pharmaceuticals Limited (GAPL)	Finance	December 1980	-	-	1902.00	1902.00	-	-	1367.56	1367.56	0.72:1 (0.37:1)	221
<b>Sector wise total</b>				<b>-</b>	<b>-</b>	<b>2461.00</b>	<b>2461.00</b>	<b>-</b>	<b>-</b>	<b>1403.58</b>	<b>1403.58</b>	<b>0.57:1</b>	<b>301</b>
<b>SERVICES</b>													
13	Goa Electronic Limited (GEL)	Finance	March 1976	-	-	180.00	180.00	-	-	2104.66	2104.66	11.69:1 (5.49:1)	9
14	Goa Tourism Development Corporation Limited (GTDC)	Tourism	March 1982	2264.69	-	-	2264.69	739.17	-	-	739.17	0.33:1 (0.33:1)	366
15	Kadamba Transport Corporation Limited (KTCL)	Transport	January 1980	4889.33	-	-	4889.33	-	-	4811.58	4811.58	0.98:1 (0.64:1)	1932
<b>Sector wise total</b>				<b>7154.02</b>	<b>-</b>	<b>180.00</b>	<b>7334.02</b>	<b>739.17</b>	<b>-</b>	<b>6916.24</b>	<b>7655.41</b>	<b>1.04:1</b>	<b>2307</b>
<b>Total A (All sector wise working Government companies)</b>				<b>20520.58</b>	<b>199.17</b>	<b>4450.98</b>	<b>25170.73</b>	<b>888.17</b>	<b>-</b>	<b>23380.89</b>	<b>24269.06</b>	<b>0.96:1</b>	<b>3097</b>

\* being bonus shares issued to Government (₹ 61.00 Lakh) and others (₹ 1.00 Lakh)

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Sl. No.	Sector & Name of the Company	Name of the Department	Month and year of incorporation	Paid-up Capital <sup>5</sup>				Loans** outstanding at the close of 2009-10				Debt Equity Ratio for 2009-10 (Previous Year)	Manpower (No. of employees as on 31.3.2010)
				State Government	Central Government	Others	Total	State Government	Central Government	Others	Total		
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	6 (a)	6 (b)	6 (c)	6 (d)	(7)	(8)
<b>B. Working Statutory Corporations</b>													
<i>INFRASTRUCTURE</i>													
1	Goa Industrial Development Corporation (GIDC)	Industries, Trade & Commerce	1966	1802.18	1488.96	-	3291.14	-	-	-	-	-	243
2	Goa Information Technology Development Corporation (GITDC)	Information Technology	November 2006	25.00	-	-	25.00	-	-	-	-	-	2
<b>Sector wise total</b>				<b>1827.18</b>	<b>1488.96</b>	<b>-</b>	<b>3316.14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245</b>
<b>Total B (All sector wise working Statutory corporations)</b>				<b>1827.18</b>	<b>1488.96</b>	<b>-</b>	<b>3316.14</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245</b>
<b>C.</b>	<b>Non Working Government Companies</b>			NIL									
<b>D.</b>	<b>Non Working Statutory Corporations</b>			NIL									
<b>Grand Total (A + B + C + D)</b>				<b>22347.76</b>	<b>1688.13</b>	<b>4450.98</b>	<b>28486.87</b>	<b>888.17</b>	<b>-</b>	<b>23380.89</b>	<b>24269.06</b>	<b>0.82:1</b>	<b>3342</b>

\$ Paid up capital includes share application money.

\*\* Loans outstanding at the close of 2009-10 represent long term loans only.

## APPENDIX – 5.2

(Referred to in paragraphs 5.1.15 and 5.1.32)

Summarised financial results of Government Companies and Statutory Corporations for the latest year for which accounts were finalised

(Figures in column 5(a) to (11) are ₹ in lakh)

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital @@	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ (-) Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>A. Working Government Companies</b>														
<b>AGRICULTURE &amp; ALLIED</b>														
1	Goa Forest Development Corporation Limited (GFDCL)	2008-09	2009-10	(-)101.34	-	4.83	(-)106.17	169.48	139.62	268.91	251.26	610.13	(-)106.17	-
2	Goa State Horticultural Corporation Limited (GSHCL)	2006-07	2010-11	1.10	-	2.67	(-)1.57	345.63	(-)20.58	499.50	(-)134.53	488.97	(-)1.57	-
3	Goa Meat Complex Limited (GMCL)	2008-09	2010-11	(-)42.21	-	21.48	(-)63.69	168.69	21.22	61.82	119.01	441.13	(-)63.69	-
<b>Sector wise total</b>				<b>(-)142.45</b>	<b>-</b>	<b>28.98</b>	<b>(-)171.43</b>	<b>683.80</b>	<b>140.26</b>	<b>830.23</b>	<b>235.74</b>	<b>1540.23</b>	<b>(-)171.43</b>	<b>-</b>
<b>FINANCE</b>														
4	EDC Limited (EDCL)	2009-10	2010-11	3772.55	349.68	420.90	3001.97	4409.85	-	10092.48	6075.63	16818.13	3351.65	19.93
5	Goa Handicraft Rural and Small Scale Industries Development Corporation Limited (GHRSSIDCL)	2009-10	2010-11	(-)22.41	0.48	7.09	(-)29.98	3013.89	(-)43.89	750.01	(-)41.67	750.01	(-)29.50	-
6	Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited (GSSCOBCFDCL)	2001-02	2008-09	6.97	10.52	3.93	(-)7.48	25.04	-	231.76	(-)23.09	435.13	3.04	0.70
7	Goa State Schedule Tribes Finance and Development Corporation Limited (GSSTFDCL)	2008-09	2009-10	(-)0.11	1.26	1.42	(-)2.79	20.01	3.31	455.00	(-)62.21	456.33	(-)1.53	-
<b>Sector wise total</b>				<b>3757.00</b>	<b>361.94</b>	<b>433.34</b>	<b>2961.72</b>	<b>7468.79</b>	<b>(-)40.58</b>	<b>11529.25</b>	<b>5948.66</b>	<b>18459.60</b>	<b>3323.66</b>	<b>18.01</b>



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Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital @@	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed	
				Net Profit/ Loss before Interest & Depreciation	Interest	Depreciation	Net Profit/ (-) Loss								
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	
<b>INFRASTRUCTURE</b>															
8	Goa State Infrastructure Development Corporation Limited (GSIDCL)	2008-09	2009-10	2208.26	1996.39	17.53	194.34	20030.43	(-)6.67	310.00	487.20	22237.69	2190.73	9.85	
9	Info Tech Corporation Limited (ITCGL)	2005-06	2007-08	(-)30.71	0.11	7.55	(-)38.37	946.99	(-)2.69	1633.46	(-)195.56	1449.19	(-)38.26	-	
10	Sewerage and Infrastructural Development Corporation Limited (SIDCL)	2005-06	2010-11	P&L A/c not prepared						205.00	-				
<b>Sector wise total</b>				<b>2177.55</b>	<b>1996.50</b>	<b>25.08</b>	<b>155.97</b>	<b>20977.42</b>	<b>(-)9.36</b>	<b>2148.46</b>	<b>291.64</b>	<b>23686.88</b>	<b>2152.47</b>	<b>9.09</b>	
<b>MANUFACTURING</b>															
11	Goa Auto Accessories Limited (GAAL)	2009-10	2010-11	(-)76.98	12.91	12.45	(-)102.34	616.12	-	559.00	(-)691.35	88.72	(-)89.43	-	
12	Goa Antibiotics and Pharmaceuticals Limited (GAPL)	2009-10	2010-11	210.14	56.83	35.20	118.11	2505.45	(-)456.96	1902.00	(-)2299.87	921.20	174.94	18.99	
<b>Sector wise total</b>				<b>133.16</b>	<b>69.74</b>	<b>47.65</b>	<b>15.77</b>	<b>3121.57</b>	<b>(-)456.96</b>	<b>2461.00</b>	<b>(-)2991.22</b>	<b>1009.92</b>	<b>85.51</b>	<b>8.47</b>	
<b>SERVICES</b>															
13	Goa Electronic Limited (GEL)	2009-10	2010-11	(-)89.28	8.00	3.64	(-)100.92	491.65	-	180.00	(-)2059.99	(-)892.52	(-)92.92	-	
14	Goa Tourism Development Corporation Limited (GTDCCL)	2008-09	2009-10	61.78	-	220.91	(-)159.13	1720.09	56.68	2035.39	(-)214.11	2829.94	(-)159.13	-	
15	Kadamba Transport Corporation Limited (KTCL)	2008-09	2009-10	(-)698.74	484.06	376.97	(-)1559.77	6171.42	-	4000.00	(-)9952.19	593.14	(-)1075.71	-	
<b>Sector wise total</b>				<b>(-)726.24</b>	<b>492.06</b>	<b>601.52</b>	<b>(-)1819.82</b>	<b>8383.16</b>	<b>56.68</b>	<b>6215.39</b>	<b>(-)12226.29</b>	<b>2530.56</b>	<b>(-)1327.76</b>	<b>-</b>	
<b>Total A (All sector wise working Government Companies)</b>				<b>5199.02</b>	<b>2920.24</b>	<b>1136.57</b>	<b>1142.21</b>	<b>40634.74</b>	<b>(-) 309.96</b>	<b>23184.33</b>	<b>(-)8741.47</b>	<b>47227.19</b>	<b>4062.45</b>	<b>8.60</b>	

Sl. No.	Sector and Name of the Company	Period of Accounts	Year in which finalised	Net Profit (+)/ Loss (-)				Turnover	Impact of Accounts Comments #	Paid up Capital @@	Accumulated Profit (+)/ Loss (-)	Capital employed @	Return on capital employed \$	Percentage return on capital employed
				Net Profit/ Loss before Interest & Depreciation	Interest	Depre- ciation	Net Profit/ (-) Loss							
(1)	(2)	(3)	(4)	5 (a)	5 (b)	5 (c)	5 (d)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
<b>B. Working Statutory Corporations</b>														
<i>INFRASTRUCTURE</i>														
1	Goa Industrial Development Corporation (GIDC)	2008-09	2009-10	2058.40	-	581.75	1476.65	3369.12	-	3291.14	5285.05	8110.54	1476.65	18.21
2	Goa Information Technology Development Corporation (GITDC)	First Accounts awaited		-	-	-	-	-	-	-	-	-	-	-
<b>Sector wise total</b>				<b>2058.40</b>	<b>-</b>	<b>581.75</b>	<b>1476.65</b>	<b>3369.12</b>	<b>-</b>	<b>3291.14</b>	<b>5285.05</b>	<b>8110.54</b>	<b>1476.65</b>	<b>18.21</b>
<b>Total B (All sector wise working Statutory corporations)</b>				<b>2058.40</b>	<b>-</b>	<b>581.75</b>	<b>1476.65</b>	<b>3369.12</b>	<b>-</b>	<b>3291.14</b>	<b>5285.05</b>	<b>8110.54</b>	<b>1476.65</b>	<b>18.21</b>
<b>C. Non Working Government Companies</b>				<b>NIL</b>										
<b>D. Non Working Statutory Corporations</b>				<b>NIL</b>										
<b>Grand Total (A + B+C+D)</b>				<b>7257.42</b>	<b>2920.24</b>	<b>1718.32</b>	<b>2618.86</b>	<b>44003.86</b>	<b>(-)309.96</b>	<b>26475.47</b>	<b>(-)3456.42</b>	<b>55337.73</b>	<b>5539.10</b>	<b>10.01</b>

φ Net profit/loss is net profit/loss before tax.

# Impact of accounts comments include the net impact of comments of Statutory Auditors and CAG and is denoted by (+) for ‘increase in profit/decrease in losses’ and by (-) for ‘decrease in profit/increase in losses’.

@ Capital employed represents net fixed assets (including capital works-in-progress) plus working capital except in case of finance companies/ corporations where the capital employed is worked out as a mean of aggregate of the opening and closing balances of paid up capital, free reserves, bonds, deposits and borrowings (including refinance).

\$ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted form the loss as disclosed in the profit and loss account.

@@ Paid up capital excluding Share application money.

**APPENDIX – 5.3**

(Referred to in paragraph 5.1.10)

**Statement showing equity, loans, grants and subsidy received/receivable, guarantees received, waiver of dues, loans written off and loans converted into equity during the year and guarantee commitment at the end of March 2010**

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

Sl. No.	Sector and Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year φ				Guarantees received during the year and commitment at the end of the year @		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
<b>A. Working Government Companies</b>													
<b>AGRICULTURE &amp; ALLIED</b>													
1	Goa Forest Development Corporation Limited (GFDCL)	-	-	61.32	130.00	-	191.32	-	-	-	-	-	-
2	Goa Meat Complex Limited (GMCL)	-	-	-	152.00	-	152.00	-	-	-	-	-	-
3	Goa State Horticulture Corporation Limited (GSHCL)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sector wise total</b>		-	-	<b>61.32</b>	<b>282.00</b>	-	<b>343.32</b>	-	-	-	-	-	-
<b>FINANCE</b>													
4	EDC Limited (EDCL)	500.00	-	-	-	-	-	-	5400.00	-	-	-	-
5	Goa Handicraft Rural and Small Scale Industries Development Corporation Limited (GHRSSIDCL)	49.99	-	-	110.99	-	110.99	-	-	-	-	-	-
6	Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited (GSSCOBCFDCL)	1.66	-	-	25.00	-	25.00	-	-	-	-	-	-
7	Goa State Schedule Tribes Finance and Development Corporation Limited (GSSTFDCL)	288.00	-	-	-	-	-	-	200.00	-	-	-	-
<b>Sector wise total</b>		<b>839.65</b>	-	-	<b>135.99</b>	-	<b>135.99</b>	-	<b>5600.00</b>	-	-	-	-

Sl. No.	Sector and Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year $\phi$				Guarantees received during the year and commitment at the end of the year @		Waiver of dues during the year			
		Equity	Loans	Central Government	State Government	Others	Total	Received	Commitment	Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
<b>INFRASTRUCTURE</b>													
8	Goa State Infrastructure Development Corporation Limited (GSIDCL)	-	-	-	13000.00	-	13000.00	55.05	-	-	-	-	-
9	Info Tech Corporation Limited (ITCGL)	-	-	-	-	-	-	-	-	-	-	-	-
10	Sewerage and Infrastructural Development Corporation Limited (SIDCL)	30.00	-	-	-	-	-	-	-	-	-	-	-
<b>Sector wise total</b>		<b>30.00</b>	-	-	<b>13000.00</b>	-	<b>13000.00</b>	<b>55.05</b>	-	-	-	-	-
<b>MANUFACTURING</b>													
11	Goa Auto Accessories Limited (GAAL)	-	-	-	(1.52)	-	(1.52)	-	-	-	-	-	-
12	Goa Antibiotics and Pharmaceuticals Limited (GAPL)	-	-	-	-	-	-	-	-	-	-	-	-
<b>Sector wise total</b>		-	-	-	<b>(1.52)</b>	-	<b>(1.52)</b>	-	-	-	-	-	-
<b>SERVICES</b>													
13	Goa Electronics Limited (GEL)	-	-	-	-	-	-	-	-	-	-	-	-
14	Goa Tourism Development Corporation Limited (GTDCL)	-	-	-	-	-	-	-	-	-	-	-	-
15	Kadamba Transport Corporation Limited (KTCL)	300.00	-	-	885.00 (1352.14)	-	885.00 (1352.14)	-	3000.00	-	-	-	-
<b>Sector wise total</b>		<b>300.00</b>	-	-	<b>885.00</b> <b>(1352.14)</b>	-	<b>885.00</b> <b>(1352.14)</b>	-	<b>3000.00</b>	-	-	-	-
<b>Total A (All sector wise working Government companies)</b>		<b>1169.65</b>	-	<b>61.32</b>	<b>14302.99</b> <b>(1353.66)</b>	-	<b>14364.31</b> <b>(1353.66)</b>	<b>55.05</b>	<b>8600.00</b>	-	-	-	-

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Sl. No.	Sector and Name of the Company	Equity/ loans received out of budget during the year		Grants and subsidy received during the year $\phi$				Guarantees received during the year and commitment at the end of the year @		Waiver of dues during the year			
				Central Government	State Government	Others	Total			Loans repayment written off	Loans converted into equity	Interest/ penal interest waived	Total
		Equity	Loans	4 (a)	4 (b)	4 (c)	4 (d)	Received	Commitment	6 (a)	6 (b)	6 (c)	6 (d)
(1)	(2)	3 (a)	3 (b)	4 (a)	4 (b)	4 (c)	4 (d)	5 (a)	5 (b)	6 (a)	6 (b)	6 (c)	6 (d)
B.	<b>Working Statutory corporations</b>												
	<b>INFRASTRUCTURE</b>												
1	Goa Industrial Development Corporation (GIDC)	-	-	-	-	-	-	-	-	-	-	-	-
2	Goa Information Technology Development Corporation (GITDC)	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Sector wise total</b>	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Total B (All sector wise working Statutory corporations)</b>	-	-	-	-	-	-	-	-	-	-	-	-
C.	Non Working Government Companies	-	-	-	-	-	-	-	-	-	-	-	-
D.	Non working Statutory Corporations	-	-	-	-	-	-	-	-	-	-	-	-
	<b>Grand Total (A + B + C + D)</b>	<b>1169.65</b>	-	<b>61.32</b>	<b>14302.99</b>	-	<b>14364.31</b>	<b>55.05</b>	<b>8600.00</b>	-	-	-	-

$\phi$  Figures in bracket indicate subsidy.

@ Figures indicate total guarantees at the end of the year.

## APPENDIX – 5.4

(Referred to in paragraph 5.1.24)

Statement showing investments made by State Government in PSUs whose accounts are in arrears as on 30 September 2010.

(Amount : ₹ in lakh)

Sl. No.	Name of PSU	Year up to which Accounts finalised	Paid up capital as per latest finalized accounts	Investment made by State Government during the years for which accounts are in arrears				
				Year	Equity	Loans	Grants	Subsidy
1	2	3	4	5	6	7	8	9
<b>A. Working Companies</b>								
1	Goa Forest Development Corporation Limited (GFDC)	2008-09	268.91	09-10	-	-	130.00	-
2	Goa State Horticultural Corporation Limited (GSHCL)	2006-07	499.50	07-08	-	-	35.00	-
				08-09	-	-	99.45	3.60
3	Goa Meat Complex Limited (GMCL)	2008-09	61.82	09-10	-	-	152.00	-
4	Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited (GSSCOBCFDCL)	2001-02	231.76	02-03	31.67	-	-	-
				03-04	5.00	-	-	-
				04-05	5.00	-	-	0.29
				05-06	5.00	-	-	0.26
				06-07	5.00	-	-	-
				07-08	5.00	-	-	-
				08-09	1.66	-	25.00	-
09-10	1.66	-	25.00	-				
5	Goa State Schedule Tribes Finance and Development Corporation Limited (GSSTFDCL)	2008-09	455.00	09-10	288.00	-	-	-
6	Goa State Infrastructure Development Corporation Limited (GSIDCL)	2008-09	310.00	09-10	-	-	13000.00	-
7	Sewerage and Infrastructural Development Corporation Limited (SIDCL)	2005-06	205.00	07-08	280.00	-	-	-
				08-09	30.00	-	-	-
8	Kadamba Transport Corporation Limited (KTCL)	2008-09	4000.00	09-10	300.00	-	885.00	1352.14
<b>Total A</b>					<b>957.99</b>	<b>-</b>	<b>14351.45</b>	<b>1356.29</b>
<b>B Working Statutory Corporations</b>								
1	Goa Information Technology Development Corporation (GITDC)	First accounts awaited		08-09	25.00	-	-	-
<b>Total B</b>					<b>25.00</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total (A + B)</b>					<b>982.99</b>	<b>-</b>	<b>14351.45</b>	<b>1356.29</b>

**APPENDIX – 5.5**

*(Referred to in paragraph 5.1.15)*

**Statement showing financial position of Statutory Corporations**

**Goa Industrial Development Corporation**

*(₹ in crore)*

<b>Financial Position</b>				
<b>Particulars</b>		<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>LIABILITIES</b>				
A	Amount payable to Government	28.02	28.02	32.91
B	Reserves and Surplus	14.66	37.90	52.85
C	Deposits			
i	From Govt. for Schemes undertaken and/or on behalf of Govt. and others	0.01	0.01	0.01
ii	From private parties (for lease of plots etc.)	8.80	8.94	9.94
D	Current Liabilities, provisions and refunds	318.87	335.37	348.44
<b>TOTAL</b>		<b>370.36</b>	<b>410.24</b>	<b>444.15</b>
<b>ASSETS</b>				
A	Fixed Assets	5.76	7.22	8.23
	<u>Less</u> : Depreciation (Cumulative)	4.37	4.76	5.28
	Net Fixed Assets	1.39	2.46	2.95
B	Work in progress	7.28	11.09	27.26
C	Development of Industrial areas / Estates	114.02	136.53	180.77
	<u>Less</u> : Depreciation	30.65	34.80	39.92
	Net development of Industrial areas/ Estates	83.37	101.73	140.85
D	Investments	4.71	6.55	4.66
E	Cash at Bank / in hand	150.26	196.63	196.71
F	Other current assets, loans and advances	123.35	91.78	71.72
<b>TOTAL</b>		<b>370.36</b>	<b>410.24</b>	<b>444.15</b>
<b>Capital employed*</b>		<b>37.96</b>	<b>59.37</b>	<b>81.11</b>

\* Capital employed represents Net Fixed Assets plus capital work-in progress plus working capital.

## APPENDIX – 5.6

(Referred to in paragraph 5.1.15)

## Statement showing working results of Statutory Corporation

## Goa Industrial Development Corporation

(₹ in crore)

<b>B. WORKING RESULTS</b>				
		<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>
<b>A</b>	<b>Income</b>			
	a. Rent	4.59	4.40	5.04
	b. Interest	15.98	29.74	24.57
	c. Other charges	2.59	2.31	4.08
<b>Total</b>		<b>23.16</b>	<b>36.45</b>	<b>33.69</b>
<b>B</b>	<b>Expenditure</b>			
	a. Executive / Administrative	6.52	6.60	10.43
	b. Depreciation	4.22	4.54	5.82
	c. Maintenance and repairs	1.62	1.97	2.67
<b>Total</b>		<b>12.36</b>	<b>13.11</b>	<b>18.92</b>
Surplus (+) / Deficit (-)		(+)10.80	(+)23.34	(+)14.77
Prior period Adjustments (Dr.)		(-) 0.03	(-) 0.10	0.18
Net surplus (+) / Deficit (-) after prior period adjustment.		10.77	(+)23.24	(+)14.95
Total interest charged to Income and Expenditure account.		--	-	---
Accumulated surplus		14.66	(+)37.90	(+)52.85
Return on capital employed <sup>@</sup>		10.77	23.24	(+)14.95
Percentage of return on capital employed		28.36	39.14	18.43

<sup>@</sup> Return on capital employed represents net surplus after prior period adjustments plus total interest charges to Income and Expenditure Account.



**APPENDIX – 5.7**

*(Referred to in Paragraph 5.1.39)*

**Summarised financial results of departmentally managed commercial undertakings as per their latest proforma accounts**

**1. Electricity Department**

Sl. No.	Particulars	Year of commencement : 1962-63		
		Period of accounts		
		2003-04	2004-05	2005-06
		<i>(₹ in Lakh)</i>		
1	Government capital	34788.65	43569.24	53696.88
2	Block assets at depreciated cost	16397.92	16136.00	17263.90
3	Cummulative depreciation	5403.60	6323.11	7456.21
4	Net Loss (-) / Net Profit (+)	(+)18706.55	(+)15580.80	(+)9442.55
5	Interest on capital	685.09	-	-
6	Total returns (5 + 4)	19391.64	(+)15580.80	(+)9442.55
7	Percentage of returns on mean capital	60.13	39.77	19.41

**II. River Navigation Department**

Sl. No.	Particulars	Year of commencement : 1965-66		
		Period of accounts		
		2001-02	2002-03	2003-04
		<i>(₹ in Lakh)</i>		
1	Government capital	7452.44	8343.55	9257.46
2	Block assets at depreciated cost	775.13	827.75	879.61
3	Depreciation	87.75	92.84	98.36
4	Net Loss (-) / Net Profit (+)	(-) 1004.10	(-) 905.71	(-) 937.00
5	Interest on capital	37.26	-	39.91
6	Total returns (5 + 4)	(-) 966.84	(-) 866.88	(-) 897.09
7	Percentage of returns on mean capital	Nil	Nil	Nil

## APPENDIX – 5.8

(Referred to in paragraph 5.2.30)

## Statement showing loss of revenue due to incorrect application of tariff

Consumer No., Name & Division	Tariff applied	Tariff to be applied	Remarks
HT-3, M/s Beetel Tele Tech (Division - 6)	HT-IT Industries (energy charges @ ₹ 2.25 per unit).	HT-Industries (energy charges @ ₹ 3.00 per unit).	As per the records, this is not an IT industry. Consumption (KWH) during the period March 2005 to Feb.2010 was 967420 units. Loss due to wrong application of tariff was ₹ 725565 (₹ 0.75 per unit). <b>The loss is recurring</b>
HT- 88, M/s Bharati Tele Tech (Division-6)	HT-IT Industries (energy charges @ ₹ 2.25 per unit).	HT-Industries (energy charges @ ₹ 3.00 per unit).	As per the records, this is not an IT industry. Consumption (KWH) during the period March/2005 to Feb.2010 was 903121 units. Loss due to wrong application of tariff was ₹ 677341 (₹ 0.75 per unit ) <b>The loss is recurring</b>
HT-84 M/s United Breweries (Division-6)	HT-Mix (energy charges, including Electricity duty is @ ₹ 3.43 per unit).	HT-Industries (energy charges, including Electricity duty is @ ₹ 3.58 per unit).	As per the records, this is an industry. (Liquor manufacturing). Consumption (KWH) during the period June 2008 to February 2010 was 506316 units. Loss due to wrong application of tariff was ₹ 75947 (₹ 0.15 per unit). <b>The loss is recurring.</b>
HT-99 M/s McDowell Breweries (Division-6)	HT-Mix (energy charges, including Electricity duty is @ ₹ 3.43 per unit).	HT-Industries (energy charges, including Electricity duty is @ ₹ 3.58 per unit).	As per the records, this is an industry. (Liquor manufacturing). Consumption (KWH) during the period June 2008 to February 2010 was 125392 units. Loss due to wrong application of tariff was ₹ 18809 (₹ 0.15 per unit). <b>The loss is recurring</b>