सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2008

GOVERNMENT OF GOA

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Preface

1. This Report has been prepared for submission to the Governor under Article 151 of the Constitution.

2. Chapter I and II of this Report contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts respectively of the State Government for the period from April 2007 to March 2008.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in the various departments including Social Welfare Department, Information & Publicity Department, Revenue Department, Public Works Department and evaluation of internal control mechanism in Labour and Employment Department.

4. The observations arising out of audit of Revenue Receipts in various Tax departments are included in Chapter VI of this Report.

5. The observations arising out of audit of Government Commercial and trading activities are included in Chapter VII of this Report.

6. The cases mentioned in the Report are among those which came to notice in the course of test audit of accounts during the year 2007-08 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 2007-08 have also been included wherever necessary.

OVERVIEW

OVERVIEW

This Audit Report includes first two Chapters containing observations on the Finance and the Appropriation Accounts of the Government of Goa for the year 2007-08 and five other Chapters comprising of five reviews and 24 paragraphs dealing with the results of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government and Government 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 judgement 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 financial position of the State Government of Goa and the audit findings are given below.

1. Financial position of the State Government

The revenue receipts of the State Government during 2007-08 were Rs 2,944 crore registering an increase of 13 *per cent* over 2006-07. The revenue expenditure during the year was Rs 2,778 crore, an increase of 13 *per cent* over 2006-07. The mobilisation of revenue from own resources increased from Rs 2,209 crore in 2006-07 to Rs 2,402 crore in 2007-08. The state registered a revenue surplus of Rs 166 crore during 2007-08. Fiscal deficit increased from Rs 487 crore in 2006-07 to Rs 541crore in 2007-08 and fiscal liabilities grew from Rs 5,694 crore in 2006-07 to Rs 6,289 crore in 2007-08.

(Paragraphs 1.1 to 1.11)

2. Appropriation audit and control over expenditure

Appropriation Accounts present the details of amounts actually spent vis-à-vis the amount authorized by the State Legislature. During 2007-08, expenditure of Rs 3,788.42 crore was incurred against the total grants and appropriations of Rs 5,008.44 resulting in a saving of Rs 1,220.02 crore. Supplementary provision of Rs 118.69 crore made in 14 cases was excessive resulting in saving of Rs 17.86 crore. In one case (43 – Art & Culture), there was an excess of Rs 2.57 lakh which requires regularisation.

(Paragraphs 2.1 to 2.6)

3. Performance Audit of Dayanand Social Security Scheme

The Government did not make adequate budget provision for disbursement of pension through co-operative banks resulting in off budget borrowings of Rs 121.82 crore during 2006-07 and 2007-08.

Failure to stop pension to 12,971 non-genuine beneficiaries identified in two surveys conducted during 2004 and 2005 resulted in avoidable extra burden of Rs 43.53 crore to the Government. The Government delayed the payment of instalments of purchase price of LIC resulting in extra liability of penal interest of Rs 16.91 crore.

(Paragraph 3.1)

4. Internal control in Labour and Employment Department

During 2003-08 the savings in the department ranged between 18 and 37 *per cent*. The Department neither prepared Action Plan for carrying out inspections under various Acts nor fixed targets for inspections. Procurement of medicines by ESI authorities from non-rate contract firms during 2003-08 ranged between 30 and 36 *per cent*.

(Paragraph 5.1)

5. Audit of transactions

Besides the above, audit of financial transactions test checked in various departments of the Government and their field offices revealed instances of undue favour to contractors, avoidable/unfruitful expenditure involving Rs 18.92 crore as mentioned below: -

- Avoidable extra burden of Rs 2.05 crore due to low generation of sponsorship for IFFI 2006.
- Avoidable expenditure of Rs 29.50 lakh on procurement of TV sets.
- Avoidable payment of Rs 54.75 lakh on electricity charges.
- Rs 43.35 lakh extra paid to contractor for non-availing of excise duty exemption on pipes.
- Avoidable expenditure of Rs 32.13 lakh on payment of income tax.
- Unfruitful expenditure of Rs 3.18 crore on re-survey and loss of interest of Rs 31.31 lakh.
- Irregular acceptance of a tender and awarding of the work for Rs 11.78 crore.

(Paragraphs 4.1.1 to 4.1.7)

6. Audit of Revenue Receipts

General

The revenue receipts of the State Government during the year 2007-08 were Rs 2,943.90 crore. The revenue receipts increased by Rs 334.14 crore registering an increase of 12.80 *per cent*.

Finance Department

A review of **Receipts under Luxury Tax** revealed the following:

- 1,763 hoteliers remained out of tax net as a result of non-existence of mechanism to identify the number of hoteliers.

  (Paragraph 6.2.7)

- The vital information of tariff which forms the basis for determination of applicability of tax rate was not available with the department.

  (Paragraph 6.2.8)

- The Commissioner had not issued any guidelines to the assessing authorities regarding procedure to be followed to satisfy that the returns were correct and complete.

  (Paragraph 6.2.10)

- There was no uniformity in levy of penalty for non/late filing of returns. In 140 cases, penalty was short levied by Rs 4.57 crore and in 84 cases, penalty of Rs 1.83 crore was not levied.

  (Paragraph 6.2.11)

- Incorrect application of rate resulted in short realisation of tax of Rs 1.82 crore.

  (Paragraph 6.2.12)

- Fine of Rs four crore leviable for non-renewal/delay in renewal of registration certificate by hoteliers was not levied.

  (Paragraph 6.2.16)

- Failure to issue recovery certificates promptly and non-recovery of dues by tax recovery officers led to introduction of scheme for waiver of interest/penalty and caused a loss of revenue to the Government of Rs 3.77 crore.

  (Paragraph 6.2.21)

A review **(IT Audit) on working of e-RTA and e-Transport software in the Department of Transport** revealed the following:

- Absence of wide area network resulted in non-utilisation of smart cards for online checking of licences.

  (Paragraph 6.3.7.2)

- The software did not have provisions to capture the dual fuel option (Petrol and LPG).

  (Paragraph 6.3.8)

- Faulty system design provided for closure of a series before exhausting all the registration numbers leaving scope for manipulations.

(Paragraph 6.3.11)

- Incorrect mapping of business rules in the system resulted in violation of provisions of the Motor Vehicles Act.

(Paragraphs 6.3.14.1 and 6.3.14.2)

- Inadequate physical and logical access controls and system security made the system and data vulnerable to unauthorised access and manipulation.

(Paragraphs 6.3.15.1, 6.3.15.2 and 6.3.15.3)

- Lack of input controls resulted in poor assurance regarding completeness, accuracy and reliability of data.

(Paragraph 6.3.16.1)

- Non-validation of life time taxes resulted in short realisation by Rs 6.24 lakh.

(Paragraph 6.3.16.2)

Non-levy of penalty on delayed payment of road tax resulted in non-recovery of revenue amounting to Rs 43.50 lakh.

(Paragraph 6.5)

Animal Husbandry and Veterinary Services Department

Failure to collect cess on fluid milk resulted in non-realisation of revenue of Rs 1.94 crore and penalty of Rs 19.40 crore.

(Paragraph 6.8)

Revenue Department

Failure of the department to fix minimum land price resulted in under valuation of the land and consequent short levy of stamp duty and registration fees amounting to Rs 1.77 crore.

(Paragraph 6.9)

7. Commercial activities of Government companies and corporations

There were 17 Public Sector Undertakings (PSUs) comprising 15 Government companies and two Statutory corporations (all working) as on 31 March 2008, as against 16 PSUs (15 Government companies and one Statutory corporation) as on 31 March 2007. The total investment (including loans) in working PSUs decreased from Rs 476.29 crore as on 31 March 2007 to Rs 461.86 crore as on 31 March 2008.

(Paragraphs 7.1.1 and 7.1.2)

The budgetary support in the form of capital, loans and grants/subsidies disbursed to the working PSUs increased from Rs 103.39 crore in 2006-07 to Rs 112.36 crore in 2007-08. The total amount of outstanding loans guaranteed by the State Government in respect of three working Government companies was Rs 87.35 crore as on 31 March 2008.

(Paragraph 7.1.5)

Of the 17 PSUs, 14 had not finalised their accounts for the year 2007-08 within the stipulated time and accounts of these PSUs were in arrears for periods ranging from one to seven years.

(Paragraph 7.1.6)

According to the latest finalised accounts, nine working PSUs (all Government companies) had incurred an aggregate loss of Rs 9.97 crore. Of the loss incurring working Government companies, two companies had accumulated losses aggregating to Rs 98.32 crore which exceeded their paid up capital of Rs 55.61 crore.

(Paragraphs 7.1.7 and 7.1.9)

Performance Review

Review on Estate Management in Goa Industrial Development Corporation

Allotment of plots at tentative rates at Verna Phase IV resulted in loss of Rs 36.89 crore.

(Paragraph 7.2.14)

Execution of lease deeds with four SEZ allottees for more area than approved by the Board was rectified later by allotting the area at lesser rates, resulted in loss of Rs 39.47 crore.

(Paragraph 7.2.15)

Allotment of land at lesser rates to 41 allottees resulted in loss of Rs 26.28 crore.

(Paragraphs 7.2.16 to 7.2.20)

The Corporation has not adopted a policy to periodically revise the lease premium rate for plots. Delay in implementation of its own decision to revise premium rates resulted in loss of Rs 7.07 crore.

(Paragraphs 7.2.27 and 7.2.28)

Transaction Audit Observations

Procurement of Sewage Treatment Plant through Contractors by Goa State Infrastructure Development Corporation Limited, instead of direct procurement from the supplier, resulted in extra expenditure of Rs 1.17 crore.

(Paragraph 7.4)

Assessment of market rate of land at a lesser rate resulted in minimum loss of Rs 15.74 crore by way of premium and lease rent to InfoTech Corporation of Goa Limited.

(Paragraph 7.8)

Inordinate delay in replacing the energy meter of a High Tension Consumer resulted in loss of revenue of Rs 1.31 crore to Goa Electricity Department.

(Paragraph 7.10)

CHAPTER – I

The Finances of the State Government

CHAPTER I

FINANCES OF THE STATE GOVERNMENT

1.1 Introduction

The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account **(Appendix 1.1-Part A).** The Finance Accounts of the Government of Goa are laid out in nineteen statements, presenting receipts and expenditure, revenue as well as capital, in the Consolidated Fund, Contingency Fund and the Public Account of the State of Goa. The layout of the Finance Accounts is depicted in **Appendix 1.1 - Part B.**

1.1.1 Summary of Receipts and Disbursements

Table-1.1 summarises the finances of the Government of Goa for the year 2007-08 covering revenue receipts and expenditure, capital receipts and expenditure and public accounts receipts/disbursements as emerging from Statement-1 of Finance Accounts and other detailed statements.

Table-1.1: Summary of receipts and disbursements for the year 2007-08

(Rupees in crore)

2006-07	Receipts	2007-08	2006-07	Disbursements	2007-08		
Section-A: Revenue					Non Plan	Plan	Total
2609.76	**Revenue receipts**	**2943.90**	**2468.31**	**Revenue expenditure**	**2212.27**	**565.49**	**2777.76**
1291.54	Tax revenue	1358.91	785.52	General Services	830.71	6.47	837.18
917.62	Non-tax revenue	1042.82	568.52	Social Services	329.82	307.98	637.80
312.11	Share of Union Taxes/Duties	393.72	805.10	Economic Services	816.52	153.59	970.11
88.49	Grants from Government of India	148.45	309.17	Grant-in-aid and Contributions	235.22	97.45	332.67
Section-B: Capital and others							
-	**Misc Capital Receipts**	--	**626.34**	**Capital Outlay**	**5.05**	**683.47**	**688.52**
5.78	**Recoveries of Loans and Advances**	**6.18**	**8.14**	**Loans and Advances Disbursed**	**13.34**	**11.25**	**24.59**
639.48	**Public Debt Receipts***	**504.78**	**73.28**	**Repayment of Public Debt***	-	**68.30**	**68.30**
-	**Contingency Fund**	**170.00**	-	**Contingency Fund**	-	-	**170.00**
3611.39	**Public Account Receipts**	**4038.07**	**3519.36**	**Public Account Disbursements**	-	**3704.41**	**3704.41**
324.80	**Opening Cash Balance**	**495.78**	**495.78**	**Closing Cash Balance**	-	**725.13**	**725.13**
7191.21	**Total**	**8158.71**	**7191.21**	**Total**	**2230.66**	**5758.05**	**8158.71**

* *Excluding Ways and Means Advances and Overdraft*

- The revenue receipts grew by Rs 334 crore (12.80 *per cent*) over previous year. The increase was mainly contributed by tax revenue (Rs 67 crore), non-tax revenue (Rs 125 crore), state's share of union taxes and duties (Rs 82 crore), and grants from Government of India (Rs 60 crore).
- Revenue Expenditure and Capital Expenditure increased by Rs 309 crore (12.54 *per cent*) and Rs 62 crore (9.93 *per cent*) respectively.
- Recoveries of Loans and Advances increased by Rs 40 lakh (6.92 *per cent*) whereas disbursement of Loans and Advances increased by Rs 16.45 crore (202.09 *per cent*).
- Public debt receipts have decreased by Rs 135 crore (21.06 *per cent*) over previous year, and repayments also decreased by Rs five crore (6.80 *per cent*) in 2007-08 over the previous year.
- Public Accounts receipts have increased by Rs 427 crore (11.81 *per cent*) while disbursement increased by Rs 185 crore (5.26 *per cent*) over previous year resulting in net inflow of Rs 242 crore during the year.
- Cash balances at the close of 2007-08 as a result of cash flows listed above increased by Rs 229 crore (46.26 *per cent*) over previous year.

1.1.2 State Fiscal Position by Key Indicators

The fiscal position of the State Government as reflected by the key fiscal indicators during the current year as compared to the previous year is given in **Table 1.2.**

Table 1.2: Key Fiscal Indicators

(Rupees in crore)

2006-07	Sr. No	Major Aggregates	2007-08
2610	**1.**	**Revenue Receipts (2+3+4)**	**2944**
1292	2.	Tax Revenue (Net)	1359
918	3.	Non-Tax Revenue	1043
400	4.	Other Receipts	542
6	**5.**	**Non-Debt Capital Receipts**	**6**
6	6.	*Of which* Recovery of Loans & Advances	6
2616	**7.**	**Total Receipts (1+5)**	**2950**
1992	**8.**	**Non-Plan Expenditure**	**2231**
1985	9.	On Revenue Account	2212
427	10.	*Of which* Interest Payments	447
4	11.	On Capital Account	5
3	12.	On Loans disbursed	14
1111	**13.**	**Plan Expenditure**	**1260**
484	14.	On Revenue Account	566
622	15.	On Capital Account	683
5	16.	On Loans disbursed	11
3103	**17.**	**Total Expenditure (13+8)**	**3491**
(+) 141	18.	Revenue Deficit (-)/Surplus (+) (1-9-14)	(+)166
(-) 487	19.	Fiscal Deficit (1+5-17)	(-)541
(-) 60	20.	Primary Deficit (1+5)-(17-10)	(-) 94

During the current year revenue receipts increased by Rs 334 crore (12.8 *per cent*) and revenue expenditure by Rs 309 crore (12.54 *per cent*) resulting in an increase in revenue surplus by Rs 25 crore from the level of Rs 141 crore in 2006-07. Given the increase in revenue surplus along with an increase of Rs 79 crore in capital expenditure together with disbursement of loans and advances, the fiscal deficit increased by Rs 54 crore from Rs 487 crore in 2006-07. Similarly, an increase of Rs 54 crore in fiscal deficit together with an increase of Rs 20 crore in interest payments resulted in increase of primary deficit from Rs 60 crore in 2006-07 to Rs 94 crore in 2007-08.

1.2 Methodology Adopted for the Assessment of Fiscal Position

The trends in the major fiscal aggregates of receipts and expenditure as emerged from the Statements of Finance Accounts are analyzed wherever necessary over the period of last five years and observations are made on their behaviour. In its Restructuring Plan of State finances, Twelfth Finance Commission (TFC) recommended the norms/ceiling for some fiscal aggregates and also made normative projections for others. In addition, TFC also recommended that all States are required to enact the Fiscal Responsibility Acts and draw their fiscal correction path accordingly for the five year period (2005-10) so that fiscal position of State could be improved as committed in their respective FR Acts/Rules during the medium to long run. The norms/ceilings prescribed by the TFC as well as its projections for fiscal aggregates along with the commitments/projections made by the State Governments in their Fiscal Responsibility Acts and in other Statements required to be laid in the legislature under the Act are used to make a qualitative assessment of the trends and pattern of major fiscal aggregates during the current year. Assuming that GSDP is a good indicator of the performance of the State's economy, major fiscal aggregates like tax and non-tax revenue, revenue and capital expenditure, internal debt and revenue and fiscal deficits have been presented as percentage to the Gross State Domestic Product (GSDP) at current market prices.

Table 1.3: Trends in growth and composition of GSDP

	2003-04	2004-05	2005-06	2006-07	2007-08
Gross State Domestic Product (GSDP) (Rupees in crore)	9290	10219	11685	13796*	15176
Growth rate of GSDP	(-) 6.60	10.00	14.36	18.07	10.00

The buoyancy coefficients for tax revenues, non-tax revenues, revenue expenditure etc., with reference to the base represented by GSDP have also been worked out to assess whether the mobilization of resources, pattern of expenditure etc., are keeping pace with the change in the base or these fiscal aggregates are affected by factors other than GSDP. The key fiscal aggregates for the purpose are grouped under four major heads: (i) Resources by Volume and Sources, (ii) Application of Resources, (iii) Assets and Liabilities, and

* GSDP figures for 2006-07 have been revised by the State Government as Rs 13,796 crore.

(iv) Management of Deficits. The overall financial performance of the State Government as a body corporate has been presented by the application of a set of ratios commonly adopted for the relational interpretation of fiscal aggregates. The definitions of some of the selected terms used in assessing the trends and pattern of fiscal aggregates are given in **Appendix 1.1 Part C.**

1.2.1 The Fiscal Responsibility and Budget Management (FRBM) Act, 2006

The State Government enacted "The Goa Fiscal Responsibility and Budget Management (FRBM) Act, 2006" in May 2006 to ensure fiscal stability and sustainability through progressive elimination of revenue deficit, planned reduction of fiscal deficit and prudent and sustainable debt management consistent with fiscal stability through limits on State Government's borrowings including off-budget borrowings. To give effect to the fiscal management principles as laid down in the Act, the following fiscal targets have been prescribed for the State Government:

- Reduce the revenue deficit to nil by 31 March 2009 and adhere to it thereafter;
- reduce the ratio of fiscal deficit to Gross State Domestic Product beginning from the financial year 2006–2007 with medium term goal of not being more than three *per cent* to be attained by 31 March 2009 and adhere to it thereafter;
- ensure that by 31 March 2009, the total liabilities do not exceed 30 *per cent* of the GSDP and adhere to it thereafter; and
- cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. Currently, the limit has been fixed at Rs 800 crore.

The State Government has since framed the Fiscal Responsibility and Budget Management Rules.

1.2.2 The Medium Term Fiscal Plan

As the FRBM Act 2006 was enacted in May 2006, the Medium Term Fiscal Policy (MTFP) was presented along with the Budget for 2007-08. The MTFP 2006-10 projected revenue surplus of 0.70 *per cent* of GSDP and fiscal deficit of three *per cent* of GSDP by 2009-10. The outstanding debt was projected at 33.15 *per cent* of GSDP.

During 2007-08 Government has achieved the target in respect of revenue surplus registering a revenue surplus of Rs 166 crore being 1.09 *per cent* of GSDP. However, the fiscal deficit stood at 3.56 *per cent* of GSDP and outstanding debt stood at 41.44 *per cent* which needs monitoring to keep the same within the ceiling limit prescribed under FRBM Act.

1.3 Trends in Aggregate Resources: By Volumes and Sources

Resources of the State Government consist of revenue receipts and capital receipts. Revenue receipts consist of tax revenues, non-tax revenues, State's share of union taxes and duties and grants-in-aid from the Government of India (GoI). Capital receipts comprise of miscellaneous capital receipts such as proceeds from disinvestments, recoveries of loans and advances, debt receipts from internal sources (market loans, borrowings from financial institutions/commercial banks) and loans and advances from GoI as well as accruals from Public Account. **Table-1.4** presents the trends in growth and composition of the total receipts of the State Government during the period 2003-08.

Table-1.4: Trends in Growth and Composition of the Total Receipts

(Rupees in crore)

Sources of State's Receipts	2003-04	2004-05	2005-06	2006-07	2007-08
I Revenue Receipts	**1623.00**	**1820.00**	**2168.87**	**2609.76**	**2943.90**
II Capital Receipts	**799.00**	**708.00**	**704.72**	**645.26**	**510.96**
Recovery of Loans and Advances	7.00	6.00	6.33	5.78	6.18
Public Debt Receipts	792.00	702.00	698.39	639.48	504.78
Miscellaneous Capital Receipts	-	-	-	-	-
III Contingency Fund	-	**1.00**	**0.22**	-	**170.00**
IV Public Account Receipts	**3239.00**	**3157.00**	**3285.19**	**3611.39**	**4038.07**
a. Small Savings, Provident Fund *etc.*	111.00	118.00	126.16	135.82	151.62
b. Reserve Fund	20.00	28.00	29.54	32.94	38.22
c. Deposits and Advances	119.00	93.00	86.34	113.08	154.58
d. Suspense and Miscellaneous	1537.00	1430.00	1521.83	1567.22	1687.51
e. Remittances	1452.00	1488.00	1521.32	1762.33	2006.14
Total Receipts	**5661.00**	**5686.00**	**6159.00**	**6866.41**	**7662.93**

The revenue and capital receipts constituted 38 and seven *per cent* of total receipts while public account receipts constituted 53 *per cent*. The total receipts of the state increased from Rs 5,661 crore in 2003-04 to Rs 7,663 crore in 2007-08. The Debt Capital Receipts which creates future re-payment obligation has declined from Rs 792 crore in 2003-04 to Rs 505 crore in 2007-08.

1.3.1 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of own tax and non-tax revenues, central tax transfers and grants-in-aid from GoI. Overall revenue receipts, its annual rate of growth, ratio of these receipts to the GSDP and its buoyancies are indicated in **Table-1.5.**

Table-1.5: Revenue Receipts - Basic Parameters

Sources of Revenue Receipts	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Receipts (RR) ***(Rupees in crore)***	1623	1820	2169	2610	2944
Own Taxes ***(Rupees in crore)*** *(Percentage share in RR)*	710 (43.75)	857 (47.09)	1096 (50.53)	1292 (49.50)	1359 (46.16)
Non-Tax Revenue ***(Rupees in crore)*** *(Percentage share in RR)*	725 (44.67)	729 (40.05)	761 (35.09)	918 (35.17)	1043 (35.43)
Central Tax Transfers ***(Rupees in crore)*** *(Percentage share in RR)*	136 (8.38)	162 (8.90)	245 (11.30)	312 (11.96)	394 (13.37)
Grants-in-aid ***(Rupees in crore)*** *(Percentage share in RR)*	52 (3.20)	72 (3.96)	67 (3.09)	88 (3.37)	148 (5.04)
Rates of growth					
Revenue Receipts ***(per cent)***	(-) 11.46	12.14	19.18	20.33	12.80
State's own taxes	17.94	20.70	27.89	17.88	5.18
Non-Tax Revenue	(-) 30.22	0.55	4.39	20.63	13.62
RR/GSDP ***(per cent)***	17.47	17.81	18.56	18.92	19.40
Buoyancy Ratios					
Revenue Receipts with GSDP	ϒ	1.21	1.34	1.13	1.28
State's own taxes with GSDP (ratio)	ϒ	2.07	1.94	0.99	0.52
Revenue buoyancy with reference to State's own taxes	ϒ	0.59	0.69	1.14	2.47
GSDP Growth ***(per cent)***	(-) 6.61	10.00	14.35	*18.07	10.00

General Trends: Revenue receipts of the State increased from Rs 1,623 crore in 2003-04 to Rs 2,944 crore in 2007-08. The trends in relative share of various components of revenue receipts indicate a decline in the share of tax revenue during the period 2007-08, while relative share of non-tax revenue exhibited relative stability since 2005-06. The share of central tax transfers and grants-in-aid exhibited improvement during the period.

Tax Revenue: The State's own Tax Revenue mainly consisting of Sales Tax/VAT, Taxes on Goods and Passengers, Stamps and Registration fees, State Excise, Luxury Tax, etc. have increased from Rs 710 crore in 2003-04 to Rs 1,359 crore in 2007-08. There was an increase of Rs 67 crore over Tax Revenue of Rs 1,292 crore during the previous year. While taxes under all other heads registered a moderate increase over the previous year, taxes on goods and passengers sharply declined from Rs 138 crore during the previous year to Rs 113 crore during 2007-08. The details are indicated in **Table-1.6.**

ϒ Growth in revenue receipts during 2003-04 was negative as also GSDP growth during 2003-04.

* GSDP figures for 2006-07 have been revised by the State Government as Rs 13,796 crore.

Table-1.6: Tax Revenue

(Rupees in crore)

Sr. No.	Head of Revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	• Sales tax/VAT	463.52	502.70	671.83	783.28	819.66	(+) 4.64
	• Central sales tax	38.84	64.49	71.48	61.54	59.62	(-) 3.12
2.	State excise	53.44	55.34	55.35	57.23	75.94	(+) 32.69
3.	Stamps and registration fees	28.96	35.69	60.49	115.92	117.59	(+) 1.44
4.	Taxes on vehicles	50.76	58.78	63.84	74.56	81.96	(+) 9.92
5.	Taxes on goods and passengers	41.14	103.10	130.80	138.02	112.72	(-) 18.33
6.	Luxury tax	24.73	27.01	29.92	42.73	66.94	(+) 56.66
7.	Entertainment tax	2.11	2.48	5.18	5.09	11.17	(+) 119.45
8.	Other taxes and duties on commodities and services	1.46	1.79	2.52	6.94	6.12	(-) 11.82
9.	Land revenue	5.29	5.15	5.08	6.23	7.19	(+) 15.41
	TOTAL	710.25	856.53	1096.49	1291.54	1358.91	(+) 5.22

While the increase under sales tax was stated to be mainly due to more receipts under Value Added Tax (VAT); in case of State excise the increase was mainly due to more receipts under malt liquor and foreign liquors and spirits. The decrease in taxes on goods and passengers was mainly due to less receipts under Tax on entry of goods in the State.

Non-Tax Revenue: The non-tax revenue of the State has increased from Rs 725 crore in 2003-04 to Rs 1,043 crore in 2007-08. **The Table-1.7** presents the details of major non-tax revenue raised during the period 2003-04 to 2007-08. The receipts from the power sector have been the major contributor in non-tax revenue of the State. During 2007-08, receipts from power not only contributed 76 *per cent* of total non tax revenue receipts of the State but it contributed 92 *per cent* (Rs 114 crore) in total incremental non-tax revenue receipts during the current year as indicated in **Table-1.7.**

Table-1.7: Non-Tax Revenue

(Rupees in crore)

Sr. No.	Head of Revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	2.23	3.73	12.95	15.60	16.70	(+) 7.05
2.	Dairy development	0.26	0.20	0.20	0.35	0.64	(+) 82.86
3	Forestry and wild life	1.81	2.08	1.91	1.99	2.49	(+) 25.13
4.	Non ferrous mining and metallurgical industries	19.39	23.66	27.15	34.30	36.40	(+) 6.12
5.	Power	592.15	584.66	594.91	681.67	796.26	(+) 16.81
6.	Major and medium irrigation	2.94	3.49	10.32	2.93	3.56	(+) 21.50
7.	Medical and public health	7.30	8.82	12.67	9.06	8.33	(-) 8.06
8.	Public works	1.41	1.37	1.67	1.79	1.67	(-) 6.70
9.	Other Administrative services	5.50	10.26	5.52	62.68	22.16	(-) 64.65
10.	Water Supply and Sanitation	--	--	--	58.09	61.23	(+) 5.41
11.	Other non tax receipts	91.74	90.99	93.86	49.16	93.38	(+) 89.95
	Total	724.73	729.26	761.16	917.62	1,042.82	(+) 13.64

Central Tax Transfers: The Central Tax Transfers have increased from Rs 136 crore in 2003-04 to Rs 394 crore in 2007-08. The increase was due to higher realization of Central Tax revenue by the Central Government.

Grants-in-aid: The position of flow of grants from the Centre to the States in respect of State Plan Scheme, Central Plan, Centrally Sponsored Scheme and Non-Plan Grant during 2003-04 to 2007-08 is indicated in **Table-1.8.**

Table-1.8: Flow of Grants

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Non Plan grants	5.19	1.48	6.84	20.21	22.15
State Plan Schemes	30.97	55.03	29.95	49.18	82.70
Central Plan Schemes	2.97	4.05	4.95	4.53	11.07
Centrally sponsored schemes	13.42	11.60	24.78	14.57	32.53
Total	**52.55**	**72.16**	**66.52**	**88.49**	**148.45**

- **Non Plan Grant:** There was a moderate increase in receipt towards Non Plan Grant from the year 2006-07. The increase in Non Plan Grant in 2007-08 was due to increase in receipt of Rs two crore under the head 'other Grants'.
- **State Plan Schemes:** There was an increase in receipt of grants pertaining to State Plan Scheme from Rs 29.95 crore in 2005-06 to Rs 49.18 crore during 2006-07, which again increased to Rs 82.70 crore in 2007-08. The major increase was under 'other grants' which increased by Rs 32.06 crore over Rs 17.19 crore during the previous year.
- **Centrally Sponsored Schemes:** Though there was a sharp decline in grants under centrally sponsored schemes during the year 2006-07, in comparison to 2005-06, the same has increased to Rs 32.53 crore in 2007-08.

Revenue arrears

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs 460.37 crore as indicated in **Table-1.9.**

Table-1.9: Revenue arrears

(Rupees in crore)

Head of Revenue	Amount of arrears as on 31 March 2008	Arrears more than three years old	Cases pending in court		Amount involved in Cases pending due to other reasons
			No.	Amount	
Commercial Taxes	216.56	78.94	1725	14.71	201.85
Excise	0.27	0.07	--	--	0.27
Taxes on vehicles	7.51	3.94	--	--	7.51
Chief Engineer – Water Resources Department					
i) Water Tax	1.00	0.74	147	0.03	0.97
ii) Water Charges	41.46	6.18	--	--	41.46
iii) Rent on shops	1.89	0.69	19	0.06	1.83
iv) Hire charges of machinery	0.35	0.24	--	--	0.35
Chief Engineer - Public works Department					
i) Rent of Building / Shops	0.42	0.20	--	--	0.42
ii) Water charges, meter rent and sewerage charges	15.03	5.18	1775	5.20	9.83
Chief Electrical Engineer Energy charges	168.09	Not available	5977	7.23	160.86
Agriculture	3.15	2.95	--	--	3.15
River Navigation	0.56	0.50	5	0.07	0.49
Printing & Stationery	1.61	0.61	--	--	1.61
Mines & Geology	1.94	0.96	--	--	1.94
Tourism	0.53	0.04	12	0.35	0.18
Total	460.37	101.24	9660	27.65	432.72

The arrears of revenue have increased by 43 *per cent* during the last five years from Rs 321 crore in 2003-04 to Rs 460.37 crore at the end of 2007-08 amounting to 19 *per cent* of state's own resources during the year. The outstanding arrears have however declined by Rs 72 crore in 2007-08 from the level of Rs 532 crore in 2006-07. Of the total outstanding arrears in 2007-08, Rs 101.24 crore was outstanding for more than three years and only Rs 27.65 crore was pending in Revenue Recovery courts. The Government needs to step up its efforts for improvement in recovery of revenue arrears.

1.4 Application of resources

1.4.1 Growth of Expenditure

Statement 12 of the Finance Accounts depicts the detailed Revenue Expenditure by minor heads and Capital Expenditure by major heads. States raise resources to perform their sovereign functions, maintain their existing nature of delivery of social and economic services, extend the network of these services through capital expenditure and investments and discharge their debt service obligations. The total expenditure of the State increased from Rs 2,075 crore in 2003-04 to Rs 3,491 crore in 2007-08. Total expenditure, its annual growth rate and ratio of expenditure to the State GSDP and to revenue receipts and its buoyancy with respect to GSDP and revenue receipts are indicated in **Table-1.10.**

Table-1.10: Total Expenditure – Basic Parameters

	2003-04	2004-05	2005-06	2006-07	2007-08
Total expenditure (TE)[♠] (Rupees in crore)	2075	2376	2778	3103	3491
Rate of Growth (*per cent*)	- 6.45	14.51	16.92	11.70	12.50
TE/GSDP Ratio (*per cent*)	22.34	23.25	23.77	22.49	23.00
RR /TE Ratio (*per cent*)	78.22	76.60	78.08	84.11	84.33
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	♥	1.45	1.18	0.65	1.25
RR (ratio)	♥	1.20	0.88	0.58	0.98

The Total Expenditure during the current year was Rs 3,491 crore of which Revenue Expenditure was Rs 2,778 crore; Capital Expenditure contributed Rs 688 crore and disbursement of Loans and Advances only Rs 25 crore. Out of Rs 3,491 crore, the non-plan expenditure stood at Rs 2,231 crore and plan expenditure at Rs 1,260 crore. The increase in total expenditure during current year was due to an increase of Rs 309 crore in revenue expenditure and Rs 62 crore in capital expenditure and Rs 17 crore in disbursement of loans and advances over previous year.

Ratio of revenue receipts to total expenditure indicated that 84.33 *per cent* of State's total expenditure during 2007-08 was met from its current revenues and the balance financed mostly from borrowings. The buoyancy of Total Expenditure to Revenue Receipts and GSDP stood at 0.98 and 1.25 respectively in 2007-08. The buoyancy ratio of expenditure with respect to GSDP being higher during the period 2004-08 indicates the fact that Government tend to spend more with the improvement in the overall state economy.

Trends in Total Expenditure by Activities: In terms of the activities, total expenditure could be considered as being composed of expenditure on general services including interest payments, social and economic services, grants-in-aid and loans and advances. Relative share of these components in total expenditure is indicated in **Table-1.11.**

Table-1.11: Components of Expenditure – Relative Share

(In per cent)

	2003-04	2004-05	2005-06	2006-07	2007-08
General Services	29.40	29.59	30.17	28.01	26.75
Of which Interest payments	13.17	12.61	14.39	13.77	12.80
Social Services*	31.47	31.94	29.99	30.72	30.72
Economic Services *	38.65	38.18	39.60	41.01	41.82
Loans and Advances	0.48	0.29	0.25	0.26	0.71

*The expenditure on Social and economic services are inclusive of grants-in-aid components.

♠ Total expenditure includes revenue expenditure, capital expenditure and loans and advances.

♥ Growth in revenue receipts during 2003-04 was negative as also GSDP growth during 2003-04.

The shares of various components of total expenditure indicated only minor variations during the period of five years (2003-08) exhibiting relative stability in the components of total expenditure.

1.4.2 Incidence of Revenue Expenditure

Revenue expenditure had the predominant share in the total expenditure. Revenue expenditure is incurred to maintain the current level of services and payments, for the past obligations and as such does not result in any addition to the State's infrastructure and service network. The overall revenue expenditure, its rate of growth, ratio of revenue expenditure to GSDP and to revenue receipts and its buoyancy are indicated in **Table-1.12.**

Table-1.12: Revenue Expenditure - Basic Parameters

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue Expenditure (RE) Of which	1764	1943	2191	2469	2778
Non-Plan Revenue Expenditure (NPRE)	1480	1578	1776	1985	2212
Plan Revenue Expenditure (PRE)	284	365	415	484	566
Rate of Growth *(per cent)*					
Revenue Expenditure	(-)11.46	10.15	12.76	12.69	12.54
NPRE	(-)16.95	6.62	12.55	11.77	11.44
PRE	30.28	28.52	13.70	16.63	16.94
Ratios					
RE as *per cent* of TE	85.01	81.78	78.87	79.57	79.57
NPRE as *per cent* of TE	71.33	66.41	63.93	63.97	63.37
NPRE as *per cent* of RR	91.19	86.70	81.88	76.05	75.14
Buoyancy Ratio of RE with reference to					
GSDP	∝	1.01	0.89	0.70	1.25
Revenue Receipts	1.03	0.84	0.67	0.62	0.98

∝ Growth in Revenue Expenditure and GSDP were negative during 2003-04.

The revenue expenditure indicated an increasing trend both in plan and non-plan components during 2003-08. The NPRE continued to share the dominant proportion consisting of 80 *per cent* of Revenue Expenditure. During 2007-08, the non-plan revenue expenditure increased from Rs 1,985 crore to Rs 2,212 crore (11.44 *per cent*) over the previous year mainly due to increase under "power and energy" from Rs 525 crore to Rs 620 crore (Rs 95 crore: 18.12 *per cent*), in education, sports, art and culture from Rs 279.90 crore to Rs 315.63 crore (Rs 35.73 crore: 12.77 *per cent*) and interest payments from Rs 427 crore to Rs 447 crore (Rs 20 crore: 4.70 *per cent*).

The plan revenue expenditure increased from Rs 484 crore in 2006-07 to Rs 566 crore in 2007-08 mainly due to increase under social welfare and nutrition (Rs 76.20 crore: 89.13 *per cent*; industry and minerals (Rs 29.49 crore: 131.30 *per cent*) over 2006-07 which was partly off set by a considerable decrease of Rs 40.58 crore (32.40 *per cent*) in education, sports, art and culture over the previous year.

The assessed non-plan revenue expenditure as per 12th Finance Commission projections from 2005-06 to 2007-08 was Rs 1,217 crore, Rs 1,321 crore and Rs 1,483 crore respectively. However, the actual NPRE at Rs 1,776 crore, Rs 1,985 crore and Rs 2,212 crore respectively during the period 2005-08 far exceeded the TFC's normative projections.

1.4.3 Committed Expenditure

1.4.3.1 Expenditure on Salaries

Table 1.13: Expenditure on Salaries

(Rupees in crore)

Heads	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Salaries Of which:	381.04	422.05	440.22	471.50	578.53
Non-Plan Head	319.93	352.79	367.76	391.87	467.39
Plan Head	61.11	69.26	72.46	79.63	111.14
As *per cent* of GSDP	**4.10**	**4.13**	**3.77**	**3.42**	**3.81**
As *per cent* of RR	**23.48**	**23.19**	**20.30**	**18.07**	**19.65**

There was an increasing trend on expenditure on salaries during the period 2003-08, which grew by 22.70 *per cent* during 2007-08 over the previous year which was mainly due to increase in salary under education, sports and art & culture from Rs 91 crore in 2006-07 to Rs 123 crore (35.16 *per cent*) in 2007-08 due to filling of vacant posts. Similarly, under power and energy sector it increased from Rs 50 crore to Rs 61 crore (22 *per cent*) over the previous year due to revision of pay scales of engineering staff. However, the salary expenditure at 26 *per cent* of revenue expenditure net of interest and pension payment during 2007-08 was well within the norm of 35 *per cent* recommended by the TFC.

1.4.3.2 Pension Payments

Table 1.14: Expenditure on Pensions

(Rupees in crore)

Heads	2003-04	2004-05	2005-06	2006-07	2007-08
Expenditure on Pensions®	113.33	140.34	158.86	150.28	144.36
As *per cent* of GSDP	1.22	1.37	1.36	1.09	0.95
As *per cent* of RR	6.98	7.71	7.32	5.76	4.90

Pension payments increased from Rs 113.33 crore in 2003-04 to Rs 158.86 crore in 2005-06 and declined to Rs 144.36 crore in 2007-08. The Government has adopted the new defined pension scheme with effect from

® Expenditure on pension includes expenditure on pension under social security schemes.

August, 2005. The decrease was due to enhancement of retirement age from 58 to 60 years in respect of teachers from April 2006 and for other government officials from March 2007.

1.4.3.3 Interest payments

Table-1.15: Interest payments

Interest payments	2003-04	2004-05	2005-06	2006-07	2007-08
Interest payments (Rupees in crore)	321	323	400	427	447
Interest payments as *per cent* to					
Revenue Receipts	20	18	18	16	15
Revenue Expenditure	18	17	18	17	16

In absolute terms, interest payment increased by Rs 126 crore from Rs 321 crore in 2003-04 to Rs 447 crore in 2007-08 primarily due to continued reliance on borrowings for financing the fiscal deficit. An interest payment of Rs 357.36 crore was incurred on internal debt, Rs 52.41 crore on small saving and provident fund etc., Rs 19.77 crore on Loans and Advances from Central Government and Rs 17.32 crore on other obligations. The ratio of interest payments to revenue receipts fluctuated within the range of 15 to 20 *per cent* during the period 2003-08 and was at the lowest (15 *per cent*) during the current year, which was as per norms of TFC and need to be sustained at that level during ensuing years.

1.4.3.4 Subsidies

The State Government has been paying subsidies to various Corporations, etc. The trends in the subsidies given by the State Government are given in **Table 1.16.**

Table-1.16: Subsidies

	2003-04	2004-05	2005-06	2006-07	2007-08
Total Subsidies (Rupees in crore)	29.21	30.44	43.70	39.72	36.28
Percentage change over the previous year	(-) 4.73	4.21	43.56	(-) 9.11	(-) 8.66
Total subsidies as *per cent* of					
Revenue Expenditure	1.66	1.57	1.99	1.61	1.31
Total Expenditure	1.41	1.28	1.57	1.28	1.04

In absolute terms the disbursement of subsidy increased from Rs 29.21 crore in 2003-04 to Rs 43.70 crore in 2005-06 and then decreased to Rs 36.28 crore in 2007-08. The areas which received major chunk of subsidies are Transport (Rs 8.45 crore), Fisheries (Rs 12.18 crore), Crop Husbandry (Rs 7.69 crore) and Dairy Development (Rs 2.80 crore).

1.5 Expenditure by Allocative Priorities

1.5.1 Quality of Expenditure

The availability of better social and physical infrastructure in the State reflects its quality of expenditure. Therefore ratio of capital expenditure to total expenditure as well as to GSDP and proportion of revenue expenditure being spent on running efficiently and effectively the existing social and economic services would determine the quality of expenditure. Higher the ratio of these components to total expenditure and GSDP better is quality of expenditure. **Table 1.17** gives these ratios during 2003-08.

Table 1.17 – Indicators of Quality of Expenditure

(Rupees in crore)

Components of Expenditure	2003-04	2004-05	2005-06	2006-07	2007-08
Capital Expenditure	301	426	580	626	688
Revenue Expenditure	1764	1943	2191	2469	2778
Revenue Expenditure on Social and Economic Services, of which					
(i) Salary Component	- Not available -		319	341	416
(ii) Non-Salary Component	♠1455	♠1666	1129	1342	1524
As *per cent* of Total Expenditure					
Capital Expenditure	14.51	17.93	20.88	20.17	19.71
Revenue Expenditure	85.01	81.78	78.87	79.57	79.57
As *per cent* of GSDP					
Capital Expenditure	3.24	4.17	4.96	[a]4.54	4.53
Revenue Expenditure	18.99	19.01	18.75	[a]17.90	18.30

♠ Includes both salary and non-salary components. Separate breakup is not available.

The ratio of capital expenditure to total expenditure exhibited stability around 20 *per cent* during the last three years i.e. 2005-08. Similarly, the ratio of capital expenditure to GSDP varied within the narrow range of 4.17 to 4.96 *per cent* during the period 2004-08. During the current year, Roads and Bridges (Rs 127.72 crore), Power Projects (Rs 116.38 crore) and Major and Medium Irrigation (Rs 114.58 crore) were the major beneficiary sectors. Although in the absence of non-availability of detailed pattern of capital and revenue expenditure incurred on social and economic services it is difficult to make comments on the quality of expenditure, however, the progressive increase in capital expenditure during the last five years along with relatively higher share of non-salary component of revenue expenditure could be considered as an indicator of improvement in the quality of expenditure and it seems that the impetus is being given to asset formation.

1.5.2 Expenditure on Social Services

Given the fact that the human development indicators such as access to basic education, health services and drinking water and sanitation facilities, etc., have a strong linkage with eradication of poverty and economic progress, it

[a] change in GSDP figure

would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 1.18** summarises the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2003-08.

Table 1.18: Expenditure on Social Services

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
General Education	**292.34**	**354.38**	**349.55**	**434.08**	**439.39**
Revenue Expenditure, of which	280.62	336.51	333.08	405.14	400.28
Salary component	-	-	85.07	90.87	122.77
Non-salary component	-	-	248.01	314.27	277.51
Capital expenditure	11.72	17.87	16.47	28.94	39.11
Health and Family Welfare	**108.91**	**119.49**	**139.23**	**145.38**	**162.73**
Revenue Expenditure, of which	101.98	112.39	124.06	135.48	148.71
Salary component	-	-	81.61	88.69	102.53
Non-salary component	-	-	42.45	46.79	46.18
Capital expenditure	6.93	7.10	15.17	9.90	14.02
Water Supply, Sanitation, Housing and Urban Development	**148.18**	**161.51**	**212.35**	**237.11**	**252.74**
Revenue Expenditure, of which	80.03	96.02	149.21	155.01	166.57
Salary component	-	-	10.98	12.06	14.96
Non-salary component	-	-	138.23	142.95	151.61
Capital expenditure	68.15	65.49	63.14	82.10	86.17
Other Social Services	**103.50**	**123.18**	**131.86**	**136.72**	**217.44**
Revenue Expenditure, of which	101.62	122.80	130.76	135.72	214.86
Salary component	-	-	22.19	23.39	25.64
Non-salary component	-	-	108.57	112.33	189.22
Capital expenditure	1.88	0.38	1.10	1.00	2.58
Total (Social Services)	**652.93**	**758.56**	**832.99**	**953.29**	**1072.30**
Revenue Expenditure, of which	**564.25**	**667.72**	**737.11**	**831.35**	**930.42**
Salary component	-	-	**199.85**	**215.01**	**265.90**
Non-salary component	-	-	**537.26**	**616.34**	**664.52**
Capital expenditure	**88.68**	**90.84**	**95.88**	**121.94**	**141.88**

- Not available

The expenditure in the social sector increased from Rs 653 crore in 2003-04 to Rs 1,072 crore in 2007-08. Expenditure on social sector during 2007-08 accounted for 31 *per cent* of total expenditure and 42.34 *per cent* of development expenditure[@]. Education, health and family welfare, and water supply, sanitation, housing and urban development together constituted around $2/3^{rd}$ of total expenditure incurred on social services. The Revenue and Capital Expenditure under Social Services during the period 2003-08 have increased by 65 *per cent* (Rs 366.17 crore) and 60 *per cent* (Rs 53.20 crore) respectively but the share of Revenue Expenditure in total expenditure incurred on social services remained on an average around 88 *per cent* during the period.

Recognizing the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under Education and

[@] Development Expenditure is defined as the total expenditure made on Social and Economic Services.

Health and Family Welfare should increase only by five to six *per cent* while non-salary expenditure on non-plan heads should increase by 30 *per cent* per annum during the award period. However, trends in expenditure (taking expenditure under both plan and non-plan heads) reveal that the salary component under education increased by 35 *per cent* and in Health and Family Welfare the increase was 16 *per cent*. However the non-salary component in both sectors declined during 2007-08. The expenditure pattern both in education and health services needs correction in the coming years.

1.5.3 Expenditure on Economic Services

The expenditure on Economic Services includes all such expenditure as to promote directly or indirectly, productive capacity within the State's economy. The expenditure on Economic Services (Rs 1,460 crore in 2007-08) accounted for 42 *per cent* of the total expenditure **(Table 1.19).** Of this, Agriculture and Allied Activities, Irrigation and Flood Control, Energy and Transport constituted nearly 89 *per cent* of the expenditure.

Table-1.19: Expenditure on Economic Sector

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
(1) Agriculture, Allied Activities	**52.30**	**59.98**	**80.35**	**82.57**	**96.86**
Revenue Expenditure, of which	44.41	47.26	66.37	69.81	79.22
Salary component	-	-	28.97	30.45	35.14
Non-salary component	-	-	37.40	39.36	44.08
Capital expenditure	7.89	12.72	13.98	12.76	17.64
(2) Irrigation and Flood Control	**54.07**	**74.20**	**181.03**	**184.01**	**194.70**
Revenue Expenditure, of which	15.33	17.43	22.34	26.06	34.83
Salary component	-	-	10.53	10.85	13.72
Non-salary component	-	-	11.81	15.21	21.11
Capital expenditure	38.74	56.77	158.69	157.95	159.87
(3) Power & Energy	**472.82**	**508.03**	**531.83**	**639.94**	**750.28**
Revenue Expenditure, of which	421.48	419.89	429.55	536.99	633.90
Salary component	-	-	46.71	50.23	60.59
Non-salary component	-	-	382.84	486.76	573.31
Capital expenditure	51.34	88.14	102.28	102.95	116.38
(4) Transport	**131.04**	**163.04**	**198.40**	**229.24**	**259.27**
Revenue Expenditure, of which	57.51	66.27	95.62	105.95	123.88
Salary component	-	-	16.75	18.28	21.23
Non-salary component	-	-	78.87	87.67	102.65
Capital expenditure	73.53	96.77	102.78	123.29	135.39
(5) Other Economic Services	**92.41**	**102.91**	**108.37**	**136.88**	**158.95**
Revenue Expenditure, of which	78.95	91.81	96.78	112.63	138.33
Salary component	-	-	16.08	16.55	19.79
Non-salary component	-	-	80.70	96.08	118.54
Capital expenditure	13.46	11.10	11.59	24.25	20.62
Total (Economic Services)	**802.64**	**908.16**	**1099.98**	**1272.64**	**1460.06**
Revenue Expenditure, of which	617.68	642.66	710.66	851.44	1010.16
Salary component	-	-	119.04	126.36	150.47
Non-salary component	-	-	591.62	725.08	859.69
Capital expenditure	184.96	265.50	389.32	421.20	449.90

- Not available

The expenditure incurred on provision of economic services increased from Rs 803 crore in 2003-04 to Rs 1,460 crore in 2007-08. Expenditure on economic services during 2007-08 accounted for 42 *per cent* of total expenditure and 57.66 *per cent* of development expenditure. Out of the total expenditure on Economic Services during 2007-08, 6.64 *per cent* (Rs 96.86 crore) was incurred on Agriculture and Allied Activities, 17.76 *per cent* (Rs 259.27 crore) on Transport and 13.34 *per cent* (Rs 194.70 crore) on Irrigation and Flood Control and 51.39 *per cent* (Rs 750.28 crore) on power and energy during 2007-08. As compared to 2003-04, significant increase in expenditure was observed during 2007-08 in power and energy (58.68 *per cent*), Irrigation and Flood Control (260.09 *per cent*), and Transport Services (97.71 *per cent*).

The trends in revenue and capital expenditure on Economic Services indicate that the capital expenditure increased by 143.2 *per cent* from Rs 185 crore in 2003-04 to Rs 450 crore in 2007-08, while the revenue expenditure consistently increased by 63.4 *per cent* from Rs 618 crore in 2003-04 to Rs 1,010 crore in 2007-08 with however wide inter year variations. Within the revenue expenditure, the salary and wage component increased by 26 *per cent* while non-salary and wage component increased by 45 *per cent* from 2005-06 to 2007-08.

1.5.4 Financial Assistance by State Government to local bodies and other institutions

The quantum of assistance provided by way of grants and loans to local bodies and others during the period 2003-08 is presented in **Table 1.20.**

Table-1.20: Financial Assistance

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	162.36	153.60	196.47	206.82	232.32
Municipal Corporations and Municipalities	17.72	16.96	35.96	40.39	43.77
Zilla Parishads and Other Panchayati Raj Institutions	24.87	32.75	39.70	41.98	35.68
Other Institutions	9.54	15.02	23.99	24.81	32.16
Total	**214.49**	**218.53**	**296.12**	**314.00**	**343.93**
Assistance as per percentage of RE	12.16	11.25	13.52	12.72	12.38

The financial assistance to local bodies and other institutions has increased by 9.53 *per cent* during the year 2007-08 over the previous year due to delegation of more powers to Urban Local Bodies, more grants to social security welfare, rural employment, etc. Under other institutions social security and welfare sector received a financial assistance of Rs 9.43 crore, art and culture institutions Rs 10.79 crore and tourism sector Rs 6.50 crore during 2007-08.

1.5.5 Delay in furnishing utilisation certificates

Of the 4,322 utilisation certificates (UCs) due in respect of grants and loans aggregating Rs 299.87 crore paid upto 2006-07, 3,977 UCs for an aggregate amount of Rs 263.43 crore were in arrears. Details of department-wise break-up of outstanding UCs are given in **Appendix 1.2.**

1.5.6 Non-submission of accounts

In order to identify the institutions which attract audit under Sections 14 and 15 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971, the Government/Heads of the Department are required to furnish to Audit every year, detailed information about the financial assistance given to various institutions, the purpose of assistance granted and the total expenditure of the institutions. As of 30 June 2008, nine departments of the Government had not furnished details for the year 2006-07 as shown in **Appendix 1.3.**

1.5.7 Abstract of performance of the autonomous bodies

The status of entrustment of audit, rendering of accounts to audit, issuance of Separate Audit Report and its placement in the Legislature of five bodies in respect of which the Separate Audit Reports are to be placed in the legislature is indicated in **Appendix 1.4**.

1.6 Misappropriations, losses, defalcations, etc.

State Government reported 17 cases of misappropriation, losses, etc., involving Government money amounting to Rs 153.07 lakh up to the period June 2008 on which final action was pending. The department-wise break up of pending cases is given in **Appendix 1.5.**

1.6.1 Write off of losses, etc.

During the year 2007-08, losses amounting to Rs 2.16 lakh in 112 cases were written off by competent authorities. The losses mainly pertained to unserviceable articles, loss of planting materials due to heavy rains, pest infestation, etc. The Department-wise details of write off are given in **Appendix 1.6.**

1.7 Assets and Liabilities

1.7.1 Trends in Growth and Composition of Assets and Liabilities

In the Government accounting system, comprehensive accounting of fixed assets like land and buildings owned by the Government is not done. However, the Government accounts do cape the financial liabilities of the Government and the assets created out of thexpenditure incurred. **Appendix 1.7** gives an abstract of such liabilities and thssets as on 31 March 2008, compared with the corresponding position on : March 2007. While the liabilities in this Appendix consist mainly of inteıl borrowings, loans and advances from the GoI, receipts from the Public Acunt and Reserve Funds, the assets comprise mainly the capital outlay andoans and advances given by the State Government and cash balances. **ppendix 1.8** depicts the time series data on State Government finances for tleriod 2003-08.

1.7.2 Financial Analysis oGovernment Investments

1.7.2.1 Financial Results of Iration Works

Irrigation works have not been clared as Commercial Undertakings in the State of Goa, hence the financialsults in respect of Irrigation works have not been worked out.

1.7.2.2 Incomplete projects

The department-wise informati pertaining to incomplete projects as on 31 March 2008 is given in **Table21.**

Table 1.21: Departmenvise Profile of Incomplete Projects

(Rupees in crore)

Department	Nuar of Incolete Prcts	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Over Runs	Cumulative Actual Expenditure as on 31.3.2008
State Directorate of craftsmen training		1.19	2.09	0.90	0.82
Water Resources Department (i) Tillari Irrigation Project		161.18	698.17[1]	536.99	608.48
Total		**162.37**	**700.26**	**537.89**	**609.30**

The cost overrun in Tillari Irrigon Project was due to delay in execution of the Project.

1.7.2.3 Departmental Commenl Undertakings

Activities of *quasi*-commercia nature are performed by departmental undertakings of certain Govenent departments. These undertakings are required to prepare annually *Prorma* accounts in prescribed format showing the results of financial operationo that Government can assess the results of their working. The departmentise position of arrears in preparation of *proforma* accounts and the invenent made by the Government are given in **Appendix 1.9.** The summarizefinancial statement of these undertakings is given in **Appendix 7.7.**

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[1] *Indicates the share of the Governmen Goa in revised total cost of the project (Rs.952.44crore) as per the last revisiby the State Government in 2000-01.*

1.7.2.4 Invesents and returns

As of 31 Marc2008, Government had invested Rs 299.17 crore in Statutory Corporations, ural Banks, Joint Stock Companies and Co-operatives **(Table 1.22)**. e return on this investment ranged between 0.15 and 0.01 *per cent* in the t five years while the Government paid interest at an average rate of 7.46 to 5 *per cent* on its borrowings during 2003-08.

Table-1.22: Return on Investment

	2003-04	2004-05	2005-06	2006-07	2007-08
Investment at the of the year (Rupees in crore)	202.93	220.93	235.84	266.06	299.17
Return (Rupees imre)	0.03	0.27	0.18	0.40	0.33
Return *(per cent)*	0.01	0.12	0.07	0.15	0.11
Average rate of inst on Government borrg *(per cent)*	8.95	7.89	8.54	7.97	7.46
Difference betweeterest rate and return *(per ce*	8.94	7.77	8.47	7.82	7.35

The State Gornment has invested Rs 18.02 crore in two statutory corporations Goa Industrial Development Corporation and Goa Information Tenology Development Corporation. However, Government has not receiveany returns on this investment. Further, the investment in Co-operatives a Joint Stock Companies was Rs 46.43 crore as on 31 March 2008. SimilarlGovernment has invested Rs 234.72 crore in 17 Government Companies andividend/interest received during the year 2007-08 was only Rs 0.15 crore. these, 11 Government Companies were incurring losses and their accumulal losses amounted to Rs 195.49 crore as per the latest accounts furnisll by these companies. The major loss making companies are indicated in **Tal-1.23**.

able-1.23: Major loss making companies

(Rupees in crore)

Sr. No.	ame of the company	Period of accounts	Accumulated loss
1	Goa Auto cessories Limited	2007-08	5.24
2	Goa Electics Limited	2007-08	19.78
3	Goa Antibcs and Pharmaceuticals Limited	2006-07	26.86
4	Kadamba nsport Corporation Limited	2006-07	71.47
5	EDC Limi	2006-07	67.00

1.7.2.5 Loans d advances by State Government

In addition to ivestments in Co-operative societies, Corporations and Companies, Govnment has also been providing loans and advances to many of these institutis/organizations. Total outstanding loans and advances as on 31 March 2008, s Rs 71.15 crore **(Table 1.24).** Interest received as *per cent* to average outstding loans during the year remained on an average around four *per cent* dug 2003-08 as against average interest rate varying between

7.46 and 8.95 *per cent* paid by the Government on its borrowings during 2003-08.

Table-1.24: Average Interest Received on Loans Advanced by the State Government

(*Rupees in crore*)

	2003-04	2004-05	2005-06	2006-07	2007-08
Opening Balance	44.50	47.78	49.66	50.38	52.74
Amount advanced during the year	9.83	7.46	7.05	8.14	24.59
Amount repaid during the year	6.55	5.58	6.33	5.78	6.18
Closing Balance	47.78	49.66	50.38	52.74	71.15
Net addition	(+) 3.28	(+) 1.88	(+) 0.72	(+) 2.36	(+) 18.41
Interest Receipts	1.65	2.44	2.10	2.03	2.19
Interest receipts as *per cent* to average outstanding Loans and advances	3.58	5.01	4.20	3.94	3.54
Interest payments as *per cent* to outstanding Fiscal liabilities of the State Government	8.46	7.43	7.97	7.50	7.11
Difference between interest payments and interest receipts (*per cent*)	(-) 5.37	(-) 2.88	(-) 4.28	(-) 4.03	(-) 3.57

Out of Loans and Advances of Rs 24.59 crore advanced during the year, Rs 4.50 crore was advanced to Secondary Education, Rs 6.50 crore to Tourism Infrastructure and Rs 13.35 crore to Government servants. Out of Rs 2.19 crore of interest received, Rs 1.81 crore was from Government servants and Rs 17 lakh from Agriculture and Allied Activities.

1.7.3 Management of cash balances

It is generally desirable that the State's flow of resources should match its expenditure obligations. However, to take care of any temporary mismatches in the flow of resources and expenditure obligations, a mechanism of Ways and Means Advances (WMA) – ordinary and special - from Reserve Bank of India has been put in place. The operative limit for Normal Ways and Means Advances is reckoned on the three year average of revenue receipts and the operative limit for Special Ways and Means Advances is fixed by Reserve Bank of India from time to time depending on the holding of Government securities. Ways and Means Advances and Overdrafts availed, the number of occasions it was availed and interest paid by the State are detailed in **Table 1.25**. The Government has not availed any WMA and overdraft during the period of last four years with effect from 2004-05 to 2007-08.

Table-1.25: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Ways and Means Advances					
Availed in the Year	498.60	Nil	Nil	Nil	Nil
Number of Occasions	Not available				
Outstanding WMAs, if any	-				
Interest Paid	1.13				
Overdraft					
Number of Days	221	Nil	Nil	Nil	Nil
Availed in the year	37.30				
Number of Occasions	7				
Number of Days	12				
Interest Paid	0.05				

During the last three years the cash balance showed a gradual increase from Rs 324.80 crore to Rs 495.78 crore and Rs 725.13 crore as on 31 March 2006, 2007 and 2008 respectively. The investment held in cash balance at the end of the year was Rs 655.46 crore.

1.8 Undischarged Liabilities

1.8.1 Fiscal Liabilities – Public Debt and Guarantees

There are two sets of liabilities namely, public debt and other liabilities. Public debt consists of internal debt of the State and is reported in the Annual Financial Statements under the Consolidated Fund (Capital Accounts). It includes market loans, special securities issued by RBI and loans and advances from the Central Government. The Constitution of India provides that a State may borrow, within the territory of India, upon the security of its Consolidated Fund, within such limits, as may from time to time, be fixed by the Act of its Legislature and give guarantees within such limits as may be fixed. Other liabilities, which are a part of public account, include deposits under small savings scheme, provident funds and other deposits.

Table-1.26 gives the fiscal liabilities of the State, its rate of growth, ratio of these liabilities to GSDP, to revenue receipts and to own resources as also the buoyancy of fiscal liabilities with respect to these parameters.

Table-1.26: Fiscal Liabilities – Basic Parameters

	2003-04	2004-05	2005-06	2006-07	2007-08
Fiscal Liabilities *(Rs in crore)*	3838	4350	5018	5694	6289
Rate of Growth *(per cent)*	15.08	13.34	15.36	13.47	10.45
Ratio of Fiscal Liabilities to					
GSDP *(per cent)*	41.31	42.57	42.94	41.27	41.44
Revenue Receipts *(per cent)*	236.48	239.01	231.35	218.16	213.63
Own Resources *(per cent)*	267.46	274.27	270.22	257.65	261.85
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	--	1.33	1.07	0.74	1.04
Revenue Receipts (ratio)	--	1.10	0.80	0.66	0.82
Own Resources (ratio)	--	1.27	0.90	0.71	1.20

Overall fiscal liabilities of the State increased from Rs 3,838 crore in 2003-04 to Rs 6,289 crore in 2007-08. This included Rs 409.35 crore being loan given by GoI to the erstwhile Union Territory of Goa, Daman and Diu. The growth rate of fiscal liabilities was 10.45 *per cent* during 2007-08 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 41.31 *per cent* in 2003-04 to 41.44 *per cent* in 2007-08. This ratio is on the higher side keeping in view the target of 30 *per cent* to be achieved by 31 March 2009 as laid down in Goa Fiscal Responsibility and Budget Management Act, 2006. The buoyancy of these liabilities with respect to GSDP during the year was 1.04 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.04 *per cent*. Fiscal Liabilities constituted Market Loans comprising of Rs 1,477.36 crore, Loans and Advances from Central Government of Rs 3,539.43 crore, Loans from Financial Institutions to the extent of Rs 109.71 crore and Public Account liabilities of Rs 1,162.23 crore.

Government constituted a sinking fund for amortization of loans raised in the open market and Rs 10 crore was contributed towards the fund during 2007-08. The balance in the sinking fund as on 31 March 2008 was Rs 107.55 crore and the entire balance was invested in GoI securities.

1.8.2 Status of Guarantees – Contingent liabilities

Guarantees are liabilities contingent on the Consolidated Fund of the State in case of default by the borrower for whom the guarantee has been extended.

As per the Statement-6 of the Finance Accounts, the maximum amount for which guarantees were given by the State and outstanding guarantees at the end of year since 2003-04 are given in **Table 1.27.**

Table-1.27: Guarantees given by the Government of Goa

(Rupees in crore)

Guarantees	2003-04	2004-05	2005-06	2006-07	2007-08
Maximum amount guaranteed	612.20	719.32	709.32	714.62	527.77
Outstanding amount of guarantees	513.76	621.05	631.33	623.99	311.09
Percentage of maximum amount guaranteed to total revenue receipt	37.72	39.52	32.70	27.38	17.93

The Goa Fiscal Responsibility and Budget Management Act, 2006 specified that the Government shall cap the total outstanding guarantees within the specified limit under the Goa State Guarantees Act, 1993. The Goa Legislature fixed a limit of Rs 800 crore on the outstanding guarantees in March 2005. The outstanding guarantees at Rs 311.09 crore during 2007-08 were well within the ceiling limit specified by the Legislature. The State has set up the Guarantee Redemption Fund. The amount invested against this fund as on 31 March 2008 was Rs 53.83 crore. No guarantee fee has been received by the State during 2007-08.

1.9 Debt Sustainability

The debt sustainability is defined as the ability of the State to maintain a constant debt-GDP ratio over a period of time and also embodies the concern about the ability to service its debt. Sustainability of debt therefore also refers to sufficiency of liquid assets to meet current or committed obligations and the capacity to keep balance between cost of additional borrowings with returns from such borrowings. It means that rise in fiscal deficit should match with the increase in capacity to serve the debt.

1.9.1 Debt Stabilisation

A necessary condition for stability states that if the rate of growth of economy exceeds the interest rate or cost of public borrowings, the debt-GDP ratio is likely to be stable provided primary balances are either zero or positive or are moderately negative. Given the rate spread (GSDP growth rate – interest rate) and quantum spread (Debt * rate spread), debt sustainability condition states that if quantum spread together with primary deficit is zero, debt-GSDP ratio would be constant or debt would stabilize eventually. On the other hand, if primary deficit together with quantum spread turns out to be negative, debt-GSDP ratio would be rising and in case it is positive, debt-GSDP ratio would eventually be falling.

Table-1.28: Debt Stabilisation: Indicators and Trends

(In per cent)

	2003-04	2004-05	2005-06	2006-07	2007-08
Average Interest Rate *(per cent)*	8.95	7.89	8.54	7.97	7.46
GSDP Growth *(per cent)*	(-) 6.61	10.00	14.35	*18.07	10.00
Interest spread *(per cent)*	(-) 15.56	2.11	5.81	10.10	2.54
Outstanding Debt *(Rupees in crore)*	3335	3838	4350	5018	5694
Quantum Spread *(Rupees in crore)*	(-)518.93	80.98	252.74	506.82	144.63
Primary Deficit (-)/surplus (+) *(Rupees in crore)*	(-) 124	(-) 227	(-) 203	(-) 60	(-) 94

Table 1.28 reveals that quantum spread together with primary deficit was negative in 2003-04 resulting in increase in debt-GSDP ratio from 41 to 43 during the period. Thereafter, although quantum spread together with primary deficit was positive but persistent prevalence of fiscal and primary deficit mitigated the favorable impact of positive quantum spread and the debt-GSDP ratio stabilized around 42 *per cent* during the last three years (2005-08). The State needs to reduce primary deficit to zero or negligible for stabilization of debt as well as to improve the debt sustainability position.

1.9.2 Sufficiency of Non-debt Receipts

Another indicator for debt stability and its sustainability is the adequacy of incremental non-debt receipts of the State to cover the incremental interest liabilities and incremental primary expenditure. The debt sustainability could be significantly facilitated if the incremental non-debt receipts could meet the incremental interest burden and the incremental primary expenditure. The persistent negative resource gap indicates the non sustainability of debt while

* GSDP figures for 2006-07 have been revised by the State Government, hence change in growth rate.

the positive resource gap strengthens the capacity of the State to sustain the debt. **Table 1.29** indicates the resource gap as defined for the period 2003-08.

Table 1.29: Incremental revenue receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2003-04	(-)210	(-) 172	29	(-)143	(-) 67
2004-05	196	299	2	301	(-)105
2005-06	349	325	77	402	(-) 53
2006-07	441	298	27	325	(+)116
2007-08	334	368	20	388	(-) 54

During the period 2003-08 at four occasions the State reflected the negative resource gaps primarily due to the fact that primary expenditure indicated an increasing trend while incremental non-debt receipts exhibited wide variations during these years. For debt stability and enhancing the capacity of the State to sustain the debt in the medium to long run the positive resource gap needs to be maintained in ensuing years.

1.9.3 Net Availability of Borrowed Funds

The debt sustainability of the State also depends on (i) the ratio of the debt redemption (Principal+Interest Payments) to total debt receipts and (ii) application of available borrowed funds. The ratio of debt redemption to debt receipts indicates the extent to which the debt receipts are used in debt redemption indicating the net availability of borrowed funds. The solution to the Government debt problem lies in application of borrowed funds, i.e. they are (a) not being used for financing Revenue Expenditure; and (b) being used efficiently and productively for Capital Expenditure which either provides returns directly or results in increased productivity of the economy in general which may result in increase in Government revenue.

Table 1.30 gives the position of the receipt and repayment of internal debt and other fiscal liabilities of the State as well as the net availability of the borrowed funds over the last five years.

Table-1.30: Net Availability of Borrowed Funds

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Internal Debt					
Receipt	273	151	86	100	414
Repayment (Principal + Interest)	202	246	324	352	408
Net Fund Available	71	(-) 95	(-) 239	(-) 252	6
Net Fund Available (*per cent*)	26	-	-	-	1
Loans and Advances from GoI					
Receipt	519	551	613	539	91
Repayment (Principal + Interest)	409	191	89	86	37
Net Fund Available	110	360	524	453	54
Net Fund Available (*per cent*)	21	65	85	84	59
Other obligation					
Receipt	226	207	208	245	300
Repayment (Principal + Interest)	250	217	226	196	211
Net Fund Available	(-) 24	(-) 10	(-) 18	49	89
Net Fund Available (*per cent*)	-	-	-	20	30
Total liabilities					
Receipt	1018	909	907	884	805
Repayment (Principal + Interest)	861	654	639	634	656
Net Fund Available	157	255	268	250	149
Net Fund Available (*per cent*)	15	28	29	28	19

The net fund available on account of internal debt and loans and advances from Government of India and other obligations after providing for the interest and repayment of the principal varied from 15 to 29 *per cent* during the period 2003-08. Debt redemption ratio being less than unity through the period 2003-08 also reveal the fact that borrowed funds are used to finance the fiscal deficit of the state during the period.

1.10 Management of deficits

The surplus in the Government accounts represents the gap between its receipts and expenditure. The nature of surplus is an indicator of the prudence of fiscal management of the Government. Further, the ways in which the deficit is financed and the resources raised are applied are important pointers to its fiscal health.

1.10.1 Trends in Deficit/Surplus

Trends presented in **Table 1.31** reveal that the revenue account after experiencing a situation of deficit from 2003-04 to 2005-06 turned into a surplus of Rs 141 crore in 2006-07 which is further increased to Rs 166 crore during 2007-08. The improvement in revenue surplus during the current year was mainly on account of increase of Rs 334 crore in revenue receipts against increase of Rs 309 crore in revenue expenditure. It was however observed that 42.5 *per cent* of incremental revenue receipts was contributed in the form of central transfers comprising of State's share in Union taxes and duties and grants-in-aid from GoI. Another one third of incremental revenue receipts was shared by receipts from the power sector which is yet to be unbundled by the State Government.

Given the increase in revenue surplus along with an increase of Rs 79 crore in capital expenditure together with disbursement of loans and advances, the fiscal deficit increased to Rs 541 crore from Rs 487 crore in 2006-07.

The primary deficit continued to persist during the years 2003-08. An increase of Rs 54 crore in fiscal deficit together with an increase of Rs 20 crore in interest payments resulted in an increase of primary deficit from Rs 60 crore in 2006-07 to Rs 94 crore in 2007-08.

Table-1.31: Fiscal Imbalances: Basic Parameters

(Rupees in crore)

Parameters	2003-04	2004-05	2005-06	2006-07	2007-08
Revenue deficit (-)/Surplus (+)	(-) 141	(-) 123	(-) 22	(+) 141	(+) 166
Fiscal deficit (-)/Surplus (+)	(-) 445	(-) 550	(-) 603	(-) 487	(-) 541
Primary deficit *(Rupees in crore)*	(-) 124	(-) 227	(-) 203	(-) 60	(-) 94
RD/GSDP *(per cent)*	1.52	1.20	0.19	$\propto$	$\propto$
FD/GSDP *(per cent)*	4.79	5.38	5.16	3.53	3.56
PD/GSDP *(per cent)*	1.33	2.22	1.74	0.43	0.62
RD/FD *(per cent)*	31.69	22.36	3.65	$\propto$	$\propto$

As per the Goa FRBM Act 2006, the Government shall reduce the revenue deficit to nil by 31 March 2009 and adhere to it thereafter. The revenue deficit was reduced from Rs 141 crore in 2003-04 to a revenue surplus of Rs 166 crore in 2007-08. The Goa FRBM Act 2006 prescribed a road map of reducing the Fiscal Deficit (FD) by 0.5 *per cent* of GSDP in each of the financial year beginning from 1 April 2006. Though the ratio of FD to GSDP was reduced by 1.63 *per cent* during the year 2006-07 over the previous year, there was an increase of 0.03 *per cent* during 2007-08 over the previous year.

1.10.2 Quality of Deficit/Surplus

The ratio of RD to FD and the decomposition of Primary deficit into primary revenue deficit and capital expenditure (including loans and advances) would indicate the quality of deficit in the States' finances. The ratio of revenue deficit to fiscal deficit indicates the extent to which borrowed funds were used for current consumption. Further, persistently, high ratio of revenue deficit to fiscal deficit also indicates that the asset base of the State was continuously shrinking and a part of borrowings (fiscal liabilities) were not having any asset backup. The ratio of revenue deficit to fiscal deficit has consistently declined from 2003-04 to 2005-06 and the revenue deficit was completely wiped out since 2006-07. This trajectory indicates significant improvement in the quality of the deficit over the period 2003-08. Further analysis of the primary deficit would indicate the extent to which the deficit has been on account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

$\propto$ There were no revenue deficits during 2006-07 and 2007-08.

Table 1.32: Primary Deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Non debt Receipts vis-a-vis primary revenue expenditure	Primary deficit (-) /surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2003-04	1630	1443	301	10	1754	187	(-) 124
2004-05	1826	1620	426	7	2053	206	(-) 227
2005-06	2175	1791	580	7	2378	384	(-) 203
2006-07	2616	2042	626	8	2676	574	(-) 60
2007-08	2950	2331	688	25	3044	619	(-) 94

The bifurcation of factors resulting into primary deficit or surplus of the State during the period 2003-04 to 2007-08 reveals that the deficit was mainly on account of capital expenditure incurred and disbursement of loans and advances by the State Government. The non-debt receipts of the State were enough to meet the primary revenue expenditure requirements in the revenue account and left some receipts to meet the expenditure under capital account. But the surplus non-debt receipts were not enough to meet the expenditure requirements under capital account resulting in primary deficit. This indicates the extent to which the primary deficit has been on account of enhancement in capital expenditure including loans and advances which may be desirable to improve the production capacity of the State's economy.

1.11 Fiscal Ratios

The finances of a State should be sustainable, flexible and non-vulnerable. **Table-1.33** below presents a summarized position of Government finances over 2003-08, with reference to certain key indicators classified in five groups: (i) Resource Mobilization, (ii) Expenditure Management, (iii) Management of Fiscal Imbalances, (iv) Management of Fiscal Liabilities and (v) Other Fiscal Health Indicators that help to assess the adequacy and effectiveness of available resources and their applications, highlights areas of concern and captures its important facts.

Table-1.33: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	2003-04	2004-05	2005-06	2006-07	2007-08
1	2	3	4	5	6
I Resource Mobilization					
Revenue Receipts/GSDP	17.47	17.81	18.56	18.92	19.40
Revenue Buoyancy	ϒ	1.21	1.92	1.13	1.28
Own Tax Revenue/GSDP	7.64	8.39	9.38	9.37	8.95
Own Non Tax Revenue/GSDP	7.80	7.13	6.51	6.65	6.87
II Expenditure Management					
Revenue Receipts/Total Expenditure	78.22	76.60	78.08	84.11	84.33
Revenue Expenditure/Total Expenditure	85.01	81.78	78.87	79.57	79.57
Capital Expenditure/Total Expenditure	14.58	17.98	20.93	20.17	19.72
Buoyancy of TE with RR	ϒ	1.20	0.88	0.58	0.98
Buoyancy of RE with RR	1.03	0.84	0.67	0.62	0.98
III Management of Fiscal Imbalances					
Revenue deficit(Surplus)/GSDP	-1.52	-1.20	-0.19	1.02	1. 09
Fiscal deficit/GSDP	-4.79	-5.38	-5.16	3.53	3.56
Primary Deficit (Surplus)/GSDP	-1.33	-2.22	-1.74	0.04	0.62
Revenue Deficit/Fiscal Deficit	31.69	22.36	3.65	Revenue surplus	
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	41.31	42.57	42.94	41.27	41.44
Fiscal Liabilities/RR	236.48	239.01	231.35	218.16	213.63
Interest spread	-15.56	2.11	5.81	10.10	2.54
Net fund available	15	28	29	28	19
V Other Fiscal Health Indicators					
Return on Investment	0.01	0.12	0.07	0.15	0.11
Balance from Current Revenue *(Rs in crore)*	109.65	191.33	353.15	576.98	625.34
Financial Assets/Liabilities	0.73	0.74	0.78	0. 83	0.87

The trends in ratios of revenue receipts and State's own taxes to GSDP indicate the adequacy and accessibility of State to resources. Revenue receipts are comprised not only of the tax and non-tax resources of the State but also the transfers from Union Government. The ratio of revenue receipts to GSDP has consistently increased from 17.47 *per cent* in 2003-04 to 19.40 *per cent* during the current year. During 2003-08 the ratio of own taxes to GSDP also consistently increased with a marginal decline during the current year.

Various ratios concerning the expenditure management of the State indicate quality of its expenditure and sustainability of these in relation to its resource mobilization efforts. Though the Revenue Expenditure as a percentage to total expenditure reduced to 78.87 *per cent* in 2005-06 from 85.01 *per cent* in 2003-04, it subsequently increased and stabilized at 79.5 *per cent* during 2006-07 and 2007-08. The increasing trends in the proportion of Capital Expenditure in the total expenditure however indicated improvement in the quality provided it resulted in creation of assets. Increasing reliance on revenue receipts to finance the total expenditure which amounts to 84 *per cent* during 2007-08 indicates decreasing dependence on borrowed funds. This is also reflected by the decreasing ratio of fiscal liabilities to revenue receipts especially during the last three years. The negligible return on Government investment continued to be a cause of concern and low productivity of capital expenditure would not only put strain on the Government but also adversely

ϒ Growth in revenue receipts during 2003-04 was negative as also GSDP growth during 2003-04.

affect the maintenance and efficiency in delivery of social and economical services in the State.

Although the emergence of revenue surplus along with increasing fiscal deficit indicates a mixed trend in fiscal position of the State but the steep increase in the Balance from Current Revenue (Rs 625.34 crore) during the last two years indicates the availability of funds for stale development plans and programmes.

1.12 Conclusion

During 2007-08 the overall fiscal position of the State as reflected in terms of key parameters-revenue, fiscal and primary deficits indicates a mixed trend as revenue surplus has increased while fiscal and primary deficit position has deteriorated over the previous year. The improvement in revenue surplus of the State may however be seen in view of the fact that little more than 42 *per cent* of the incremental revenue receipts of the State during 2007-08 (Rs 334 crore) was contributed by the central transfers comprising of State's share in central taxes and duties and grants-in-aid from the Union of India. Moreover, another one third of incremental revenue receipts was shared by receipts from the power sector which is yet to be unbundled by the State Government. The expenditure pattern of the State reveals that the revenue expenditure continued to share the dominant proportion in the total expenditure of the State which was around 79 *per cent* during 2007-08. Moreover, within the revenue expenditure, non-plan revenue expenditure at Rs 2,212 crore in 2007-08 was significantly higher than the normative assessment of TFC (Rs 1,483 crore) for the State for the year. Notwithstanding these facts, State has achieved the target of eliminating the revenue deficit as laid down in its FRBM Act two years prior to the stipulated time frame. The continued prevalence of fiscal deficit in the finance accounts indicate the reliance on the borrowed funds resulting in increasing the fiscal liabilities of the State. The fiscal liabilities increased consistently and stood at 41.44 *per cent* of GSDP as on 31 March 2008 and appear to be quite high especially in view of the fact that Goa FRBM Act, 2006 envisaged the fiscal liabilities level at 30 *per cent* of GSDP by March 2009. The increasing fiscal liabilities accompanied with negligible rate of return on Government investments and inadequate interest cost recovery on loans and advances might put a fiscal stress on the State in the medium to long run unless suitable measures are initiated especially to compress the non-plan revenue expenditure and to mobilize the additional resources both through the tax and non-tax sources in ensuing years.

CHAPTER – II

Allocative Priorities and Appropriation

CHAPTER-II

ALLOCATIVE PRIORITIES AND APPROPRIATION

2.1 Introduction

The Appropriation Accounts prepared annually indicate capital and revenue expenditure on various specified services vis-à-vis those authorised by the Appropriation Act in respect of both charged and voted items of the budget.

Audit of appropriation by the Comptroller and Auditor General of India seeks to ascertain whether the expenditure actually incurred under various grants is within the authorisation given under the Appropriation Act and whether the expenditure required to be charged under the provisions of the Constitution is so charged. It also ascertains whether the expenditure incurred is in conformity with law, relevant rules, regulations and instructions.

2.2 Summary of Appropriation Accounts

The summarised position of actual expenditure during 2007-2008 against grants and appropriations was as follows:

(Rupees in crore)

	Nature of expenditure	Original grants/ appropriation	Supplementary grants/ appropriation	Total	Actual expenditure	Saving (-)/ Excess (+)
Voted	I. Revenue	2907.33	333.04	3240.37	2344.46	-895.91
	II. Capital	919.76	89.60	1009.36	878.38	-130.98
	III. Loans & Advances	16.57	13.00	29.57	24.59	-4.98
Total Voted		***3843.66***	***435.64***	***4279.30***	***3247.43***	***-1031.87***
Charged	IV. Revenue	520.85	0.76	521.61	471.17	-50.44
	V. Capital	0.10	1.58	1.68	1.52	-0.16
	VI. Public Debt	205.85	0.00	205.85	68.30	-137.55
Total Charged		***726.80***	***2.34***	***729.14***	***540.99***	***-188.15***
Grant Total		***4570.46***	***437.98***	***5008.44***	***3788.42***	***-1220.02***

*Note:- **The expenditure includes the recoveries of revenue expenditure amounting to Rs 37.87 crore and capital expenditure amounting to Rs 21.37 crore adjusted as reduction of expenditure.***

The overall savings of Rs 1,220.02 crore as mentioned above were net result of savings of Rs 1,220.05 crore in 82 grants and appropriations offset by excess of Rupees three lakh in one appropriation.

2.3 Fulfillment of Allocative Priorities

2.3.1 Appropriation by Allocative Priorities

Out of savings of Rs 1,031.87 crore under voted grants, major savings of Rs 884.17 crore (85 *per cent*) occurred in five grants as mentioned below:

(Rupees in crore)

Sr. No.	Grant No.	Allocation			Actual Expenditure	Savings
		Original	Supplementary	Total		
1.	TREASURY AND ACCOUNTS ADMINISTRATION NORTH GOA (REVENUE VOTED)					
	8	201.85	--	201.85	153.40	48.45
2.	INDUSTRIES, TRADE AND COMMERCE (REVENUE VOTED)					
	19	19.27	--	19.27	5.84	13.43
3.	PUBLIC WORKS (CAPITAL VOTED)					
	21	266.64	30.49	297.13	221.49	75.64
4.	SMALL SAVINGS AND LOTTERIES (REVENUE VOTED)					
	30	688.65	0.95	689.60	6.12	683.48
5.	MUNICIPAL ADMINISTRATION (REVENUE VOTED)					
	55	105.57	--	105.57	42.40	63.17
Total		1281.98	31.44	1313.42	429.25	884.17

Reasons for savings in the above grants were as follows:

- **Treasury and Accounts Administration – North Goa:** Savings were mainly on account of enhancement in the retirement age of employees and receipt of less number of applications for commutation of pension.
- **Industries, Trade and Commerce:** Savings were mainly on account of non-filling of vacant posts; non-receipt of administrative approval/expenditure sanctions from Government.
- **Public Works Department:** Savings were mainly due to non taking up of the Water Supply & Sanitation Scheme due to technical reasons.
- **Lotteries:** Savings were mainly on account of stoppage of lottery business in August 2002. However, Budget Provision continued in 2007-08 also.
- **Municipal Administration:** The anticipated savings were mainly due to non-receipt of proposal from GSUDA for release of funds under Jawaharlal Nehru National Urban Renewal Mission.

Areas in which major savings occurred in these grants/appropriation are given in ***Appendix 2.1***.

In 15 other cases, savings exceeding Rs two crore in each case and also by more than 10 *per cent* of the total provision amounted to Rs 198.32 crore as indicated in ***Appendix 2.2.***

2.3.2 Excess requiring regularisation

Excess over provision relating to previous years requiring regularisation

As per Article 205 of the Constitution of India, it is mandatory for the State Government to get the excess over a grant or appropriation regularised by the State Legislature. However, excess expenditure amounting to Rs 1,860.98 crore for the years 1998-1999 to 2006-2007 was yet to be regularised. Details are given in ***Appendix 2.3.***

Excess over provisions during 2007-08 requiring regularisation

The excess of Rs 2.57 lakh under one grant during the year requires regularisation under Article 205 of the Constitution. Details are given below:

(Amount in Rupees)

Sr. No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
Capital (Voted)				
1.	43 – Art & Culture	5,80,02,000	5,82,59,094	2,57,094

The reason for excess is awaited.

2.3.3 Original budget and supplementary provisions

Supplementary provisions (Rs 437.98 crore) made during this year constituted 9.58 *per cent* of the original provision (Rs 4,570.46 crore) as against 4.92 *per cent* in the previous year.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 6.83 crore made in 19 cases during the year proved unnecessary in view of aggregate savings of Rs 18.32 crore as detailed in ***Appendix 2.4.***

In 14 cases, against additional requirement of only Rs 100.83 crore, supplementary provision of Rs 118.69 crore was obtained, resulting in savings in each case exceeding Rs 10.00 lakh, aggregating to Rs 17.86 crore ***(Appendix 2.5).***

2.3.5 Anticipated savings not surrendered

According to rules, the spending Departments are required to surrender the grants/appropriations or portion thereof to the Finance Department as and when the savings are anticipated. However, at the close of the year 2007-08, savings of Rs 10 lakh and above in each case aggregating to Rs 3.27 crore in four cases had not been surrendered. In eight cases, even after partial surrender, savings of Rs 10 lakh and above in each case aggregating Rs 118.67 crore occurred. Details are given in ***Appendix 2.6*** and ***2.7*** respectively.

2.3.6 Surrender in excess of actual savings/inspite of excess expenditure over provisions

In one case, the amount surrendered was in excess by Rs 10 lakh and above of actual savings, indicating inadequate budgetary control as detailed below:

(Amount in Rupees)

Sr.No.	No. and name of Grant/appropriation	Total Grant	Expenditure	Savings	Savings surrendered	Excess amount surrendered
Capital (Voted)						
1.	55 – Muncipal Administration	1,18,00,000	1,15,40,901	2,59,099	13,02,000	10,42,901

2.4 Unreconciled Expenditure

The departmental officers are required to reconcile periodically and before the close of the accounts of a year, the departmental figures of expenditure with those recorded in the books of the Director of Accounts. The Public Accounts Committee in its forty-eighth report (1992) had also desired that punitive action be taken against erring Budget Controlling Authorities (BCAs). During 2007-08, out of 85 Budget Controlling Authorities (BCAs), 42 BCAs had not carried out such reconciliation for the entire year in respect of 1,517 units under their control involving Rs 1,292.04 crore and 31 BCAs had not carried out such reconciliation for part of the year in respect of 1,528 units under their control involving Rs 293.34 crore. The unreconciled period in case of the partially reconciled units ranged from one to eight months. The details of the major BCAs, who did not reconcile the expenditure were as follows:

(Rupees in crore)

Sr. No.	Budget Controlling Authority who did not reconcile their figures	Amount not reconciled
1.	Director General of Police	93.35
2.	Chief Engineer, PWD	472.78
3.	Director of Education	303.07
4.	Director of Municipal Administration	43.56
5.	Director of Animal Husbandry & Veterinary Services	16.98
6.	Chief Conservator of Forests	21.21
7.	Secretary, Water Resources	196.76
8.	Director of Information & Technology	45.54
9.	Under Secretary, Finance (Bud)	10.25
10.	Director of Art & Culture	11.16
11.	Dean, Goa Medical College	15.48
12.	Director of Health Services and Human Behaviour	11.18
13.	Director of Agriculture	20.45
14.	Chief Electrical Engineer	171.54
15.	Director of Tourism	16.00
	TOTAL	**1449.31**

2.5 Advances from the Contingency Fund

The Contingency Fund of the State of Goa was established under the Goa Contingency Fund Act, 1988 in terms of the provision under Article 267 of the Constitution of India. The Fund was established with the objective of meeting expenditure of an unforeseen and emergent character, the postponement of which till its authorization by the Legislature would not be desirable.

The fund was in the nature of an imprest with legislative approval with corpus of Rs 30 crore which was temporarily raised to Rs 200 crore on 24 January 2008 by issue of an Ordinance. During the year advances of Rs 197.53 crore were drawn from the fund by issuing 127 sanctions and the same were recouped. The closing balance of the Fund as on 31 March 2008 was Rs 200 crore.

2.6 Outstanding Advances

2.6.1 Outstanding AC bills

According to the General Financial Rules followed by the Government of Goa, money should not be drawn from treasury in advance and/or in excess of requirement. As per Rules, Detailed Contingent (DC) bills are to be submitted against the Abstract Contingent (AC) bills within one month from the date of drawal. Certain Departments like Health have been given extended time limit of 12 months for submission of DC Bills.

As per information furnished by the Director of Accounts, 243 AC Bills involving an amount of Rs 14.42 crore drawn by various Departments up to March 2008, were pending adjustment as on 30 June 2008.

Year-wise position of these outstanding AC bills was as follows:

Year	No. of AC Bills Pending	Amount (*Rupees in crore*)
Upto 2003-2004	22	0.32
2004-2005	12	0.26
2005-2006	33	1.26
2006-2007	29	0.61
2007-2008	147	11.97
TOTAL	**243**	**14.42**

The Departments against which substantial amounts were outstanding are as follows:

Sr. No.	Department/office	No. of AC bills	Amount (Rupees in crore)	Earliest year to which AC bills pertained
1.	General Administration Department	10	1.05	1994-95
2.	Collector, North Goa	18	0.36	1984-85
3.	Collector, South Goa	15	0.37	2002-03
4.	Chief Electoral Officer	82	2.40	2003-04
5.	Directorate of Sports and Youth Affairs	20	0.55	2005-06
6.	Directorate of Health Services	14	2.83	2001-02
7.	Information and Publicity	5	0.66	1999-00
8.	Goa Medical College	11	4.64	2007-08

2.6.2 Outstanding advances to Government servants

Scrutiny revealed that Rs 3.96 crore advances paid up to March 2008 to Government servants on account of Traveling Allowances, Leave Travel Concessions, etc., were pending adjustment as of June 2008. The Departments against which a large number of such advances were outstanding are:

Sr. No.	Department/office	No. of Cases	Amount (Rupees in crore)	Earliest year to which advance pertained
1.	Directorate of Sports & Youth Affairs	26	1.12	2004-05
2.	Directorate of Health Services	30	0.49	2004-05
3.	Electricity Department	44	0.33	2005-06
4.	Public Works Department	33	0.23	2005-06
5.	Director General of Police	123	0.42	1991-92

CHAPTER – III

Performance Audit

CHAPTER-III

PERFORMANCE AUDIT

SOCIAL WELFARE DEPARTMENT

3.1 Performance Audit of Dayanand Social Security Scheme

Highlights

The Dayanand Social Security Scheme (DSSS) was implemented by the State Government from January 2002, to provide monthly financial assistance to the most vulnerable sections of the society viz., senior citizens above the age of 60 years, single women and disabled persons (up to the age of 60 years). The first phase of the scheme was implemented (January 2002) through the Life Insurance Corporation of India (LIC). The second phase was implemented (September 2003) through the Mapusa Urban Co-operative Bank (MUCB) and the third phase (February 2006) through the Goa State Co-op. Bank (GSCB), as disbursing banks for pension. The financial assistance was increased from Rs 500 per month to Rs 750 per month with effect from November 2005 and further to Rs 1,000 per month from April 2007. With its popularity, awareness among people and quantum of assistance, the scheme has succeeded in creating a social security net for targeted beneficiaries. However, there were some areas of concern which are highlighted in the review as under:

- The Government did not make adequate provision in budget for disbursement of pension through co-operative banks under DSSS resulting in off budget borrowings to the tune of Rs 121.82 crore without prior approval of the legislature.

(*Para 3.1.6*)

- The system of selection of beneficiaries was defective, lacked accountability and facilitated ineligible persons to seek undue benefit under the DSSS.

(*Para 3.1.7*)

- Failure to stop pension of 12,971 non-genuine beneficiaries found in two surveys conducted in 2004 and 2005 resulted in avoidable extra burden to the tune of Rs 43.53 crore to Government.

(*Para 3.1.8.2*)

- Though the Government decided to conduct a survey of all existing beneficiaries in August 2006 the delay in finalizing the survey agency resulted in extending undue benefit of the scheme to non-genuine beneficiaries.

(*Para 3.1.8.3*)

- The Government delayed the payment of instalments of purchase price to LIC resulting in extra liability of penal interest of Rs 16.91 crore.

(*Para 3.1.10.1*)

- **Though HDFC Bank and GSCB offered to distribute pension under DSSS at lower rate of service charges, the department continued to pay service charges to MUCB at higher rate incurring extra expenditure of Rs 1.07 crore.**

(Para 3.1.10.2)

3.1.1 Introduction

The Government introduced the Dayanand Social Security Scheme (DSSS) from January 2002 (under the Goa Dayanand Social Security Rules 2001) to provide financial assistance of Rs 500 per month with an increase of Rs 25 *per annum* to the most vulnerable sections of the society viz., senior citizens above the age of 60 years, single women and disabled persons up to the age of 60 years. The benefits under the scheme were available only if the per capita income of the applicant was less than the amount of financial assistance under the scheme and the applicant was not in receipt of financial assistance from any other source.

The first phase (January 2002) of the scheme was implemented through the Life Insurance Corporation of India (LIC) by entering into a Memorandum of Understanding (MoU) in terms of which the Government purchased pension for each pensioner by paying a price computed by LIC based on the age of the beneficiary. The LIC in turn was required to pay pension to the beneficiaries @ Rs 500 per month for life with an annual increment of Rs 25. The second phase (September 2003) was implemented through the Mapusa Urban Co-operative Bank (MUCB) and the third phase (February 2006) through the Goa State Co-op. Bank (GSCB), as disbursing banks for pension. The financial assistance was increased from Rs 500 per month to Rs 750 per month with effect from November 2005 and further to Rs 1,000 per month from April 2007.

The year-wise details of number of beneficiaries receiving pension under the scheme were as follows:-

As on March every year	LIC	MUCB	GSCB	Total
2001-02	5,720	-	-	5,720
2002-03	20,243	-	-	20,243
2003-04	20,099	32,303	-	52,402
2004-05	19,459	36,917	-	56,376
2005-06	17,967	54,483	-	72,450
2006-07	17,357	58,468	13,218	89,043
2007-08	16,839	58,244	22,199	97,282

Figures as at the end of each year
Source: as per details provided by LIC, MUCB and GSCB

3.1.2 Organizational set-up

The Scheme is implemented by the Social Welfare Department, headed by a Secretary and is assisted by Director of Social Welfare. The application for financial assistance along with proof of age, affidavit by applicant certifying income countersigned by a MLA, residence proof, etc., is scrutinized by the department. The sanctioning committee consisting of Chief Minister, Minister of Social Welfare and Opposition leader sanctions pensions under the scheme. The disbursements are made through LIC, MUCB and GSCB.

3.1.3 Audit Objectives

The audit objectives were to assess whether:-

- The scheme objectives have been met.
- The scheme has been implemented economically, efficiently and effectively.
- The internal control system to safeguard against errors, irregularities in operational and financial matters existed and functioned effectively.

3.1.4 Scope of Audit and Methodology

Records maintained by the Director of Social Welfare for the period 2003-08 were test checked in audit during March to May 2008. The audit objectives were discussed in an entry conference with the Secretary alongwith other officials of the Department in February 2008. The audit process included discussions with officials of the Department, collection of data through examination of records and their analysis. Records relating to the Scheme were examined and data collected and analysed with reference to the audit objectives and criteria. The views of the Department have been taken into account while finalizing the review. The audit findings were discussed with the Secretary in the exit conference held in July 2008.

3.1.5 Financial Outlay

The Scheme is entirely funded by the State Government. The expenditure incurred for the period 2003-08 was to the tune of Rs 369.74 crore which accounted for as under:

(Rupees in crore)

Year	Budget Provision	Actual Expenditure	Excess(+) /Savings (-)
2003-04	40.34	38.27	-2.07
2004-05	40.20	43.45	+3.25
2005-06	62.00	72.00	+10.00
2006-07	67.77	70.42	+2.65
2007-08	83.60	145.60	+62.00
Total	**293.91**	**369.74**	**+75.83**

The excess in the year 2005-06 was due to revision of financial assistance from Rs 500 to Rs 750 per month. The excess in the year 2007-08 was due to revision of financial assistance to Rs 1,000 per month and clearance of LIC overdues to the tune of Rs 32.82 crore. The expenditure (Rs 38.27 crore) under the scheme in the year 2003-04 which was two *per cent* of the total revenue expenditure (Rs 1,763.59 crore) of the State Government gradually increased to over five *per cent*[*] during the year 2007-08.

3.1.6 Off-budget borrowing for disbursing DSSS pension

Off budget borrowing to finance the Scheme

The first phase of Dayanand Social Security Scheme (DSSS) was implemented through Life Insurance Corporation of India (LIC) for 21,133 beneficiaries (as of October 2002). As per the Memorandum of Understanding (MoU) the Government was required to pay Rs 122.04 crore to LIC in five instalments upto October 2006 and LIC in turn was to pay pension to the beneficiaries. Second and third phases were implemented through Mapusa Urban Cooperative Bank (58,244 beneficiaries as of March 2008) and Goa State Cooperative Bank (22,199 beneficiaries as of March 2008) respectively.

The Department failed to pay instalments to LIC in time. Considering a high rate of interest of 13 *per cent* charged by LIC, the department cleared outstanding balance of Rs 42.62 crore[•] (between March 2007 and March 2008) due to LIC from the available budgetary provision. As there was no budget provision left for payment of pensions to beneficiaries covered under second and third phases, the department availed overdraft of Rs 121.82 crore (Rs 28.36 crore in 2006-07 and Rs 93.46 crore in 2007-08) from these co-operative banks.

The interest debited by the banks for overdraft during the period from April 2007 to February 2008 was Rs 1.17 crore. The Government replied (August 2008) that off-budget borrowings were made as the Government could not provide sufficient funds to pay the outstanding amounts due to LIC. The reply is not tenable as the off-budget borrowing undermines legislative authority and hence should have been avoided. Any such move to save cost should be with approval and prior knowledge of legislature.

3.1.7 Planning

The system of selection of beneficiaries is vital for an effective implementation of any scheme. Therefore the system of selection needs to be devised carefully and made foolproof so that only genuine persons become beneficiaries. No such foolproof system was devised for selection of beneficiaries under the DSSS.

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[*] Scheme expenditure Rs 145.60 crore against total revenue expenditure of the State Rs 2,777.76 crore in the year 2007-08

[•] Rs 9.80 crore on 31 March 2007 and Rs 32.82 crore during 2007-08

The applications for the financial assistance under the scheme were required to be submitted by beneficiaries to the Director of Social Welfare along with the documents in proof of age, affidavit by the applicant certifying income countersigned by a MLA, proof of residence, medical certificate in case of disabled persons, death certificate and marriage certificate in case of widows, etc.

The applications were to be scrutinized by the Department and recommended for sanction by the Committee constituted for the purpose. The affidavits indicating the income of the beneficiaries countersigned by the MLAs were accepted without cross verification of applicant's claim of income by competent government authority. This inadequate processing resulted in sanction of financial assistance to 17,320 non-genuine beneficiaries as found out during the surveys conducted in January 2004 and February 2005.

With effect from June 2005, verification of eligibility in case of new applicants is being done by a Government Public Sector Undertaking – Goa Electronics Limited (GEL) at a cost of Rs 38 per application. However, this scrutiny does not cover the verification of income – the crucial criteria to determine the eligibility of applicants. As per the BPL Survey conducted in the year 2003 by the Rural Development Agency of the State Government identified only 6,947 families living below poverty line in Goa. However, there were 97,282 beneficiaries (effectively families as only one spouse is allowed benefit under the scheme) claiming their monthly income to be less than Rs 1,000.

Defective selection of beneficiaries

Thus, the system of selection of beneficiaries was defective, lacked accountability and facilitated ineligible persons to seek undue benefit under the DSSS. As a result, a large number of ineligible persons have become beneficiaries under the scheme, causing tremendous burden on exchequer. The Department agreed with the audit observation and offered to take appropriate decision on the matter.

3.1.8 Implementation

3.1.8.1 Payment to non-genuine cases

Government paid pension to 9,315 non- genuine beneficiaries in first phase

The DSS Scheme was implemented from January 2002 and 40,818 applications were sanctioned upto June 2003 by the sanctioning committee without pre-verification. The Government decided (June 2003) to conduct a house to house survey of these beneficiaries by appointing Centre for Development, Planning and Research (CDPR), Pune, a private agency. The survey result (January 2004) indicated that 11,839 cases (29 *per cent*) were non-genuine. The department stopped pension in respect of 1,191[♥] expired beneficiaries in April 2004. Comments were incorporated vide para No. 3.1.14 of the Audit Report for the year 2003-04 on the inaction of the Government to stop the payment of pension to 10,648 non-genuine beneficiaries. The

[♥] 566 cases disbursed by LIC and 625 cases disbursed by MUCB department further stopped pension in 1,333♠ doubtful cases paid through LIC in March 2005. No action has been taken on the remaining 9,315 non-genuine cases so far (August 2008) and they are receiving same pension as on date.

Pension paid to 3,656 non-genuine beneficiaries in second phase

Subsequently, the department entrusted the work of survey of additional 22,359 cases which were sanctioned without pre-verification, to the same agency and the report of the survey submitted in February 2005 indicated that 5,481 cases (25 *per cent*) were non-genuine. The department stopped pensions to 1,825 cases only and 3,656 non-genuine beneficiaries continued to receive the same pension till date (August 2008).

The Department stated that only those cases confirmed as non-genuine were stopped and the remaining cases were reported to Village Panchayats/Municipalities and based on the report of the Village Panchayats/Municipalities action is taken by the Government. However the details of number of cases reported to Village Panchayats/Municipalities and those confirmed/not confirmed by these local bodies were not furnished by the department.

3.1.8.2 Failure to make recovery from non-genuine beneficiaries

Inaction of the department to stop pension in respect of 9,315 non-genuine beneficiaries found during first phase of survey and 3,656 non-genuine beneficiaries found in the second phase of survey has resulted in avoidable extra burden to the tune of Rs 43.53 crore® (**Appendix 3.1**) to Government. The department stated (August 2008) that a survey has been proposed to identify/assess the eligibility of all beneficiaries.

3.1.8.3 Delay in conducting a survey

According to the Census Report 2001 the State has 1.09 lakh senior citizens above 60 years of age out of the total population of 13.48 lakh. As on 31 March 2008 there are 74,686 senior citizens availing financial assistance under the scheme. As the number of beneficiaries has been increasing rapidly and many beneficiaries were sanctioned pension without pre-verification, the Government decided (August 2006) to conduct a survey of the existing beneficiaries through Department of Planning, Statistics and Evaluation (DPSE). The DPSE submitted (November 2006) a budget of Rs 90,000 for survey of 10 *per cent* of the cases in two months and also sought clarification regarding terms of reference for taking up the survey. The Director of Social Welfare, instead of finalizing terms of reference and furnishing clarifications sought by DPSE, proposed (July 2007) a survey to be conducted through a private agency. Though the department invited (November 2007) tenders from private agencies to conduct the survey, a final decision on this was awaited (May 2008).

♠ 319 duplicates, 817 non-traceable and 197 no bank details all paid through LIC

® Pension paid from February 2004 to March 2008 to 9,315 non genuine beneficiaries found in first survey - Rs 32.84 crore and from March 05 to March 08 to 3,656 non-genuine beneficiaries of second survey - Rs 10.69 crore

Considering the huge expenditure on the scheme (over five *per cent* of the total revenue expenditure during 2007-08), the delay in implementation of Government decision to conduct fresh survey has resulted in extending undue benefit under the scheme to non-genuine beneficiaries at the cost of public exchequer.

The Department stated (August 2008) that the Government has now decided to conduct the survey of all the existing beneficiaries through DPSE.

3.1.8.4 Processing of applications

Improper processing of applications

According to the general condition under rule 3(A) of the Rules regulating the Scheme, the income of the beneficiary should be less than the financial assistance under the scheme. Scrutiny of 390 applications out of 5,823 beneficiaries in Quepem and Pernem talukas sanctioned pension during the period from January 2005 to March 2008 revealed that the important condition of income limit was not observed scrupulously. In respect of 59 cases, the family income shown in the ration card attached with the application forms was between Rs 1,000 per month and Rs 11,000 per month. In respect of another 13 cases, the monthly income mentioned in the application form/ affidavit itself was between Rs 1,200 per month and Rs 13,000 per month. The amount of pension payment involved in these 72 ineligible cases was Rs 13.04 lakh up to March 2008 which will increase in future.

The Department stated (August 2008) that there is no relevance of the income declared by the applicant in the application form for DSSS and as shown in the ration card. The reply is not tenable as the income shown in the ration card was declared by the applicant voluntarily and in respect of 13 cases the application itself showed that the income was above the limit indicating that the processing and scrutiny of applications was not done properly.

3.1.9 Maintenance of records

No records were maintained by the department

The Department has not maintained any books of accounts for the implementation of the scheme. As a result the department had to solely depend on LIC and the cooperative banks for basic data and information such as the latest position of number of beneficiaries, additions and deletions to the list of beneficiaries, purchase price calculations, service fee payable and interest charged, etc. The department did not have any record of cheques issued to the beneficiaries by LIC or co-operative banks which had remained uncleared. As a result, balance totaling Rs 50.02 lakh in 33 current accounts opened by MUCB for keeping the amount of uncleared cheques from March 2004 onwards remained unnoticed by the department until it was reported by the bank in August 2007.

The Department stated that the amount was kept in separate accounts for the accountancy purpose. The reply is not tenable as, if this amount was utilized for payment of LIC dues the department could have saved Rs 25.03 lakh interest charged by LIC at the rate of 13 *per cent per annum*.

3.1.10 Financial management

3.1.10.1 Payment of interest of Rs 16.91 crore

Extra liability due to delay in payment of purchase price

The scheme was initially implemented through the Life Insurance Corporation of India from 01 October 2002. As per the Memorandum of Understanding with LIC, the Government had agreed to pay the pension purchase price in five years, i.e., one-fifth of the purchase price every year and interest @ 13 *per cent* on outstanding amount. In the beginning 21,133 beneficiaries were enrolled with LIC and the pension purchase price payable was calculated as Rs 122.04 crore. The annual installment payable was Rs 24.40 crore at different intervals and full purchase price was to be paid by October 2006. The purchase price payable for 1,333 beneficiaries for which pension was stopped with effect from March 2005 amounting to Rs 5.68© crore was adjusted by the LIC. Thus total purchase price (Rs 116.36⊕ crore) alongwith interest (Rs 31.73 crore) payable to LIC was Rs 148.09 crore. The Department was not able to make timely payment of installments to LIC and therefore the department had to pay a penal interest of Rs 16.91 crore leading to total payment of Rs 165.00 crore (2002-08) to the LIC. Failure of the Department in ensuring payment of purchase price as per the agreement resulted in extra liability of Rs 16.91 crore as detailed in **Appendix 3.2**.

The Department stated that the Government did not provide sufficient funds to pay the outstanding amount to LIC. If the Government had opted for borrowings from market at the average rate of 7.42 *per cent* (average rate of borrowings of the State Government during 2002-06) for timely payment of purchase price installments, an amount of Rs 7.26 crore⊗ could have been saved.

3.1.10.2 Extra liability of Rs 1.07 crore on account of service charges

A mention was made under paragraph 3.1.11 of the Audit Report for the year 2003-04 that the Government awarded the work of disbursement of pensions to MUCB without inviting offers from public sector banks and the rate of service charges agreed at two *per cent* of the amount disbursed was also much higher when compared to 0.19 *per cent* charged by the SBI for undertaking government transactions.

Extra liability due to non-acceptance of lowest offer

The Department made enquiries (December 2005) with State Bank of India, HDFC Bank, GSCB and ICICI Bank for their rates for service charges to be charged. The HDFC Bank offered (December 2005) to do the disbursement work free of cost, UTI bank at Rs one per entry plus Rs 2,500 per month and GSCB at Rs one per beneficiary plus Rs 2,000 per month. However, the Government continued to operate the scheme through MUCB at the same rate

© Purchase price paid for 1,333 beneficiaries Rs 7.52 crore less pension paid and expenditure Rs 1.84 crore

⊕ Purchase price Rs 122.04 crore less amount adjusted by LIC Rs 5.68 crore

⊗ Interest paid @ 13 *per cent* Rs 16.91 crore (-) Interest payable @ 7.42 *per cent* Rs 9.65 crore i.e two *per cent* of amount disbursed as service charges up to March 2007 and @ Rupees five per beneficiary from April 2007 onwards. The MUCB debited Rs 1.82 crore as service charges up to December 2006 and demanded Rs 49.70 lakh for the month up to February 2008. The reason indicated by the department for rejection of HDFC Bank's offer was the difficulties in transferring all accounts to that bank. However there was no condition in HDFC Bank's offer to transfer all accounts to that bank (which was subsequently clarified by the bank in May 2006).

The Department stated that HDFC did not agree to provide overdraft facilities hence their offer was not considered. Even after considering the second lowest offer of GSCB which provided overdraft facilities to the scheme, continuation of pension disbursement through MUCB at higher rate of service charges resulted in avoidable expenditure of Rs 65.70 lakh (already paid for the year 2006) and further avoidable liability of Rs 41.23 lakh (payable from January 2007 to February 2008).

3.1.10.3 Idle balances in the current accounts of co-operative banks

According to clause 4(ix) of the MoU with the MUCB and GSCB the Government was to allot the amount required for two months pension disbursements in advance with the banks along with the amount required for one month pension disbursements. Further as per clause 4(x) in case the balance in account falls short for distribution of pension the banks have to provide overdraft facilities. Accordingly, the department maintained huge balances with these two banks. A scrutiny of bank account with MUCB revealed that after covering the amount required for distribution of pension, the lowest balance kept idle was Rs 3.27 crore during the period from September 2004 to April 2005 (eight months), Rs 94 lakh from May 2005 to December 2005 (eight months) and Rs 1.30 crore from February 2006 to June 2006 (five months). Similarly the lowest balance of amount available with the Goa State Co-operative Bank ranged from Rs 1.71 crore to Rs 4.09 crore during the period from April 2006 to June 2006. The department was not able to monitor the balances in the bank accounts and was not able to keep them at minimum required level, as this could have saved Rs 28 lakh[¥] as interest to the Government calculated at the average borrowing rate of 7.52 *per cent* during the period.

The Department stated that the balances were kept according to the provisions of the MoU with the banks. The reply is not tenable as the provisions of MoU were not enforceable because allotting two months pension requirement in advance and at the same time providing overdraft facilities whenever balances fall short for distribution of pension is contradictory. While the department kept its fund idle in banks according to the provisions of the MoU, it did not honour the provisions of the MoU with the LIC for payment of installments of

[¥] Rs 3.27 crore @ 7.52 *per cent* for 8 months = Rs 16.39 lakh, Rs 94 lakh @ 7.52 *per cent* for 8 months = Rs 4.71 lakh, Rs 1.30 crore @ 7.52 *per cent* for 5 months = Rs 4.07 lakh and Rs 1.71 crore @ 7.52 *per cent* for 3 months = Rs 3.21 lakh.

purchase price and paid penal interest (@13 *per cent*) on this account. Hence due care was not taken to protect financial interest of the Government while agreeing to the provisions in the MoU with the banks.

3.1.11 Conclusion

With its popularity, awareness among people and quantum of assistance, the scheme has succeeded in creating a social security net for targeted beneficiaries. However due to defective planning and tardy implementation of the scheme, the benefits are also being availed of by a large number of ineligible persons, resulting in a heavy burden on exchequer. Money spent on giving assistance to ineligible beneficiaries has programme and fiscal implications. These funds could have been utilized for financing other developmental programmes or easing fiscal position of the State.

3.1.12 Recommendations

The department may –

- Assess the eligibility of beneficiaries under DSSS de novo and weed out the ineligible beneficiaries.
- Take immediate action to recover the financial assistance given to non-genuine beneficiaries based on the survey report.
- Establish a mechanism to ascertain and keep complete records of beneficiaries and other details under the scheme.

CHAPTER – IV

Audit of Transactions

CHAPTER – IV

AUDIT OF TRANSACTIONS

This chapter contains audit paragraphs on undue favour to contractors, avoidable/unfruitful expenditure and Regulatory issues and other points of interest that came to notice during the audit of transactions of the Government Departments. The chapter also contains comments on lack of response to audit findings.

4.1 Undue favour to contractors, Avoidable/unfruitful expenditure

INFORMATION AND PUBLICITY DEPARTMENT

4.1.1 Exorbitant expenditure of Rs 5.05 crore on artists resulting in avoidable extra burden of Rs 2.05 crore on public exchequer

Acceptance of the proposal of Event Management Agency for spending Rs 5.05 crore on artists to generate similar amount of sponsorship for IFFI 2006, without obtaining any written commitment from the EMA, resulted in avoidable extra burden of Rs 2.05 crore on public exchequer.

The Entertainment Society of Goa (ESG), responsible for organizing and providing logistical support for the International Film Festival of India – 2006 (IFFI-2006), engaged M/s Brilliant Entertainment Networks Pvt. Ltd as the Event Management Agency (EMA). The IFFI was held between 23 November 2006 and 3 December 2006 and the EMA was paid Rs 7.62 crore including Rs 5.05 crore towards artists' fee.

Audit scrutiny revealed that:

- The ESG approved (September 2006) the proposal of EMA for engaging popular artists for various events like opening and closing ceremonies, concerts, etc. at a total fee of Rs 4.92 crore subject to the EMA generating sponsorship of the like amount. The actual expenditure on artists' fee was Rs 5.05 crore as compared to the expenditure of less than Rs one crore spent on the artists for IFFI 2005.

- Before signing the agreement the EMA stated that though they would try to generate more sponsorship, Rs three crore only may be mentioned in the agreement. Accordingly the ESG reduced (October 2006) the minimum sponsorship limit from Rs 5.00 crore to Rs 3.00 crore and the agreement was signed. Hence, there was no commitment obtained to offset the excess expenditure of Rs 1.92 crore on artists' cost while executing the agreement.

- Though the EMA was paid (September-November 2006) Rs 5.05 crore towards artists' costs, the sponsorship committed by the EMA was only Rs 3.55 crore resulting in an uncovered expenditure of Rs 1.50

crore. Against the committed sponsorship amount of Rs 3.55 crore, Rs 1.50 crore was received by the ESG and Rs 1.50 crore was adjusted (June 2008) against the dues payable by ESG to the EMA. The balance amount of Rs 55 lakh was not recovered as the minimum sponsorship to be generated according to the agreement was only Rs three crore. Hence, even after engaging top artists at a huge cost, the ESG and EMA could collect a sponsorship amount of Rs three crore only resulting in an avoidable extra burden of Rs 2.05 crore on public exchequer.

Inspite of having conducted the IFFI for the previous two years in a row, the ESG could not organize itself and act in a cost efficient and judicious manner in conducting the IFFI 2006 but continued to depend on the plans and programmes of EMA. The decision of the ESG to spend a huge amount of Rs 5.05 crore on artists, without any concrete proposal and written commitment from EMA on generating sponsorship of like amount, resulted in avoidable burden on the State/public exchequer to the tune of Rs 2.05 crore.

The Department stated (July 2008) that the increase in expenditure on artists cost was that the artists were internationally renowned, and charged a huge premium. The reply is not tenable as the huge expenditure on artists and low sponsorship resulted in extra burden of Rs 2.05 crore on public exchequer.

4.1.2 Avoidable expenditure of Rs 29.50 lakh on procurement of TV sets

The acceptance of the offer of MEPL Sky Electronics for supply of TV sets of a different brand than the one specified in tender notice, resulted in unreasonable freight and installation charges leading to avoidable expenditure of Rs 29.50 lakh.

Under the scheme 'Knowledge is Power', the Government of Goa decided (December 2005) to distribute Television sets with Direct to Home (DTH) connections to Panchayats, registered social, cultural and sports clubs, charitable organizations, old-age homes and orphanages. Accordingly the Director of Information and Publicity invited (February 2006) tenders for supply of 1000 numbers of 29" colour television sets and DTH attachment system in phases. The bidders were asked to quote for the television sets of the brands of Onida, Videocon, LG, Samsung, Sansui, Sony, Phillips, Hyundai and BPL only.

In response to advertisement three tenders were received (February 2006). M/s MEPL Sky Electronics Pvt. Ltd, Goa quoted the lowest offer at Rs 16,750 per set plus actual freight. The second lowest offer was from Bharat Electronics, Bangalore at Rs 27,056 per set all inclusive. As the third agency M/s Saish Electronics did not quote for TV sets, their offer was not considered. The Department finally accepted (March 2006) the offer of M/s MEPL Sky Electronics at Rs 22,550 per set inclusive of freight charges (Rs 5,800 per set) for supply of MEPL brand 29" colour TV sets. The Department purchased (March 2006) 308 TV sets at a cost of Rs 77.72 lakh.

Audit scrutiny revealed that:

- As per the conditions of tender document only branded TV sets of Onida, Videocon, LG, Samsung, Sansui, Sony, Phillips, Hyundai and BPL were to be quoted by the tenderers. MEPL Sky Electronics requested (9 February 2006) for permission to quote for their own brand TV set and their offer for MEPL brand was considered. The inclusion of a brand different from the brands mentioned in the detailed tender notice vitiated the fair tendering procedure and amounted to extending undue favour to one agency.

- M/s MEPL Sky Electronics quoted for local brand MEPL TV sets which was finally accepted by the Department at the rate quoted (Rs 13,750) by the company without ascertaining the market rate of the MEPL TV sets. According to the sale statistics of the company during the period from January 2006 to March 2006 the company sold MEPL 29" semi flat colour TV sets at a rate of Rs 9,000 to Rs 9,300 per set to other customers. Hence the acceptance of offer of the company for a brand not specified in the tender notice without ascertaining the market rate resulted in avoidable extra expenditure to the tune of Rs 13.70 lakh.♦

- According to the initial offer of M/s MEPL Sky Electronics the company quoted Rs 3,000 for DTH set, Rs 17 per meter for cables and freight as per actuals. After opening the tender the Department sought clarification from the company for the amount of freight charges for which the company quoted Rs 5,800 per connection. It was however seen that the MEPL brand was locally manufactured in Goa and the freight charges at an average distance of 50 kilometers for transporting one TV set would come to Rs 500 (as per the rate approved by Director of Transport for Taxi) and the cable cost for an average of 10 meters per set would come to Rs 170 per set. Against this the Government paid Rs 5,800 without ascertaining the actual/reasonable freight charges incurred by the company. This resulted in avoidable expenditure of Rs 15.80 lakh♥ on 308 TV sets.

Hence acceptance of an offer for supply of TV sets different from the brands specified in the tender notice without ascertaining the market rate of that brand and without obtaining competitive rates from market for similar brands, and further agreeing for unreasonable freight and installation charges after opening the tenders resulted in avoidable excess expenditure to the tune of Rs 29.50 lakh.

The Department stated (July 2008) that the agency found it difficult to ascertain the actual freight charges as the installations are to be carried out at the remote village level. The Department's contention is not tenable as the freight charge @ Rs 5,800 per television is abnormal. Further the reply is

♦ Rs 13750 – Rs 9300 = Rs 4450 per set. For 308 sets = Rs 13.70 lakh

♥ Rs 5800 – Rs 670 = Rs 5130 per set. For 308 sets = Rs 15.80 lakh silent about acceptance of different brand other than specified in the tender notice without ascertaining the market rate and not obtaining competitive rate for similar brands.

4.1.3 Avoidable expenditure on payment of income tax

Due to non-recovery of income tax from the payments made to a foreign firm, the department had to remit Rs 32.13 lakh towards Income Tax from State exchequer.

Government of Goa entered into an agreement (April 2004) with M/s HOK Canada Inc (HOK) for assisting and advising the Government on production of events for International Film Festival of India 2004. Total amount of US $3,86,494 (Rs 1.74 crore) was paid to the firm electronically into its bank accounts in Canada during the period from April 2004 to January 2005.

As per agreement, the State Government had the right to deduct all statutory taxes while releasing the payments. Under Section 195 of the Income Tax Act, any person responsible for making payment to a foreign company shall at the time of payment deduct income tax thereon at the rates in force (20 *per cent*). The Income tax deductible at source for the total payments made to HOK was Rs 36.33 lakh (with two *per cent* education cess and 2.5 *per cent* surcharge). Audit scrutiny revealed that except deduction of Rs four lakh at the rate of five *per cent* on advance payment released in April 2004, no income tax at source was deducted. This resulted in short recovery of income tax to the extent of Rs 32.33 lakh.

On being pointed out (May 2005) by audit, the Department, by re-appropriation of funds, remitted Rs 32.13 lakh (including surcharge and education cess) in March 2007 to Government of India (leaving a balance of Rs 20,000).

A request to withhold the payment to HOK was made (March 2007) to the Goa State Infrastructure Development Corporation (GSIDC) which engaged the HOK as lead consultant for their works. It was however seen that the GSIDC withheld US $1,80,400 (Rs 70.88 lakh) from the total claim of HOK due to overlapping claims and shortcomings in preparation of the report submitted by HOK. The matter is under arbitration and yet to be settled (January 2008). Thus, failure of the Department to observe the provisions relating to Income tax resulted in avoidable expenditure on payment of income tax amounting to Rs 32.13 lakh.

The Department (April 2008) stated that the dues towards income tax has been cleared. The reply is not tenable as the income tax remitted by the Department is yet to be recovered from HOK.

PUBLIC WORKS DEPARTMENT

4.1.4 Avoidable expenditure of Rs 54.75 lakh on electricity charges

Delay in initiating the land acquisition proposal resulted in non-completion of work of Water Treatment Plant and laying pipe lines to draw water from Tillari Irrigation Project Canal by gravity and consequent avoidable expenditure on electricity charges of Rs 54.75 lakh for pumping water from Assanora River.

The drinking water demand of Bardez Taluka is met by Assanora Water Supply Scheme. In order to overcome the shortage of treated water the Government sanctioned (August 2000) the work of Augmentation of Assanora Water Supply Scheme by an additional 50 Million Litre Per Day (MLD) at a cost of Rs 76.85 crore. Tillari Irrigation Project (TIP) earmarked 80 MLD raw water for the scheme. As the canal was constructed at a higher altitude than the plant, the water was to come to the plant by gravity.

In August 2005, the Executive Engineer, Goa Tillari Irrigation Development Corporation (GTIDC) informed the Executive Engineer, Division XVII of PWD that the work on the canal of TIP for making available water to the Assanora plant would be completed by November 2005. GTIDC requested PWD to take necessary action to utilize the canal water for Assanora plant. In the meantime the water from TIP was released through the canal on 26 February 2006. As the intake facilities were not ready, the water was allowed to be released into the Assanora River through an escape route.

In order to use the Tillari water for the existing WTP the PWD prepared (January 2006) an estimate for 320 metre intake from TIP canal to plant for Rs 40.03 lakh and the work was awarded to a contractor in February 2006 at a cost of Rs 37.24 lakh with stipulated period of completion of four months. The work of five metre length canal could not be completed (August 2008) due to objection of the land owner of the work site owing to non payment of full compensation of land acquired earlier (2002) for laying pipe line from river to plant and due to dispute with GTIDC regarding the construction of foot over bridge over the canal.

Audit scrutiny revealed that:

The Department forwarded land acquisition proposals for construction of WTP and for laying of gravity main from TIP canal to WTP to the Collector in September 2006. The Government initially issued land acquisition notification without invoking urgency clause in December 2006 and further by invoking urgency clause in January 2008 and the land was finally acquired on 29 August 2008. Though it was envisaged as early as August 2000 to use the TIP canal water for the augmentation scheme, the department could not initiate the land acquisition process in time.

The delay in initiating land acquisition proceedings for gravity main to draw raw water from TIP canal for the existing water treatment plant resulted in delay in completion of laying of gravity main. During this period, the department continued pumping water from Assanora river by spending Rs 54.75 lakh on electricity charges from March 2006 to August 2008 which was avoidable as the TIP canal water was available by force of gravity.

The Department attributed (August 2008) the reasons for delay to the long procedure involved in land acquisition proceedings. The Department further stated that Water Resources Department is yet to certify the uninterrupted availability of water throughout the year and as the water from TIP is not available in monsoon the pumping machinery needs to be maintained as a stand by system.

The reply is not tenable as the department should have initiated land acquisition proceedings well in advance and ensured the availability of land while tendering the work. Further the effort made by the department to ensure uninterrupted water supply from TIP was not on record as the augmentation scheme itself was formulated by projecting Tillari water as source of raw water.

4.1.5 Irregular acceptance of tender and undue benefit to contractor

Water supply scheme work was revised from Rs 2.20 crore to Rs 8.42 crore after opening the technical bids and the work was finally awarded for Rs 11.78 crore. Work was awarded on the basis of offers received after opening financial bids, which lacked transparency.

In order to cater to the uncovered areas and increase in demand of water in Sattari Taluka the Government sanctioned (January 2004) augmentation of Dabose Water Supply Scheme for Rs 15.21 crore. The scheme aimed to supply an additional 10 million litres per day (MLD) water over the existing 5 MLD capacity under the scheme. The work consisting of "Design, construction, erection, testing and commissioning of 10 MLD Water Treatment Plant, Headworks, V T Pumps, Pumping main" estimated to cost Rs 2.20 crore was tendered (September 2005) on turnkey lump sum contract basis. Though four agencies purchased tender forms, only two agencies (M/s Laxmi Civil Engineering Services Pvt. Ltd and M/s SMS Paryavaran Pvt. Limited) participated in tendering.

Technical bids were opened on 2 December 2005 and necessary clarifications were issued to bring the agencies on a common footing. Though the estimated amount did not include the amount towards operation and maintenance of the plant, the agencies were asked (1 March 2006) to quote the amount towards operation and maintenance cost of the plant for a period of five years, including cost of consumables, electricity and manpower in modified Appendix 'B' separately. The agencies were also directed to revise their financial offers, if required, based on above clarifications and submit the same before 14 March 2006.

The financial bids were opened on 14 March 2006 and the offers were as under:

Agency	Appendix A *(Water treatment plant)*	Appendix B *(operation and maintenance)*
SMS Paryavaran Pvt. Ltd	**Not quoted**	Rs 5.45 crore
Laxmi Civil Engineering Services Pvt. Ltd	Rs 6.66 crore	Rs 6.82 crore

Though M/s SMS Paryavaran Pvt. Ltd had not filled tendered amount pertaining to the cost of treatment plant in Appendix 'A', that agency was allowed to quote offer for Appendix 'A' after opening of bids on 14 March 2006 and the agency quoted Rs 6.45 crore which was Rs 20 lakh less than the only other quote. The total price bid quoted by them (Appendix A and B) amounted to Rs 11.91 crore. The agency was called for negotiations in which they offered a total rebate of two *per cent* and the lowest negotiated offer of Rs 11.78 crore was approved (June 2006) by Goa State Works Board (GSWB). The work order was issued with stipulated date of completion as 7 March 2007. The agency has been paid an amount of Rs 2.50 crore up to July 2007.

Audit scrutiny revealed that:

The estimated cost put to tender was Rs 2.20 crore in September 2005 which was subsequently increased to Rs 8.43 crore after opening the technical bids and revised quotes were obtained from the two agencies. Since the estimated cost put to tender and scope of work were increased fresh public tenders should have been invited for the entire work to obtain competitive rates.

Further M/s SMS Paryavaran had not quoted their rate for the treatment plant in Appendix-A. Instead of rejecting their offer, the agency was allowed to quote their offer after opening the financial bids.

Thus, increasing the scope of the work to around four times of the estimated cost after opening technical bids and obtaining financial quotation from one agency after opening the financial bids vitiated the guideline, fairness and transparency in tendering process and denied the Government an opportunity to get competitive offers.

The Department stated (August 2008) that due to the present trend of steep increase in the market prices, there was no possibility of getting lower offer in the event of re-tender and hence the lowest negotiated offer was considered for acceptance. Further the Department stated that SMS Paryavaran's offer was considered only when the other agency failed to respond to the request of the Department to lower their offer to the amount of M/s SMS Paryavaran and hence no compromise on the tendering procedure had taken place.

The reply is not tenable as public tenders were required to be invited afresh due to large scale variation in scope of work which resulted in an undue advantage to the private agency.

4.1.6 Avoidable expenditure due to non-availing of duty exemption on pipes

The Department did not avail of excise duty exemption amounting to Rs 24.36 lakh on pipes for the water supply schemes where the contractors' offers were inclusive of excise duty. The Department also issued incorrect certificate to enable the contractors to claim inadmissible excise duty exemption amounting to Rs 18.99 lakh.

According to GoI's notifications No. 6/2006 dated 1 March 2006 and 6/2007 dated 1 March 2007, all items of machinery required for setting up of Water Treatment Plants and pipes needed for delivery of water from its source to the Treatment Plant and from there to the first storage facility including pipes of outer diameter exceeding 20 cm are exempted from central excise duty if such pipes are an integral part of the water supply projects. The exemption was subject to the production of an "intended use" certificate from the District Collector.

The Public Works Department awarded contracts for six[⊕] water supply schemes inclusive of all taxes and duties applicable. The tenders in respect of four water supply schemes were opened between November 2006 and January 2007. Work orders were issued during March 2007 and April 2007. A total of 12,985 meters pipes of 250mm and 200mm diameter and 3,244 meters pipes of 150mm diameter were procured by the agencies for these four schemes. The tenders in respect of other two water supply schemes[®] were opened in May 2006 and November 2006 and work orders issued in September 2006 and January 2007 respectively. The total quantity of pipes procured for these two schemes was 11,733 meters of various diameters at a cost of Rs 1.18 crore.

Audit scrutiny revealed that in respect of four schemes the department did not obtain reduction in rates for pipes from contractors on account of exemption in central excise duty with effect from 1 March 2007. The contractors were paid at the rates quoted in their original offers. According to the agreement, no provision was incorporated in the contract to avail of the reduction in rates in the event of tax/duty exemption.

The Department subsequently issued exemption certificates to the contractors in April and May 2007 to claim the Excise Duty exemption without asking for reimbursement/adjustment of the duty element in the bills. The total Excise

[⊕] (i) Improvement of WSS to Moira in Thivim, (ii) Improvement of WSS to Arambol and Morjim in Mandrem, (iii) Extension of WSS to Dhargalim in Pernem (iv) Improvement of WSS to Pissurlem in Poriem, (v) Improvement of WSS to Ibrampur in Dhargal, (vi) Improvement of WSS to Corjuvem in Aldona.

[®] (i) Improvement of WSS to Ibrampur in Dhargal and (ii) Improvement of WSS to Corjuvem in Aldona.

Duty in respect of 12,985 meters of 250mm and 200mm diameter pipes which are admissible for exemption works out to Rs 24.36 lakh approximately (worked out on the basis of base rate of pipes offered by the pipe manufacturer as of January 2007). Though exemption was not admissible in respect of 3,244 meters of 150mm diameter pipes the Department issued certificate for claiming exemption of central excise duty to the tune of Rs 4.21 lakh.

In respect of two schemes where the tenders were accepted and pipes were procured before 1 March 2007, the department issued certificates stating that the pipes will not be used for delivery of water from storage place to the place of consumption. Whereas these pipe lines are laid from the Main Balancing Reservoir (first storage) to the Ground Level Reservoirs of the villages for distribution to public. As the exemption was admissible only for pipe lines laid up to first storage facility the issue of incorrect certificates by department enabled the contractors to claim inadmissible Excise Duty on 11,733 meters of pipes to the extent of Rs 14.78 lakh.

Hence by passing on the benefit of Central Excise Duty exemption to contractors who quoted their rates inclusive of central excise duty the department incurred avoidable extra expenditure to the extent of Rs 24.36 lakh on three water supply schemes. Further by issuing wrong certificates to the contractors in respect of other three water supply schemes, the Department extended undue favour resulting in revenue loss to the Government of India to the tune of Rs 18.99 lakh.

The matter was referred to the Government (April 2008). Their reply is awaited (August 2008).

REVENUE DEPARTMENT

4.1.7 Unfruitful expenditure of Rs 3.18 crore on re-survey, loss of interest of Rs 31.31 lakh and non-recovery of mobilisation advance of Rs 70.54 lakh

Non-conduct of pilot study before undertaking the project of re-survey of the state resulted in abandonment of project after incurring expenditure of Rs 3.18 crore. Non-observance of codal provisions while releasing mobilisation advance also resulted in loss of interest of Rs 31.31 lakh and non-recovery of balance advance amount of Rs 70.54 lakh.

The Government proposed to conduct re-survey of cadastral maps in Goa to incorporate changes made in the past 30 years. The re-survey was to be conducted under a centrally sponsored scheme for strengthening of Revenue Administration and updating of Land Records. The Government of India suggested (November 2002) that the State Government may take up the work on a pilot project basis for a few villages and on the basis of experience gained from the pilot project, the same could be extended to cover more areas. Government however tendered and awarded (October 2003) the re-survey work for the entire State to M/s Theovel Surveys, Bangalore at a cost of Rs 7.88 crore. The Government also paid 15 *per cent* interest free mobilization advance (Rs 1.18 crore) to the contractor, contrary to the provisions of CPWD Manual which restricts the amount of mobilization advance up to 10 *per cent* of the contract value at 10 *per cent* simple interest.

After the work had been executed up to 28 *per cent* (September 2005), the Government instructed (October 2005) the agency to stop the work as it was found that the cadastral maps created by re-survey did not match with the existing Table sheets upon super-imposition and could not be used for any legally valid purpose. The payment made to agency up to March 2006 on the work was Rs 3.18 crore. Besides, the mobilization advance of Rs 70.54 lakh was yet to be recovered from the contractor. Further no interest was charged on the mobilization advance resulting in a loss of Rs 31.31 lakh to Government up to December 2007 calculated at the rate of 10 *per cent* per annum. The contract is yet to be terminated (January 2008).

The Department stated (March 2008) that Goa is too small to be considered for financial assistance on taluka basis and the State is treated as one district on the basis of which pattern for assistance under the Government of India scheme is considered. However the fact remains that had the scheme been implemented on a pilot basis in a few villages, the unfruitful expenditure could have been reduced.

Further the Department stated that 15 *per cent* mobilization advance was granted as the 50 *per cent* cost of surveying machinery to be procured works out to 15 *per cent* of the total contract value. The reply is not tenable as the grant of 15 *per cent* mobilization advance was against codal provisions.

4.2 Regulatory issues and other points of interest

PANCHAYAT RAJ AND COMMUNITY DEVELOPMENT DEPARTMENT

4.2.1 Sanction of grant of Rs 3.23 crore to 23 non-entitled Village Panchayats and depriving grants-in-aid to other 44 entitled Village Panchayats

Grants amounting to Rs 3.23 crore were sanctioned to 23 VPs which were not entitled for developmental grants as per the income criteria prescribed in the rules. No grants were sanctioned to 44 VPs which were entitled to get the grants.

In pursuance of sub-section (1) of section 160 of the Goa Panchayat Raj Act, 1994, the Government releases grants-in-aid to the Village Panchayats (VPs) for various purposes[Y] under the terms and conditions prescribed by

[Y] Construction and maintenance of village roads, drains, culverts, drinking water wells, tanks, ponds, public springs, rural water supply schemes, lighting of public places, burial grounds, general sanitation, public latrines, slaughter houses, parks, cattle ponds, sheds, village libraries, bus stands, taxi stands, sports infrastructure, disposal of unclaimed corpse, prevention and control of water pollution.

Government from time to time. The VPs whose annual income from all sources inclusive of taxes, fees, octroi, rents, fines, sale proceeds, bank interest, matching grants, etc., is less than Rs five lakh only are entitled to the grants-in-aid for development works. The Director of Panchayats had sanctioned grants-in-aid totaling Rs 7.82 crore for various developmental works to 71 VPs in the State during the year 2006-07.

A scrutiny (November 2007) of records of Director of Panchayats revealed that the Department sanctioned grants totalling Rs 3.23 crore to 23 VPs whose annual income was above Rs five lakh. Of these 23 VPs, the Shiroda VP alone was sanctioned grants-in-aid to the tune of Rs 94 lakh which constituted 12 *per cent* of the total grants sanctioned by the Government to all VPs. Whereas no grant was sanctioned to 44 VPs whose annual income was less than Rs five lakh.

This disparity in sanctioning grants-in-aid indicated that grants were sanctioned arbitrarily and not based on any laid down criteria with a view to achieve overall development. The arbitrary allotment of grants-in-aid disregarding the eligibility criteria has resulted in release of inadmissible grants to the tune of Rs 3.23 crore and depriving grants to 44 VPs whose annual income was less than Rs five lakh.

The Department stated (September 2008) that while computing the income of the Panchayats the grants released under octroi and matching grants were not taken into consideration resulting in understatement of annual income. The reply is not tenable as annual income excluding octroi and matching grants in respect of 16 out of 23 Panchayats was more than Rs Five lakh. The Department agreed to include the octroi and matching grants under annual income for determination of the eligibility of the Panchayats for receiving the grants.

4.3 General Paragraphs

4.3.1 Lack of response to audit findings

Accountant General, Goa arranges to conduct periodical inspection of Government Departments to test check the transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs) which are sent to the heads of offices and the next higher authorities to comply with the observations and report compliance to the Accountant General. Half-yearly report of pending IRs is sent to the Secretary of each Department to facilitate monitoring of the audit observations and their compliance by the departments.

A review of the IRs issued up to December 2007 pertaining to 38 Departments showed that 976 paragraphs relating to 271 IRs were outstanding at the end of June 2008. Failure to comply with the issues raised by Audit facilitated the continuation of financial irregularities and loss to the Government.

Year-wise position of the outstanding IRs and paragraphs is detailed in **Appendix 4.1**. Even the initial replies which were required to be received from the heads of offices within six weeks from the date of issue of inspection report, were not received upto June 2008 in respect of 270 Paragraphs of 36 Inspection Reports.

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

4.3.2 Follow up on Audit Reports

As per provisions contained in the Internal Working Rules of the Public Accounts Committee of the Goa Legislature 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 the Audit Report to the State Legislature in respect of paragraphs included in the Audit Reports. In spite of this, there were 30 paragraphs/reviews in respect of which the EMs were not received as of August 2008 from the Administrative Departments, as shown below.

Audit Report	Date of tabling the Report	Number of Paragraphs & Reviews	Number of EMs received	Balance
2003-04	31 August 2005	9	8	1
2004-05	12 July 2006	11	4	7
2005-06	30 July 2007	11	3	8
2006-07	19 August 2008	14	Nil	14
	Total	**45**	**15**	**30**

Department-wise details are given in **Appendix 4.2**.

CHAPTER – V

Internal Control

CHAPTER -V

INTERNAL CONTROL

LABOUR AND EMPLOYMENT DEPARTMENT

5.1 INTERNAL CONTROL IN LABOUR AND EMPLOYMENT DEPARTMENT

Highlights

Internal Control is an integral component of an organization's management processes which are established in order to provide reasonable assurance that the operations are carried out effectively and efficiently, financial reports and operational data are reliable and the applicable laws and regulations are complied with, so as to achieve organizational objectives. Internationally the best practices in Internal Control have been given in the COSO* framework which is a widely accepted model for internal controls. In India, the GoI has prescribed comprehensive instructions on maintenance of internal control in government departments through Rule 64 of General Financial Rules 2005. A review of internal control on selected areas of Labour and Employment Department has shown that:

- As against the budget provision of Rs 3.83 crore provided to the Employment wing of the department, expenditure of Rs 2.86 crore was incurred resulting in saving of Rs 0.97 crore. The savings during the years 2003-08 ranged between 18 and 37 *per cent*.

(Paragraph 5.1.5.1)

- Cash book controls were weak in the Department.

(Paragraph 5.1.6)

- The shortfall in achievement of revenue targets under various Acts during 2003-08 ranged between 22 and 48 *per cent*.

(Paragraph 5.1.6.4)

- The Department neither prepared Action Plan for carrying out inspections under various Acts nor fixed targets for inspectors.

(Paragraph 5.1.7.1)

- Pendency of cases in Industrial Tribunal and Labour Court as of March 2008 was 581 and 78 respectively during 2003-08 indicating slow speed of disposal of cases.

(Paragraph 5.1.7.2)

- Registration under Motor Transport Worker's Act, 1961 during the period 2003-07 was quite negligible due to non-conducting of adequate inspections.

(Paragraph 5.1.7.3)

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* *Committee of Sponsoring Organizations of the National Commission on Fraudulent Financial Reporting or the Tread-way Commission*

- Procurement of medicines by ESI from non-rate contract firms during 2003-08 ranged between 30 and 36 *per cent*. The rates of the non-rate contract firms were two to 15 times higher than the rate contract.

(Paragraph 5.1.8.2)

- Inventory management was poor in ESI. No permanent records in ESI Panaji office containing receipts, supplies, stock of medicine and drugs were maintained.

(Paragraph 5.1.8.5)

5.1.1 Introduction

The labour force in Goa constitutes about 40 *per cent* of the total population. Labour and Employment Department functions with the objective of creating a safe working environment, in order to ensure safety, health and welfare of workers. The objectives are achieved by enacting and enforcing labour laws. The functions of the Department are broadly classified into three wings, viz., Labour Law Administration, Employees State Insurance Scheme and Employment.

5.1.2 Organisational set-up

The Secretary (Labour and Employment) to Government of Goa is the Administrative Head of the Department at Government level and Commissioner of Labour is responsible for the overall control and administration of the Department. The Department has eight field offices to administer labour laws and one Presiding Officer, Industrial Tribunal-cum-Labour Court to function as judicial authority. For the Employees State Insurance (ESI) Scheme, the Commissioner is assisted by one Administrative Medical Officer, ESI Scheme who oversees the functioning of ESI Hospital, Margao headed by Medical Superintendent and nine ESI dispensaries headed by Insurance Medical Officers. Besides, there are two Employment Exchanges headed by Deputy Director and Employment Counseling Officer **(Organisation Chart in Appendix 5.1)**.

5.1.3 Audit objectives

Review of Internal Control was conducted to assess the extent of the arrangements for information, communication, monitoring, evaluation including Internal Audit, Vigilance and Internal control activities designed and put into operation for enforcing the management directions and ensuring significant achievement of programme objectives.

5.1.4 Audit Coverage

A review was conducted by test check of records for the period 2003-08 at Secretariat, Commissionerate and offices of two[1] Deputy Labour Commissioners, two[2] Assistant Labour Commissioners out of three and two[3] Labour Inspectors out of three, Administrative Medical Officer-ESIS, one ESI Hospital[4], four[5] ESI Dispensaries out of nine and [6]Deputy Director of Employment Exchange, Panaji and Employment Exchange at Margao during the period from February to May, 2008. The Department maintained certain records on financial year basis and other records on calendar year basis.

The audit objectives were discussed in the Entry Conference (January 2008) with the Secretary and Senior Officers of the Department. The audit process included discussion with officials of the Department, collection of data through examination of records and their analysis. Exit Conference was held with the Secretary of the Department in June 2008.

Audit Findings

5.1.5 Financial Management and Budgetary Control

Control over budget and expenditure is essential for optimal utilisation of limited resources to achieve the objectives of the Department. The following shortcomings were noticed in control over preparation of budget and expenditure thereof:

5.1.5.1 Budget Performance

The State Government did not have any budget manual of their own; however all the provisions of the General Financial Rules (GFR) are followed for implementation of budget and other financial matters. Further there was no system of calling for the estimates from the subordinate authorities before finalizing the budget estimates of the department as a whole.

The details of budget provision and expenditure incurred by the Department for the years 2003-08 were as under:

[1] Panaji and Margao
[2] Mapusa and vasco
[3] Churchorem and Bicholim
[4] ESI Hospital, Margao
[5] ESI Dispensaries, Ponda, Bicholim, Mapusa and Corlim
[6] Employment Exchanges, Panaji, Margao

LABOUR & ESI Wing

(Rupees in crore)

Year	Revenue				Capital			
	Budget provision	Expendi-ture	Excess(+) Saving (-)	Percentage of saving	Budget provision	Expendi-ture	Excess(+) Saving (-)	Percentage of saving
2003-04	9.47	8.91	(-)0.56	6	Nil	Nil	-	-
2004-05	7.41	7.26	(-)0.15	2	0.09	0.07	(-)0.02	23
2005-06	8.03	7.73	(-)0.30	4	0.05	0.04	(-)0.01	20
2006-07	8.55	8.32	(-)0.23	3	0.01	Nil	(-)0.01	100
2007-08	8.88	9.22	*(+)0.34	-	0.01	0.01	-	-
Total	42.34	41.44	(-)0.90		0.16	0.12	(-)0.04	-

* The increase in expenditure in 2007-08 was attributable to payment of arrears to pharmacists due to revision of pay.

While savings under revenue section ranged between two and six *per cent*, the savings in capital section ranged between 20 and 100 *per cent*. Savings were mainly due to non-filling of vacant posts, less receipt of claims in respect of Labour Department and non-submission of bills in time, last minute failure of the supplying agencies to supply the equipments, drugs and medicines, non-submission of proposal for purchase of vehicles in time in respect of ESI wing. The Department accepted (September 2008) the above facts and did not give any further justification.

EMPLOYMENT Wing

Revenue *(Rupees in crore)*

Year	Budget provision	Expenditure	Excess(+) Saving(-)	Percentage of saving
2003-04	0.63	0.51	(-) 0.12	19
2004-05	0.89	0.56	(-) 0.33	37
2005-06	0.81	0.58	(-) 0.23	28
2006-07	0.73	0.58	(-) 0.15	20
2007-08	0.77	0.63	(-)0.14	18
Total	3.83	2.86	(-) 0.97	

Employment wing has no capital budget.

Savings in Employment wing under revenue head ranged between 18 and 37 *per cent*. The savings were due to non-filling of two vacant posts, less claims of LTC/medical reimbursement/leave encashment, etc. The Department needs to strengthen internal control mechanism under revenue head to monitor its budget allocations. The Department accepted (September 2008) the above facts and did not give any further justification.

5.1.5.2 Non-utilization of central grants

Grant-in-aid of Rs 5.92 lakh was released (October 2004) from the Government of India (GoI) to the Department for welfare of children. After carrying out a detailed survey, the Department had to submit a detailed project proposal to GoI for sanctioning of special schools based on the number of children identified as working in hazardous employments. The detailed survey has not been taken up yet. As of March 2008, the Department could utilise only Rs 0.26 lakh and the balance grant of Rs 5.66 lakh remained unutilized depriving the Department of further grants. The Department replied

(September 2008) that they are in the process of formulating different schemes for the welfare of the child labour under the Child Labour Project Society constituted in March 2004 but did not furnish any justification for non-utilisation of central grants.

5.1.6 Compliance with Receipts and Payments Rules

5.1.6.1 Cash Controls

Cash Book (Labour Department)

There is one Drawing and Disbursing Officer (DDO) at Commissionerate catering to Labour and Employment wings and another DDO for ESI wing. The scrutiny of the cash book of Labour Department during 2003-08 revealed the following discrepancies:

Receipt transactions not routed through cash book

As per Rule 13(ii) of Goa Receipt and Payment Rules 1997 (R&P Rules), each and every entry made in the cash book was to be attested by the Head of Office in token of check and all transactions of receipts and payments should be supported by the prescribed vouchers. The receipt transactions were to be supported by TR-5 receipts. The entries in the cash book were not attested by the Head of Office between May 2004 and April 2006. Fees for registration and renewal under various Acts were directly remitted by the parties into treasury through challans and these transactions were not routed through cash book. Reconciliation was not done between collection and remittance. The Department accepted (September 2008) the audit contention and stated that the requirement was noted for future guidance/compliance.

Cash Book (ESI)

- According to Rule 13(vi) of R&P Rules, the overwriting, cutting/ erasing in the cash book should be corrected under signature of DDO. There were many overwritings of figures without the initials of Head of Office.
- Cross references of voucher numbers were not written on the payment side of the cash book between April 2006 and November 2007. The Department accepted (September 2008) the audit contention and stated that the requirement was noted for future guidance.

5.1.6.2 Personal Ledger Account Cash Book (Labour)

Scrutiny of the PLA cash book revealed the following omissions:

- The Head of Office did not attest the entries in the cash book for the period from December 2003 to January 2007.

Improper maintenance of cash book

- As per Rule 13(iv) of R&P Rules, at the end of each month, the DDO should verify the cash balance in the cash book and record a signed, dated certificate to that effect. The Department had not recorded the physical verification certificate at any time during the period from April 2003 to January 2008.
- The head of account under which revenue and expenditure were booked was also not written in the classification column provided in the cash book.

The Department accepted (September 2008) that the cash book was left unattested inadvertently. As regards the recording of certificates in PLA Cash book, the Department stated that the instruction was noted for future guidance.

5.1.6.3 Unclaimed Security Deposits

As per the provisions of Contract Labour Act 1970, the Department collects Security Deposits from the employers at the rate of Rs 500 per worker. The Department collected Rs 78.96 lakh during the period 1975 to 2005 as security deposits from various contractors as detailed below:

(Rupees in lakh)

Year	Number of employers	Amount
1975 to 2000	808	20.19
2000-01	61	01.92
2001-02	98	11.37
2002-03	85	12.75
2003-04	140	17.97
2004-05	89	14.76
Total	**1281**	**78.96**

As per Rule 189(1)(b) of R&P Rules, deposits remaining unclaimed for more than three years are treated as lapsed deposits and are to be credited to Government account. The Department, however, did not take any initiative to credit the lapsed deposits to Government Account. This indicated that Department had no control over such an important financial matter. The Department replied (September 2008) that the actual amount due for credit to Government account was being worked out/under progress.

5.1.6.4 Non-achievement of revenue targets

Shortfall in revenue target was between 22 and 48 per cent

The Department collects revenue under different labour legislations in the form of registration and renewal fees. The targets and achievements of revenue collection during the years 2003-08 were as under:

(Rupees in crore)

Year	Targets Fixed (a)	Revenue Collected (b)	Shortfall (a-b) (c)	Per cent
2003-04	1.47	1.14	0.33	22
2004-05	1.88	1.02	0.86	45
2005-06	2.06	1.06	1.00	48
2006-07	1.80	1.21	0.59	33
2007-08	1.80	1.22	0.58	32

The Department attributed the shortfall mainly due to inadequate inspections by their inspectors due to their engagements in other administrative works of the Department. The fact remains that the Department had not fixed the targets for inspections by the labour inspectors which could have helped in monitoring their performance and consequential increase in achievement of revenue targets. The Department accepted (September 2008) that the targets were not achieved and assured that targets fixed would be achieved in toto henceforth by conducting maximum inspections.

5.1.6.5 Stock account of receipt books (Labour)

Eight receipts books were missing

According to Rule 22 of R&P Rules, machine numbered receipt books are required to be obtained from the Government Printing Press (GPP). Audit scrutiny at the Commissionerate revealed that there was no machine number on the books received and used. No register was maintained to show issuance of receipt books to different sections. Eight receipt books were found missing. Thus, non-numbering/recording the details in stock account and the cases of missing receipt books are fraught with risk of misappropriation. The Department accepted (September 2008) that the register as well as receipt books were misplaced and assured that efforts are being made to trace out the missing receipt books.

5.1.7 Control over Departmental Activities (Labour)

The office of the Commissioner of Labour is assigned with the duties and functions relating to industrial relations, labour welfare and enforcement of labour legislation besides implementation of labour welfare and social security schemes. The Department collects revenue under different labour legislations viz., Shops and Establishment Act, Motor Transport Workers Act, etc.

5.1.7.1 Non-preparation of Action Plan for implementation of provisions of various Labour Acts

No Annual Action plan prepared for inspection under the Act

The Department has no written norms for carrying out inspections under various Acts implemented by the Department. The position of inspections conducted during the calendar years 2003-07 under various Acts is given in

Appendix 5.2. The Department had not prepared annual action plans during 2003-08 for carrying out the inspections under these Acts. The Department also did not fix individual targets for inspectors. In the absence of norms or targets, it is not possible to verify the adequacy of number of inspections. Provisions of some of the important Acts implemented by the Department are detailed below:

Contract Labour and Migrant Workers

There are 2.28 lakh migrant workers in Goa as per Census 2001. Scrutiny of the records revealed that as on 31 March 2008 the number of registrations of principal employers under CL R&A Act and ISMW Act* were 170 and 58 respectively and there were 55,000 contract labours with 1,350 contractors who were issued licences under CL R&A Act. The annual inspections under the CL R&A Act and ISMW Act during the calendar years 2003-07 ranged between 106 and 424 and between three and 50 respectively which were quite low. The Department replied (September 2008) that steps would be taken to increase the number of inspections to ensure that more contractors are covered under these two Acts.

Minimum Wages Act, 1948

Minimum Wages Act, 1948 contemplates that minimum wages rates should be fixed in the schedule industries with the dual object of providing sustenance and maintenance of the worker and his family and preserving his efficiency as a worker. Inspections carried out under this Act during the years 2003-07 ranged between 480 and 1,242. There are variations in number of inspections over the years. The Department did not achieve the contemplated objectives of the Act by conducting regular adequate inspections. The prosecutions under the Act during the calendar years 2003-07 ranged between 17 and 45. The Department replied (September 2008) that the variation in number of inspections under the Act was due to involvement of the Departmental inspectors in other administrative works and also stated that maximum efforts are taken to ensure the prosecution wherever necessary under the provisions of the Act.

Child Labour (Prohibition and Regulation) Act, 1986

Lack of statistical data in spite of carrying out a special survey

Child Labour (Prohibition and Regulation) Act, 1986 provides for prohibiting the engagement of children in certain employments and regulating the conditions of work of children in certain other employments. The Act intends to ban the employment of children, i.e. those who have not completed their fourteenth year, in specified occupations, hazardous industries processes etc. and decided to identify the procedure to decide modifications to the schedule

* Contract Labour (Regulation and Abolition) Act, 1970 (CL R&A Act) and Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979 (ISMW Act).

of banned occupation or processes; regulate the working condition of children in employments where they are not prohibited from working. The Department had no statistical data about child labour in Goa. The Department further stated (September 2008) that four cases of child labour in hazardous industries were found in the State during a special survey for child labour conducted by the Department in October 2006.

5.1.7.2 Cases pending in the Industrial Tribunal cum Labour Court

High pendency of cases in Industrial Tribunal cum Labour Court

Industrial Tribunal cum Labour Court headed by Presiding Officer deals with disposal of industrial and labour related cases referred to it under Industrial Dispute Act, 1947. Cases are filed by the employee (claimant) in the Labour Court whereas other matters are referred by the Central and State Governments to the Industrial Tribunal under sections 33(2) and 10(1)(d) of the Act. There is no target fixed for settlement of cases, at present the Department has one court only. As on 31 March 2003 the pending cases in the Industrial Tribunal were 350 which rose to 581 at the end of March 2008. Additions and disposals during the years 2003-08 were 310 and 79 respectively. Similarly in the Labour Court there were 34 cases as on 31 March 2003 which rose to 78 at the end of March 2008. Additions and disposals during the years 2003-08 were 130 and 86 respectively. The number of cases disposed ranged from seven to 31 per annum in the Industrial Tribunal and from five to 33 per annum in the Labour Court. The Department failed to ensure speedy disposal of pending cases which resulted in gradual increase in pendency of cases. The Department replied (September 2008) that one more court has started functioning with effect from May 2008 and the pendency would be accordingly reduced in future.

5.1.7.3 Negligible registration under Motor Transport Workers Act, 1961

Motor Transport Workers Act, 1961 (MTW Act) provides for the welfare of Motor Transport workers and regulates the conditions of their work. It applies to every motor transport undertaking employing one or more transport workers. As per the provisions of the Act, every employer of a motor transport undertaking to which this Act applies shall have the undertaking registered under this Act with the Labour Department. The licence issued under MTW Act is to be renewed annually as per the provisions of the Act. Records maintained in the Commissionerate showed that the total registrations upto December 2002 stood at 1,177 but the registrations during the calendar years 2003-07 ranged between one and 63 per annum, with the addition of only 168 registrations during these five years.

Audit scrutiny revealed the following:

- The number of registrations is very low considering substantial tourism and mining activities in Goa and over 46,000 goods vehicles and buses registered with the Transport Department.

- The inspections carried out by the Department during the calendar years 2003-07 ranged between four and 26 per annum which were grossly inadequate considering large number of vehicles.

- Though non-renewal of registrations ranged between 45 and 78 *per cent* during the calendar years 2003-07, the Department did not take any effective measures against defaulters.

Thus the Department failed to implement the Act effectively, depriving the Government of substantial revenue meant for welfare of motor transport workers. The estimated loss of revenue on this account would work out to Rs 75 lakh during 2003-08 taking into account only 25 *per cent* of the total number of vehicles and calculated at a minimum slab fee of Rs 150 per year. The Department accepted (September 2008) that the number of registrations and inspections under the Act were low and assured that efforts would be taken to ensure that maximum transport establishments are covered and attributed the negligible registrations to the less inspections by their staff due to their deployment for administrative and court related works. Reply of the Department was not acceptable on the ground that adequate strength of inspectors were available, however their services were not utilized optimally.

5.1.8 Control over Departmental Activities (ESI)

The ESI programme extends medical benefits to workers, covered under the programme. Under the programme the employee contributes 1.75 *per cent* of his wages and that of the employer is 4.75 *per cent* of the wages of the employee. The contributions are collected by the Employees' State Insurance Corporation of India (Corporation) under the provisions of the Employees' State Insurance Act, 1948 (ESI Act) from all the employers coming under the purview of this Act.

5.1.8.1 Inadequate infrastructure leading to poor bed occupancy at ESI Hospital

Low occupancy due to poor infrastructure

Only one 50 bedded hospital is functioning at Margao to extend indoor and outdoor patient facilities, operation facilities, etc. The hospital has inadequate equipment and poor infrastructure in its 13 departments and two operation theatres. About 12 essential equipment required as per the Norms and Standards of Staff and Equipment list, were not available in the hospital. The Dental Department was functioning without a Dental Chair. Therefore inadequate equipment and poor infrastructure in turn could have affected the bed occupancy which has been steadily declining since 2003 onwards as shown below:

Year	Number of bed days utilized	Percentage of occupancy*
2003-04	9227	51
2004-05	8847	48
2005-06	8090	44
2006-07	7278	40
2007-08	6616	36

* Percentage calculated considering number of bed days in a year as 18,250 (365x50=18,250)

Thus, ill-equipped hospital with poor facilities resulted in non-utilization of hospital facilities optimally. The Department accepted (September 2008) the audit contention and stated that as there was no full fledged Administrative Medical Officer (AMO) during the period 2003-08 the Department could not take timely action for providing facilities such as purchase of medicines, purchase of equipment, etc., and that action was being taken for procurement of equipment, filling up the vacant posts, purchase of Dental Chair and other essential items.

5.1.8.2 Procurement of medicines

The Corporation finalizes central rate contract for supply of drugs and dressings every year for the entire country. The State ESI authorities are supposed to procure their medicines through the rate contract firms, finalized by the Corporation. In case of non-availability of the drugs with Rate Contract (RC) firms or in case where RC firms express their inability to supply the requisite drugs, ESI authorities are permitted to procure them through quotations and tenders and in case of emergency, it can be procured locally also. Scrutiny of records revealed that a significant quantity of medicines and drugs, costing about 1/3rd of total expenditure on drugs and dressings, were procured from non-RC firms.

Procurement of medicines from other than Rate Contract firms

In 10 test checked cases, the rates of the non-RC medicines utilized by the ESI were costlier by two to 15 times the rates of the RC medicines. Since the rates charged by the non-RC firms are comparatively very high, it was not a prudent decision to procure 30 to 36 *per cent* medicines during the years 2003-08 from non-RC firms.

Rate contracts finalised by the Corporation for the years 2003-08 provided that the DDO should monitor the performance of rate contract firms in executions of supply orders in time and send a consolidated report quarterly. Audit did not find a single quarterly report on records. The AMO, ESI Panaji stated (May 2008) that most of the medicines/drugs procured through non-rate contract firms were not included in the rate contract list. However, the fact of non availability of 33 *per cent* (average) of medicines in the rate contracts finalized by the Corporation was never brought to the notice of the Corporation authorities by the Department. The Department accepted (September 2008) that due to lack of proper guidance, medicines were purchased from open market taking into consideration the need of ESI beneficiaries. The Department further stated that after April 2008 onwards the position has improved since Corporation is regularly apprised of the anticipated requirements of the State ESI unit to ensure that the maximum medicines and drugs required by the ESI are included in the annual rate contract finalized by the Corporation. Verification of records in October 2008 revealed that the system of apprising the Corporation suggesting inclusion and deletion of medicines in rate contracts under process of finalisation has since been started.

5.1.8.3 Testing

The rate contracts finalized by the Corporation further provided that the DDO is required to get at least 10 *per cent* of the drugs tested in the Government laboratory or in any of the Government approved laboratories. This was not done during the period 2003-2008. Thus, a vital control to ensure the quality of drugs was missing. The Department accepted (September 2008) the audit contention and stated that from July 2008 onwards the drugs and medicines are being regularly sent for testing as required under rate contract.

5.1.8.4 Acceptance of medicines and drugs older than norms

As per conditions prescribed by the Corporation the drugs supplied should not be older than 1/6th of its shelf life from the date of manufacture. Scrutiny of the records revealed that this condition was not strictly adhered to by the ESI Scheme, Panaji. During 2003-08, in 23 out of 83 cases test checked, medicines older than the prescribed 1/6th of shelf life costing Rs 9.18 lakh were accepted by the ESI authorities. The Department accepted (September 2008) the audit contention and stated that now the condition is strictly adhered to.

5.1.8.5 Inventory Management

Total purchases of medicines, drugs and dressings by the AMO, ESI Panaji during the years 2003-08 were Rs 5.95 crore. It was thus desirable that proper inventory management was followed. However relevant records were not kept properly as detailed below:

- Details of purchases made by the Hospital and dispensaries were not compiled and included in the total purchases. However purchases for central stores only were maintained by the AMO, ESI office.
- Quantities purchased and stored were on approximation and not on the basis of any analysis of consumption, lead time for procurement, buffer stock requirements, expiry period, etc.
- Parameters such as minimum and maximum stock, reorder level, etc were not worked out for any of the drugs including vital and life saving drugs.
- The records of receipt and issue of medicines were stored in computers regularly containing receipts, issues of medicines and the resultant

stock position. Data stored in computers was susceptible to manipulation in the absence of security for data stored. Audit conducted (October 2008) a review of the security controls in the computerised stores system and found it susceptible to manipulation.

Thus, in the absence of any proper inventory control management, the possibility of misuse, theft, pilferage of the medicine stock cannot be ruled out. The AMO, ESIS Panaji stated (March 2008) that due to lack of guidance/advice from Senior Officers the registers could not be maintained in order and ensured that the registers would be maintained properly hereafter. The Department accepted (September 2008) the audit contention and stated that now the records are being maintained properly. Audit verified (October 2008) the records and found that the Department has started the system of maintaining accounting registers.

5.1.8.6 Physical Verification of stock of medicines

Inadequate inspections and life expired drugs in stock

After the periodical physical verification of the medicines in the stock of ESI dispensaries, the factual position is to be reported to AMO, ESI Panaji. Physical verification was not conducted regularly during the years 2003-04, 2004-05 and 2006-07. Inspections were carried out during the years 2005-06 and 2007-08 in February 2006 and July 2007 respectively in the four dispensaries, ESI Hospital Margao and Central Stores. As per the verification reports of these inspections conducted, the shortages/breakages were reported. Life expired drugs/medicines were also found in stock. However, no action on physical verification reports was taken. The Department replied (September 2008) that the practice of taking follow up action on verification reports as well as fixing of accountability for losses/expiries on the concerned officers has since been started. Audit verified (October 2008) the records and found that the Department has started following the system as pointed out by audit.

5.1.9 Control over Departmental Activities (Employment)

The Employment Exchanges are established under the All India scheme for discharging the functions, duties and responsibilities as envisaged in the National Employment Service Manual (NESM). The Employment Exchanges render services broadly in four major areas.

- Registration/renewal, submission and job placement of job seekers
- Imparting of vocational guidance and labour market information to students of High/Higher Secondary Schools
- Employment Market information to the Government for policy decisions
- Enforcement of Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959 and the Rules framed thereunder.

5.1.9.1 Compulsory Notification

Under the provision of Employment Exchanges (Compulsory Notification of Vacancies) Act 1959 (EE-CNV Act), employers in every public or private sector establishment employing 25 or more workers are required to notify the vacancies to the employment exchange before filling up the same.

As of 31 March 2008, total numbers of private employers under the purview of this Act in Goa were 1,955 whereas public employers (including central, state, quasi-government and local bodies) were 2,357. Scrutiny of the records revealed that the total number of establishments visited during the years 2003-08 ranged between 35 and 59 per annum and 29 cases of violation by the establishments were detected.

The Department has not established/evolved any system to ensure that all the employers who come under the purview of the Act notify their vacancies. There was no action plan with the Department to increase effective implementation of the provisions of the Act. The Department replied (September 2008) that the shortfall in number of inspections was due to non-filling of the post of Deputy Director of Employment and inadequate subordinate staff which resulted in department's inability to earmark separate staff for conducting inspections and to draw an action plan to increase the activities in respect of implementation of the EE-CNV Act 1959.

5.1.9.2 Vocational guidance

The activities in respect of vocational guidance were limited and there was no responsible officer in both the exchanges to implement the provisions of vocational guidance. There was no document on record to show that regular camps/sessions were held for students or registered candidates. The Department accepted (September 2008) the audit contention and attributed the limited activities under vocational guidance scheme to the office being understaffed and without a Deputy Director.

5.1.10 Monitoring including Internal Audit and Vigilance arrangements

Every controlling officer is required to satisfy himself about the prescribed checks to ensure the policies and guidelines exist to safeguard against waste and loss of public money in subordinate offices. As no Internal Audit Wing is set up in the Department, the Director of Accounts is responsible for internal audit in view of the instructions contained in Finance Department orders (August 1996). Internal Audit of ESI wing and Employment wing was not conducted since April 2003 and March 2005 respectively though the Internal Audit of Labour department was conducted upto March 2007.

A separate set up for vigilance mechanism was not in existence in the Department, as the State Government has a common Vigilance Department at Government level for all the Departments. During 2003-08, one case was reported to the Vigilance Department from ESI wing and no case was reported from Labour and Employment wings. The Department replied that the matter has been referred (September 2008) to the Director of Accounts, Panaji requesting him to conduct internal audit of all the wings of the Department.

5.1.11 Conclusion

While the Department had a reasonable exchequer control as the excess of expenditure over budgetary provision was nominal, the control over cash book maintenance was not satisfactory. Duties and responsibilities of inspectors - the key functionaries in implementation of Acts - was inadequate as the targets were not fixed for them. Similarly, adequate controls required for proper and effective implementation of various Acts were inadequate. The rate of disposal of cases by Industrial Tribunal cum Labour Court was lower than the accretion resulting in delayed redressal. ESIS failed to discharge its functions efficiently. Employment exchanges handled registrations and renewals satisfactorily but could not control deficiencies in implementation of EE-CNV Act. Thus, the internal control mechanism in the Department was substantially not functioning as intended and therefore required to be improved in order to achieve the objectives of the department.

5.1.12 Recommendations

- Deficiencies in cash book maintenance and compliance with R&P Rules may be rectified.
- Targets for inspections may be prescribed after scientific study of requirements of inspections under each Act.
- A system of monitoring the progress of inspections by competent authorities under each Act and disposal of cases by Presiding Officer of Industrial Tribunal cum Labour Court may be introduced.
- Procurement of medicines should be strictly from Rate Contract firms.

CHAPTER – VI

Revenue Receipts

CHAPTER-VI

REVENUE RECEIPTS

6.1 Trend of revenue receipts

The tax and non-tax revenue raised by Government of Goa during the year 2007-08, the State's share of divisible Union taxes 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:

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
I. Revenue raised by the State Government					
• Tax revenue	710.25	856.53	1,096.49	1,291.54	1,358.91
• Non-tax revenue	724.73	729.26	761.16	917.62	1,042.82
Total	**1,434.98**	**1,585.79**	**1,857.65**	**2,209.16**	**2401.73**
II. Receipts from the Government of India					
• State's share of divisible Union taxes	135.59	162.07	244.70	312.11	393.72
• Grants-in-aid	52.55	72.16	66.52	88.49	148.45
Total	**188.14**	**234.23**	**311.22**	**400.60**	**542.17**
III. Total receipts of the State	**1,623.12**	**1,820.02**	**2,168.87**	**2,609.76**	**2,943.90**
IV. Percentage of I to III	**89**	**87**	**86**	**85**	**82**

The above table indicates that during the year 2007-08, the revenue raised by the State Government was 82 *per cent* of the total revenue receipts (Rs 2,943.90 crore) against 85 *per cent* in the preceding year. The balance 18 *per cent* of receipts during 2007-08 was from the Government of India.

6.1.1 The following table presents the details of tax revenue raised during the period from 2003-04 to 2007-08:

(Rupees in crore)

Sr. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	• Sales tax	463.52	502.70	671.83	783.28	819.66	(+) 4.64
	• Central sales tax	38.84	64.49	71.48	61.54	59.62	(-) 3.12
2.	State excise	53.44	55.34	55.35	57.23	75.94	(+) 32.69
3.	Stamps and registration fees	28.96	35.69	60.49	115.92	117.59	(+) 1.44
4.	Taxes on vehicles	50.76	58.78	63.84	74.56	81.96	(+) 9.92
5.	Taxes on goods and passengers	41.14	103.10	130.80	138.02	112.72	(-) 18.33
6.	Luxury tax	24.73	27.01	29.92	42.73	66.94	(+) 56.66
7.	Entertainment tax	2.11	2.48	5.18	5.09	11.17	(+) 119.45
8.	Other taxes and duties on commodities and services	1.46	1.79	2.52	6.94	6.12	(-) 11.82
9.	Land revenue	5.29	5.15	5.08	6.23	7.19	(+) 15.41
	Total	710.25	856.53	1,096.49	1,291.54	1,358.91	(+) 5.22

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

Sales tax: The increase was mainly due to more receipts under value added tax (VAT).

State excise: The increase was mainly due to more receipts under malt liquor and foreign liquors and spirits.

Taxes on vehicles: The increase was mainly due to more receipts under the State Motor Vehicles Taxation Acts.

Taxes on goods and passengers: The decrease was mainly due to less receipts under tax on entry of goods into local areas.

Luxury tax: The increase was mainly due to more receipts under luxury tax.

6.1.2 The following table presents the details of the major non-tax revenue raised during the period 2003-04 to 2007-08:

(Rupees in crore)

Sr. No.	Head of revenue	2003-04	2004-05	2005-06	2006-07	2007-08	Percentage of increase (+) or decrease (-) in 2007-08 over 2006-07
1.	Interest receipts	2.23	3.73	12.95	15.60	16.70	(+) 7.05
2.	Dairy development	0.26	0.20	0.20	0.35	0.64	(+) 82.86
3.	Forestry and wild life	1.81	2.08	1.91	1.99	2.49	(+) 25.13
4.	Non-ferrous mining and metallurgical industries	19.39	23.66	27.15	34.30	36.40	(+) 6.12
5.	Power	592.15	584.66	594.91	681.67	796.26	(+) 16.81
6.	Major and medium irrigation	2.94	3.49	10.32	2.93	3.56	(+) 21.50
7.	Medical and public health	7.30	8.82	12.67	9.06	8.33	(-) 8.06
8.	Public works	1.41	1.37	1.67	1.79	1.67	(-) 6.70
9.	Other Administrative services	5.50	10.26	5.52	62.68	22.16	(-) 64.65
10.	Water Supply and Sanitation	--	--	--	58.09	61.23	(+) 5.41
11.	Other non-tax receipts	91.74	90.99	93.86	49.16	93.38	(+) 89.95
	Total	**724.73**	**729.26**	**761.16**	**917.62**	**1,042.82**	**(+) 13.64**

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

Interest receipts: The increase was mainly due to more receipts under interest realised on investment of cash balances.

Power: The increase was mainly due to more sale of power.

Non-ferrous mining and metallurgical industry: The increase was due to increase in mineral concession fees, rent and royalties.

Medical and Public health: The decrease was due to less receipts from Employees State Insurance scheme.

Other Administrative Services: The decrease is mainly due to less receipts under other receipts.

6.1.3 Variations between the budget estimates and actuals

The variations between the budget estimates and actuals of revenue receipts for the year 2007-08 in respect of the principal heads of tax and non-tax revenue are mentioned below:

(Rupees in crore)

Sr. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
Tax revenue					
1.	Sales tax	841.10	879.28	(+) 38.18	(+) 4.54
2.	State excise	67.00	75.94	(+) 8.94	(+) 13.34
3.	Land revenue	7.69	7.19	(-) 0.50	(-) 6.50
4.	Stamps & registration fee	73.27	117.59	(+) 44.32	(+) 60.49
5.	Taxes on goods & passengers	90.51	112.72	(+) 22.21	(+) 24.54
6.	Taxes on vehicles	84.75	81.96	(-) 2.79	(-) 3.29
7.	Luxury tax	50.00	66.94	(+) 16.94	(+) 33.88
Non-tax revenue					
8.	Interest receipts	11.42	16.70	(+) 5.28	(+) 46.23
9.	Non-ferrous mining & metallurgical industries	29.00	36.40	(+) 7.40	(+) 25.52
10.	Misc. general services	693.18	69.68	(-) 623.50	(-) 89.95
11.	Power	720.00	796.26	(+) 76.26	(+) 10.59
12.	Other administrative services	5.60	22.16	(+) 16.56	(+) 295.71
13	Water supply and sanitation	85.23	61.23	(-) 24.00	(-) 28.15

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

State excise: The increase in revenue was due to revision of excise duty structures in August 2007 and November 2007.

Land revenue: The decrease in land revenue was mainly due to diversion of staff for election related work, disposal of cases under various Acts/Rules etc.

The other department did not intimate (September 2008), the reasons for variation though called for.

6.1.4 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2005-06, 2006-07 and 2007-08 along with the relevant all India average percentage for 2006-07 are as follows:

(Rupees in crore)

Sr. No.	Head of revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2006-07
1.	Sales tax	2005-06	743.31	4.65	0.63	0.82
		2006-07	844.82	3.68	0.44	
		2007-08	819.66	4.63	0.56	
2.	Taxes on vehicles	2005-06	63.84	0.99	1.55	2.47
		2006-07	74.56	0.99	1.33	
		2007-08	81.96	1.30	1.59	
3.	State excise	2005-06	55.35	2.67	4.82	3.30
		2006-07	57.23	2.89	5.05	
		2007-08	75.94	3.76	4.95	
4.	Stamp duty and registration fees	2005-06	60.49	1.52	2.51	2.33
		2006-07	115.92	2.17	1.87	
		2007-08	117.59	3.34	2.84	

Thus, the percentage of expenditure on collection in respect of sales tax, taxes on vehicles was lower than the all India average percentage while in case of state excise and stamps and registration fees, it was higher except during 2006-07 in respect of stamp and registration fees.

6.1.5 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2008 in respect of some principal heads of revenue amounted to Rs 460.37 crore of which Rs 101.24 crore were outstanding for more than three years as detailed below.

(Rupees in crore)

Head of revenue	Amount of arrears as on 31 March 2008	Arrears more than three years old	Remarks
Finance Department			
Commercial tax	216.56	78.94	Out of Rs 216.56 crore, only Rs 14.71 crore were referred to Revenue Recovery Court (RRC) by the department.
Excise	0.27	0.07	No cases were referred to RRC.
Transport			
Taxes on vehicles	7.51	3.94	No cases were referred to RRC.
Public Works Department			
Chief Engineer			
• Rent of building/ shops	0.42	0.20	No cases were referred to RRC.
• Water charges, meter rent and sewerage charges	15.03	5.18	Out of Rs 15.03 crore, only Rs 5.20 crore in respect of 1,775 cases were referred to the RRC.
Power			
Chief Electrical Engineer Energy charges	168.09	Not available	Out of Rs 168.09 crore, only Rs 7.23 crore in respect of 5,977 cases were referred to RRC.
Water Resources Department			
Chief Engineer			
• Water tax	1.00	0.74	Out of Rs 1 crore, only Rs 3 lakh in respect of 147 cases were referred to RRC.
• Water charges	41.46	6.18	No cases were referred to RRC.
• Rent on building/shops	1.89	0.69	Out of Rs 1.89 crore, only Rs 6 lakh in respect of 19 cases were referred to RRC.
• Hire charges of machinery	0.35	0.24	No cases were referred to RRC.
Agriculture Department			
Hire charges of agriculture machinery, paddy field arrears etc.	3.15	2.95	Out of Rs 3.15 crore, only Rs 9,000 in respect of four cases were referred to RRC.
River Navigation Department			
Ferry toll collection	0.56	0.50	Out of Rs 56 lakh, only Rs 7 lakh in respect of five cases were referred to RRC.
Printing and Stationery			
Supply of stationery	1.61	0.61	--
Mines & Geology			
Royalty/rent	1.94	0.96	--
Tourism Department			
Lease rent	0.53	0.04	Out of Rs 53 lakh, only Rs 35 lakh in respect of 12 cases were referred to RRC.
Total	**460.37**	**101.24**	

6.1.6 Arrears in assessments

There were no arrears in sales tax assessments at the end of 2007-08 as informed by the Commercial Taxes Department.

6.1.7 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2007-08, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2008 are as mentioned below:

(Rupees in crore)

Opening balance	No. of appeals filed during 2007-08	Total	No. of appeals disposed of during the year	Balance as on 31 March 2008	Percentage of cases disposed of to total number of cases
833	210	1,043	222	821	21

The opening balance of 833 cases reported by the department is different from the closing balance included in the last Audit Report.

Thus the percentage of appeal cases disposed of is only 21 *per cent* when compared to the total pending appeal cases as on 31 March 2008.

6.1.8 Frauds and evasions

The Commissionerate of Commercial Taxes reported that there were no cases of frauds and evasions detected by the Commercial Taxes Department during the year.

The number of cases booked for the year 2007-08, cases finalised and additional tax raised during the year as reported by the Commissionerate of Excise are as follows :

(Rupees in crore)

	Number of cases	Additional demand raised (Rs)
A. (i) Cases pending as on 1 April 2007	91	-
(ii) Cases detected during the year 2007-08	475	-
B. Cases in which investigations/assessments were completed during the year	419	0.08
C. Cases pending as on 31 March 2008	147	-

6.1.9 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; 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 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 2007-08 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	2 Offices & 2 Check posts	5 Offices & 2 Check posts	Not available
Registration	11	10	1	Shortage of time
Excise	72	2	70	Shortage of staff

The details of observations made by internal audit and their clearance upto the end 2007-08 are as follows:

(Rupees in lakh)

Department	Observations relating to the year	Observations pending settlement/made during the year		Observations settled during 2007-08		Observations pending at the end of 2007-08	
		Number	Amount	Number	Amount	Number	Amount
Registration	Upto 2006-07	--	--	--	--	--	--
	2007-08	124	--	100	--	24	--
Excise	Upto 2006-07	--	--	--	--	--	--
	2007-08	8	3.0	7	1.5	1	1.5

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.

6.1.10 Results of audit

Test check of the records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fees conducted during the year 2007-08 revealed underassessment/short levy/loss of revenue amounting to Rs 18.80 crore in 182 cases. The department accepted underassessment/short assessment of Rs 1.56 crore in 31 cases pointed out in earlier years and short assessment of Rs 5 lakh in 19 cases pointed out during the year and recovered Rs 1.61 crore as of June 2008 in 50 cases. No replies have been received in respect of the remaining cases.

This chapter contains a review of "Receipt under Luxury Tax", an IT Audit review of "Working of e-RTA and e-Transport in the department of Transport" and six paragraphs involving an amount of Rs 25.09 crore.

6.1.11 Outstanding inspection reports and audit observations

The Accountant General, Goa conducts periodical inspections of various offices of Government departments to test check the transactions of tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by inspection reports (IRs) issued to the heads of offices with a copy to next higher authority. The Government of Goa issued (January 1992) instructions to the executive for response within one month to the IRs issued by Accountant General, Goa after ensuring action in compliance with the prescribed Acts, rules and procedures. A yearly report is sent to the Secretary of the department in respect of pending IRs to facilitate monitoring of audit observations by the Government.

The time schedule prescribed by the Government has seldom been adhered to, with the result that 69 IRs issued upto the end of December 2007, containing 184 audit observations involving Rs 28.30 crore were to be settled at the end of June 2008, as indicated below, alongwith the corresponding figures for preceding two years.

	June 2006	June 2007	June 2008
Number of outstanding IRs	73	106	69
Number of outstanding Audit observations	188	360	184
Amount involved (Rs in crore)	1.99	12.25	28.30

Out of 69 IRs pending settlement, even first replies have not been received (June 2008) for 16 IRs containing 93 observations. Pendency of these reports was reported to the Government (August 2008). The department-wise details of IRs and audit observations outstanding as on 30 June 2008 and the amount involved are indicated below:

(Rupees in crore)

Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
Revenue	Land tax	7	11	2.08
	Stamp duty & registration fee	12	31	7.21
Finance	State excise	18	35	0.86
	Entertainment tax	2	16	11.50
	Motor vehicles tax	7	25	1.11
	Sales tax	23	66	5.54
Total		**69**	**184**	**28.30**

Since the outstanding amount represents unrealised revenue, the Government needs to take speedy and effective action on the issues raised in the IRs

6.1.12 Response of the departments to draft audit paragraphs

The draft paragraphs/reviews proposed for inclusion in the Audit Report are forwarded by the Accountant General 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.

Seven paragraphs and two reviews proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2008 were forwarded to the concerned Secretaries during March-June 2008. Their replies were due latest by the end of July-August 2008.

Replies to three draft paragraphs and one review have been received and considered while finalising the Report (September 2008). The remaining cases have been included in this Report without the reply of the Government.

6.1.13 Follow up on Audit Reports

According to the instruction issued by the Goa Legislative 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 September 2008 in respect of three 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)
Finance	2004-05	July 2006	October 2006	1	24
	2005-06	July 2007	October 2007	1	12
	2006-07	August 2008	October 2008	6	--
Mines	2005-06	July 2007	October 2007	1	12
Public health	2006-07	August 2008	October 2008	1	--
Public Works Department	2006-07	August 2008	October 2008	1	--

6.1.14 Compliance with the earlier Audit Reports

In the Audit Reports 2002-03 to 2006-07, 19 cases of non-assessments, non/ short levy of taxes etc., were included involving Rs 39.95 crore. Of these, as of June 2008, the departments concerned have accepted eight cases involving Rs 1.01 crore and recovered Rs 56.34 lakh in four cases. Audit Report wise details of cases accepted and amounts recovered are as under:

(Rupees 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
2002-03	4	19.78	1	6.28	-	-
2003-04	1	2.17	1	2.17	1	1.18
2004-05	1	111.96	-	-	-	-
2005-06	5	469.30	3	55.16	3	55.16
2006-07	8	3,391.63	3	37.69	-	-
Total	**19**	**3,994.84**	**8**	**101.30**	**4**	**56.34**

6.1.15 Audit Committee Meetings

During the year 2007-08, only one audit committee meeting in respect of State Excise Department was held in which eight IRs containing nine paragraphs were discussed. Of these, two paragraphs were settled.

FINANCE DEPARTMENT

6.2 Receipts under Luxury Tax

Highlights

- 1,763 hoteliers remained out of tax net as a result of non-existence of mechanism to identify maximum number of hoteliers.

(Paragraph 6.2.7)

- The vital information of tariff which forms the basis for determination of applicability of tax rate was not available with the department.

(Paragraph 6.2.8)

- The Commissioner had not issued any guidelines to the assessing authorities regarding procedure to be followed to satisfy that the returns were correct and complete.

(Paragraph 6.2.10)

- There was no uniformity in levy of penalty for non/late filing of returns. In 140 cases, penalty was short levied by Rs 4.57 crore and in 84 cases, penalty of Rs 1.83 crore was not levied.

(Paragraph 6.2.11)

- Incorrect application of rate resulted in short realisation of tax of Rs 1.82 crore.

(Paragraph 6.2.12)

- Fine of Rs four crore leviable for non-renewal/delay in renewal of registration certificate by hoteliers was not levied.

(Paragraph 6.2.16)

- Failure to issue recovery certificates promptly and non-recovery of dues by tax recovery officers led to introduction of scheme for waiver of interest/ penalty and caused a loss of revenue to the Government of Rs 3.77 crore.

(Paragraph 6.2.21)

6.2.1 Introduction

Levy and collection of luxury tax is governed by the Goa Tax on Luxuries (GTL) Act, 1988 and the Goa Tax on Luxuries Rules, 1988 (GTL) made thereunder. Under GTL Act, tax is levied on luxuries provided in a hotel and accommodation provided for commercial purposes. A hotel includes any place where residential accommodation is provided by way of business. Luxuries provided in a hotel include air-conditioning, telephone, television, music, entertainment, extra beds and all services other than casinos, water sports, boat/river cruises and supply of food and drinks. Chewing tobacco including gutka and tobacco products were also included for levy of tax between April 2001 and August 2006.

6.2.2 Organisational set-up

The Commissioner of Commercial Taxes heads the Commercial Taxes Department which administers GTL Act besides other taxes. He is assisted by an Additional Commissioner. There are seven wards headed by commercial tax officers, located in different talukas of Goa, for registering taxpayers and levying, assessing and collecting taxes.

6.2.3 Audit objectives

The review was conducted to assess efficiency and effectiveness of administration of GTL Act by the Commercial Taxes Department, with special emphasis on the following points:

- bringing maximum potential taxpayers into the tax net;
- adequacy of system of assessment and appeal;
- enforcement, i.e. administration of penal provisions of law; and
- adequacy of internal control procedures and internal audit system.

6.2.4 Scope and methodology of audit

The review covers the period from 2003-04 to 2007-08. The records maintained at the office of the Commissioner of Commercial Taxes and four[1] out of seven[2] wards were test checked. Receipts under luxury tax are mainly co-related with the tourism/business activity in Goa. Therefore, four wards having substantial tourism/business activity were selected for review. Out of 826 registered taxpayers in the State as on 31 March 2008, there were 792 taxpayers in the four wards selected for test check. Of these, the assessment cases of 396 taxpayers were test-checked in audit. A list was prepared for each ward arranging taxpayers in descending order based on accommodation provided in each hotel. First 25 *per cent* cases from this list and every third case from the remaining list were selected for test check. As the wards did not produce 24 cases falling in the sample, alternate cases were examined.

6.2.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the Finance Department and Commercial Taxes Department in providing necessary records for audit. The draft review report was forwarded to the Government and department in May 2008 and was discussed in the audit review committee meeting held in July 2008. Secretary (Finance) represented the Government while the Commissioner of Commercial Taxes represented the department. Comments of the Government on the draft review have not been received (September 2008).

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1 Mapusa, Margao, Panaji and Vasco.

2 Bicholim, Curchorem, Mapusa, Margao, Panaji, Ponda and Vasco.

Audit findings

6.2.6 Trend of revenue

The budget estimates and actuals during 2003-04 to 2007-08 were as under:

(Rupees in crore)

Year	Budget estimates	Actual collection	Excess(+)/ shortfall(-)	Percentage of variation	Growth *per cent* over previous year
2003-04	20.50	24.73	(+) 4.23	21	55
2004-05	20.00	27.01	(+) 7.01	35	9
2005-06	22.00	29.92	(+) 7.92	36	11
2006-07	25.00 (revised to 40.00)	42.73	(+)17.73 (+) 2.73	71 (7)	43
2007-08	50.00	66.94	(+) 16.94	34	57

The sharp increase in collection during 2006-07 was mainly attributable to revision of rates with effect from September 2006. Another sharp increase in revenue in 2007-08 was attributed to tightening of enforcement and recovery of arrears.

The actual collection during 2003-07 was substantially higher (21 to 71 *per cent*) than the budget estimates indicating a need to develop a better budget estimation process. The department stated that there was practically no system of submitting any proposal for estimation of tax revenue. The normal budget proposals are made, which cannot be considered as realistic. Therefore it is evident that, the budget estimation process was adhoc and not based upon a realistic assessment of the number of taxpayers, trends in tariff, number of tourists expected, etc.

System deficiencies

6.2.7 Absence of a tariff policy

It is mandatory under the GTL Act for a hotelier to register himself with the department within 30 days from the date on which he becomes liable to pay tax. A hotelier was liable to get registered with effect from 1 September 2006 and 1 April 2007 if luxury provided was for Rs 200 and above and Rs 500 and above per day respectively.

Audit scrutiny revealed that the department relies on voluntary compliance and simply registers the hoteliers under GTL Act as and when they approach the department. There was no system in the department to conduct a periodical cross-check with the Tourism Department to identify potential taxpayers, undertake a physical survey of localities to identify new hotels or issue periodical notices in the newspaper asking the unregistered hoteliers to register. As on 31 March 2008, hoteliers registered with the Tourism Department were 2,567, whereas 804 hoteliers were registered in the State under the GTL Act. In the absence of a mechanism to identify and bring maximum number of hoteliers in the tax net, at least 1,763 hoteliers remained out of tax net as compared to the hotels registered with the Tourism Department. Loss of revenue during 2003-04 to 2005-06 towards registration/ renewal fee works out to Rs 9.22 lakh (approx.) calculated based on the minimum charges leviable.

The Government may consider prescribing a system of periodic cross verification of departmental records with the Tourism Department.

6.2.8 Inadequate information base of taxpayers

When a taxpayer applies for registration or is registered, it is necessary to obtain required details such as number of rooms with beds, tariff structure which in turn would help during assessment of returns filed by him. These details should also be updated annually at the time of renewal of registration certificate.

Audit scrutiny revealed that the department, did not obtain these details at the time of registration or renewal of registration certificate. The GTL Act also did not contain the provisions requiring submission of these details at the time of registration and renewal. This system deficiency was partially rectified in October 2006 through an amendment which required the taxpayers to furnish form Lux-1 along with the renewal application. The form Lux-1 contains details of beds capacity but not the tariff. Thus, the vital information of tariff which forms the basis of determination of applicable luxury tax rate is not available with the department.

It was further noticed that out of 641 Lux-1 forms due in four wards during 2006-07 to 2007-08, only 439 Lux-1 forms were filed by the hoteliers. Out of these 202 cases of non-filing, renewal was done without initiating any action for not furnishing form Lux-1 in 60 cases.

As non-availability of information has a direct bearing on quality of assessment, it is recommended that form Lux-1 be modified to include details of current tariff structure and occupancy in the previous year.

6.2.9 Inadequacies in format of returns

The taxpayers are required to file their returns in form-8 on a quarterly basis. Form-8 seeks to obtain details of turnover from the taxpayers. But the form does not seek to obtain details of occupancy. As the occupancy varies from season to season, availability of this information in the returns together with other information available with the department would provide first pointer whether the returns are prima facie acceptable. Further, this form needs to be modified as and when the tax rates/slabs change. However, the current Form-8 in use was not modified since December 2003 though the rate structure was modified vide Government notifications of 16 March 2004, 29 March 2004, 31 August 2006 and 1 April 2007.

The Government may consider modifying the form 8 to include occupancy rates and also amend the form as and when the tax rates are changed.

6.2.10 Deficiency in system of assessment

Efficient assessment procedure has a vital bearing on collection of the revenue of a State. It is, therefore, necessary to ensure that the assessment procedure is adequate for levy of taxes due. For this purpose, to assist the Commissioner under GTL Act, luxury tax officers, assistant luxury tax officers have been appointed to assess tax. It was noticed that the Commissioner had not issued any guidelines/instructions to the assessing authorities regarding procedure to be followed to satisfy that the returns were correct and complete. As a result, there is a risk of different method/criteria being followed by different assessing authorities in wards. The following table shows that increase in dues as a result of assessment ranged from eight to 31 *per cent* of initial tax paid in four wards during 2003-08. Absence of procedure to satisfy correctness and completeness of returns may have resulted in such a wide variation in increase in tax dues.

(Rupees in lakh)

Name of the ward	Tax paid before assessment	Tax assessed including interest and penalty	Increase in the dues in assessment	Percentage of increase
Mapusa	963.70	1,259.61	295.91	31
Margao	3,046.07	3,749.96	703.89	23
Panaji	1,729.78	1,862.89	133.11	8
Vasco	811.18	930.43	119.25	15

Scrutiny of returns of selected taxpayers for quarter ending December 2006 and 2007 revealed that in 17 returns, there was reduction of turnover to the extent of Rs 68.61 lakh as compared to previous year's return of quarter ending December 2006. It is necessary that the assessing authorities record their reasons while passing assessment orders wherever reduction in turnover takes place.

The Government may consider prescribing guidelines/modalities for preparing the assessments in the interest of revenue.

6.2.11 Non/late filing of returns

Non/late filing of returns attracts Section 17 of the GTL Act which provides for penalty not exceeding one and half times of the amount of tax assessed. The levy of penalty is at the discretion of the assessing authorities. Audit scrutiny revealed that no instructions/guidelines were issued to the assessing authorities as regard to the manner in which the quantum of penalty was to be determined.

Out of 396 cases test checked in audit, in 224 cases penalty was leviable during 2003-04 to 2007-08. As against the maximum penalty of Rs 7.35 crore leviable, penalty of only Rs 95 lakh was levied. In 140 cases penalty was short levied by Rs 4.57 crore and in 84 cases penalty of Rs 1.83 crore was not levied. There was neither any uniformity in levy of penalty nor were the reasons for reduction in penalty recorded on the assessment files.

As there is no transparency in levy of penalty for non/late filing of returns, it is recommended that GTL Act be amended to provide for definite guidelines on levy of penalty and it may be made mandatory for the assessing authorities to mention the reasons for non-levy of penalty wherever it is not levied/levied at reduced rates.

Compliance deficiencies

6.2.12 Short realisation of tax due to incorrect application of rates

The Government vide notification dated 8 May 2003, prescribed concessional rates of tax for the months of June to October 2003 and March 2004 provided that the hotelier should hold registration/renewal of registration certificate and pay all the taxes in time and clear all undisputed arrears and other dues. Further, as per notification dated 29 March 2004, the period for concessional rates was modified as April to November and March. The concessional rates were four and two and half *per cent* during 2003-04 and three *per cent* during 2004-05, 2005-06 and 2006-07 (upto August 2006).

Scrutiny of the assessments of 396 taxpayers for 2003-04 to 2006-07 in four wards revealed that in 78 cases, concessional rates were allowed though the conditions attached were not fulfilled, resulting in short realisation of tax of Rs 1.82 crore.

6.2.13 Receipts not considered for levy of tax

As defined under Section 2 (f) of the GTL Act, luxury provided in a hotel means accommodation and other services provided in a hotel, including air conditioning, telephone, television, radio, music, entertainment, extra beds and the like, and all services other than casinos, water sports, boat/river cruises and supply of food and drinks. Out of 396 cases test checked in audit, in 21 cases, the receipts of laundry, activity income, business income, health club, miscellaneous, travel desk sales, convention services etc. amounting to Rs 10.60 crore relating to the period from 2003-04 to 2006-07 were neither taxed nor was there explanation as to why the relevant luxuries were not taxed. The tax leviable on such luxuries worked out to Rs 66.01 lakh.

Under Section 2 (a) of the GTL Act, accommodation for commercial purposes was taxable at the rate of 12 *per cent* of receipts or Rs 250 per day whichever was higher. In case of accommodation provided for commercial purposes in any hotel, the rate of tax was the normal rate in the case of accommodation provided for residential purposes in the hotels. In 13 cases, accommodation receipts of Rs 2.09 crore during 2003-04 to 2005-06 were neither taxed nor reasons advanced for not doing so. This resulted in non-levy of tax of Rs 9.84 lakh.

6.2.14 Non-levy of interest for delayed payment after issue of demand notice

As per Section 13(7)(a) of the GTLA, if the dues are not paid on or before the date specified in the demand notice issued for payment, simple interest at the rate of 24 *per cent* per annum was leviable from the expiry of the date specified in the demand notice to the date of payment. Levy of interest is mandatory for delayed payment and is not at the discretion of the assessing authorities.

It was noticed from the dealers' ledger that wherever the recovery of dues was made after the due date of payment specified in the demand notice, no interest was levied. This resulted in non-levy of interest of Rs 7.94 lakh in two[3] wards in 34 assessments during 2000-01 to 2005-06 of which Rs 40,000 relates to the period from 2002-03 to 2005-06.

6.2.15 Incorrect exemption of receipts

The Government vide notification dated 8 May 2003, exempted luxuries less than Rs 100 provided, that the hotelier should not be in default for payment of tax due during the period for which exemption was claimed and should have renewed his RC. One case each in Panaji and Margao wards was noticed where the exemption was allowed for 2003-04 by assessing authorities even though the payment of tax was delayed. This resulted in non-levy of tax of Rs 2.17 lakh. In one case in Mapusa ward, similar exemption was allowed for 2003-04 even though the RC was not renewed, resulting in non-levy of tax of Rs 1.97 lakh.

6.2.16 Delay in renewal of registration certificate

As per Section 9A of the GTL Act, every tax payer is required to get his registration certificate (RC) renewed every financial year on payment of prescribed fees. Non-renewal of RC attracts Section 37 of the GTL Act, according to which non-renewal is an offence and, on conviction, punishable with a daily fine of not less than Rs 100 per day during the period of continuance of offence in addition to imprisonment upto one year.

Scrutiny of the renewal of RC in respect of 396 selected taxpayers for 2003-04 to 2007-08 revealed that in 286 instances, the renewal of RC was delayed from one to 1,649 days and in 313 instances the renewal was not done as of March 2008. The department did not initiate action as required under the provisions of the GTL Act in order to convict the defaulters in renewal of RCs. The fine leviable for delay in renewal of RC was Rs 1.57 crore and for non-renewal of RCs was Rs 2.43 crore.

There is no provision in GTL Act to allow the assessing authorities to levy penalty in case of delay in renewal of RC. As getting a taxpayer convicted in court is a lengthy process involving considerable time and energy, it is recommended that a provision may be introduced in GTL Act to allow the assessing authorities to levy penalty at prescribed rates.

Internal controls

6.2.17 Non-existence of internal audit

Internal audit is generally defined as control of all controls or key internal control used to assess whether various prescribed systems were functioning reasonably well in the organisation. It was seen that though an internal audit cell was set up by the department, scrutiny of records of four wards revealed that no internal audit was conducted during the period 2003-04 to 2007-08 due to non-availability of staff. The manner in which the staff sanctioned for internal audit is being utilised has been called for.

[3] Mapusa and Panaji.

6.2.18 Reconciliation

Rule 19 of GTL Rules provides for verification of taxes collected with the treasury records. The amount payable by the taxpayer is directly paid by him into the State Bank of India accompanied by the prescribed challan in quadruplicate, one copy is retained by the treasury, one copy is sent to the assessing authority and two copies are returned to the taxpayer of which one copy goes to the assessing authority along with the returns. The revenue realised under the GTL Act/Rules is in the form of tax, fees, interest, penalty and surcharge (14 November 2002 to 31 March 2003). As per Rule 13 of GTL Rules, the columns prescribed in challan were tax, interest and penalty. However, it was noticed that the entire revenue which was reconciled upto March 2008, was accounted for as 'tax' only. No system existed to reconcile the revenue under different detailed heads such as tax, interest, penalty.

6.2.19 Incomplete maintenance of records

Different registers are used to record details of taxpayers returns, assessments etc. These registers are useful in maintaining correct and complete records of taxpayers and serve as the monitoring mechanism for the department. Maintenance of registers was poor in four wards as stated below.

6.2.19.1 Day Book

The wards maintain Day Book indicating, inter alia, name of hotelier, registration certificate number, period of assessment, gross receipt, tax, penalty, tax assessed, amount paid before assessment, balance, amount refundable, due date for payment, amount paid with date, revenue recovery certificate number and date etc.

Scrutiny of register maintained at the wards revealed that the Day Book format was not prescribed by the Commissioner/Government. The register prescribed for the sales tax is being used for the luxury tax without any modification. No column was provided in the register to record the interest levied for delayed payment of tax and the same is recorded in the column of penalty. As a result, amount of interest levied could not be ascertained from the Day Book. Though the columns such as due date for the payment of amount due after assessment, the amount paid with date and RRC number and date were provided in the register, the same were not filled in. This indicated that the Day Book maintained was incomplete, further there was no indication of check of the register by any authority.

6.2.19.2 Dealers' ledger

The Wards maintain dealers' ledger indicating, inter alia, revenue recovery certificate number, date of commencement of liability, validity of registration certificate, details of previous dues, date of returns, amount of challan, date of assessment, amount extra assessed, date of demand notice, appeal details, extra dues payment details, amount of interest/penalty.

Scrutiny of register of dealers' ledger revealed that the register format was not prescribed by the Commissioner/Government but the register prescribed for sales tax was being used without any modification. The columns such as details of previous dues, date of returns, details of extra dues recovery, account of interest, penalty were not filled in. There was no evidence of check of the register by any authority. In the absence of the above details, the maintenance of the register did not serve its purpose.

6.2.19.3 Refunds register

Section 22 of the GTL Act provides for refund of tax and penalty, if any, after adjustment of recovery due from the taxpayer, if any. No application is required from the taxpayer asking for the refund. The format in which the register of refunds needs to be maintained has not been prescribed by the Commissioner/Government. It was noticed from the register maintained at three[4] wards that though 11 cases of refunds amounting to Rs 1.90 lakh were due as per Day Book, the same were not recorded in the refunds register. Thus, the register maintained was incomplete and did not serve its purpose.

6.2.19.4 Register for renewal of registration certificate (RC)

Section 9A of the GTL Act provides that every taxpayer is required to get his RC renewed each financial year on payment of prescribed fees. The renewal fee was to depend upon the capacity of the accommodation. In order to watch timely renewal of RC and payment of fees, a register indicating number of rooms, amount paid, date of renewal was necessary. The Commissioner/ Government did not prescribe the format in which the register for renewal of RC was to be maintained.

Scrutiny of the register maintained at three[5] wards revealed that the registers were maintained from 2006-07 onwards without indicating accommodation capacity. No register was maintained at Mapusa ward. For the earlier period computerised statements were available wherein only amount of renewal fees was recorded without indicating number of rooms and date of payment. This indicated that maintenance of vital record was weak.

6.2.19.5 Register for cases referred to Tax Recovery Officer

In order to watch the recovery of the cases referred to Tax Recovery Officer (TRO), a register was required to be maintained with suitable columns. The Commissioner/Government did not prescribe any such register.

It was noticed that no register of cases referred to TRO was maintained at Panaji ward. In case of Vasco ward, out of 21 cases amounting to Rs 71.88 lakh referred to TRO during November 1991 to July 2006 in eight cases an amount of Rs 6.49 lakh was recovered, leaving 13 cases in respect of which details of recovery were not available on record. In Margao ward, no columns were provided in the register to indicate the amount and the date of recovery. However, the register with all necessary columns was maintained at Mapusa ward.

The aspect of non-maintenance of the registers indicates that the department was not serious about building on information database and at the same time there was no monitoring mechanism in place.

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[4] Margao, Panaji and Vasco.

[5] Margao, Panaji and Vasco.

6.2.20 Arrears of revenue

The position of arrears of luxury tax revenue in the State during 2003-07 was as under:

(Rupees in crore)

Year	Amount of tax collected	Amount of arrears	Percentage of arrears to collection
2003-04	24.73	13.28	54
2004-05	27.01	6.32	23
2005-06	29.92	5.62	19
2006-07	42.73	6.14	14

As per Section 13 of the GTL Act, the amount of tax/interest/penalty not paid shall be recoverable as arrears of land revenue. With effect from November 1996, the assessing authority may refer any case of recovery to authorised TRO to recover the outstanding amount. The procedure laid down according to which recovery shall be made by one or more of the following modes, is as follows:

- by attachment or distraint and sale of the defaulters' movable property;
- by attachment and sale of the defaulters' immovable property.

Verification of the records revealed that there was slackness in referring the cases to TRO by the assessing authorities and recovery by the TRO. Amount involved in pendency of issue of recovery certificates by the department and amount pending at level of TRO for more than one year after the assessment, as on 31 March 2005, 2006 and 2007 were detailed below:

(Rupees in lakh)

As on 31 March	Pending at departmental level	Pending with TRO	Pertains to the assessment done prior to April of the year
2005	345.77	150.95	2004
2006	355.97	114.80	2005
2007	366.38	115.45	2006

In the ward at Mapusa, it was noticed that during 2003-04 to 2007-08, cases referred to TRO were 67 (Rs 72.95 lakh). Of this, recovery made was only in three cases (Rs 7.52 lakh) indicating slackness in recovery. Reasons for pending at departmental and TRO level called for have not been reported (September 2008).

6.2.21 Scheme of settlement of arrears by hoteliers

In order to provide for the expeditious enforcement of payment of arrears of tax relating to the period from 1 April 1999 to 31 March 2003 by hoteliers under the GTL Act by way of settlement, waiving interest and penalty, a scheme of "Settlement of Arrears by hoteliers" was introduced for the period from 9 March 2004 to 31 March 2004 which was extended upto 31 May 2004. As per the scheme, the hotelier was to make full payment of tax (excluding interest and penalty) due from him on or before 31 May 2004. Further, the hotelier was to apply in respect of cases assessed as well as not assessed for the period from 1999-2000 to 2002-2003. As on 31 March 2003, arrears of dues were Rs 11.44 crore including Rs 8.82 crore at departmental level and Rs 2.61 crore at TROs level. The arrears remained to be recovered mainly due to lack of prompt issue of recovery certificates and non-recovery of dues by the TROs in respect of recovery certificates issued to the TROs. As a result, the Government introduced a scheme under which amount of interest/penalty waived was Rs 3.77 crore in 69 cases, out of which amount pertaining to the year 2002-03 was Rs 30.53 lakh. The penalty/interest waived was not quantified by the department in respect of applications received under the scheme for non-assessed cases.

It was noticed that there was no mechanism to issue recovery certificate promptly as well as for recovery of dues by the TROs by following the prescribed procedure which ultimately led to introduction of scheme for waiving the interest/penalty and caused a loss of revenue to the Government of Rs 3.77 crore in assessed cases. Loss was not quantified in non-assessed cases. Such amnesty schemes do not render help to overall atmosphere of compliance by honest taxpayers and hence should be avoided.

6.2.22 Conclusion

The administration of GTL Act suffered from a number of system and compliance deficiencies as pointed out in the preceding paragraphs. The deficiencies existed in practically every major area of functioning from bringing maximum taxpayers into tax net to registration, renewal, assessment and enforcement. The internal control mechanism was far from satisfactory. Effective steps were also not taken by the department to plug the loop holes in the extant Acts/Rules and make suitable amendments for better collection of luxury tax. Thus, efficiency and effectiveness of administration of GTL Act by the Commercial Taxes Department was not upto the expected level and needed substantial improvement.

6.2.23 Recommendations

The Government may consider implementation of the following recommendations for rectifying the system and compliance deficiencies:

- a system may be prescribed for obtaining periodical information of hoteliers registered with the Tourism Department and conduct systematic surveys so as to bring maximum taxpayers into the tax net;
- a systematic information base of taxpayers may be created and record maintenance at the offices strengthened;
- Form Lux-1 may be modified to include details of current tariff structure and occupancy in the previous year;
- Form-8 (Returns) may be modified to include occupancy details;
- the records to be submitted by the hoteliers may be specified and a procedure may be devised for satisfying correctness and completeness of the returns during assessment;

- GTL Act may be amended to allow the assessing authorities to levy penalty at prescribed rates for delay in renewal of registration certificate instead of convicting at court etc.;
- GTL Act may be amended to provide for a definite guidelines for levy of penalty for non/late filing of returns; and
- the internal audit wing may be strengthened in order to strengthen the internal control mechanism.

6.3 Working of e-RTA and e-Transport software in the Department of Transport, Goa

Highlights

- Absence of wide area network resulted in non-utilisation of smart cards for online checking of licences

(Paragraph 6.3.7.2)

- The software did not have provisions to capture the dual fuel option (Petrol and LPG)

(Paragraph 6.3.8)

- Faulty system design provided for closure of a series before exhausting all the registration numbers leaving scope for manipulations.

(Paragraph 6.3.11)

- Incorrect mapping of business rules in the system resulted in violation of provisions of the Motor Vehicles Act.

(Paragraphs 6.3.14.1 and 6.3.14.2)

- Inadequate physical and logical access controls and system security made the system and data vulnerable to unauthorised access and manipulation

(Paragraphs 6.3.15.1, 6.3.15.2 and 6.3.15.3)

- Lack of input controls resulted in poor assurance regarding completeness, accuracy and reliability of data.

(Paragraph 6.3.16.1)

- Non-validation of life time taxes resulted in short realisation by Rs 6.24 lakh.

(Paragraph 6.3.16.2)

6.3.1 Introduction

The Transport Department regulates the levy and collection of taxes on motor vehicles, passenger tax and fees towards licence, registration, fitness certificate and matters regarding the issue of Trade certificate to dealers of motor vehicles, national permits to goods carriages, permits for contract/stage carriage/tourist taxis, etc. and compounding of offences. The Directorate of Transport is the regulatory authority for implementing the various statutory provisions of the Motor Vehicles Act, 1988 and rules made thereunder.

6.3.2 Computerisation

The department was initially using the system developed by National Informatics Centre (NIC) at RTOs, Panaji and Margao since May 2000 and July 2002 respectively. In April 2003, the Government decided to have a web portal for a comprehensive computerised management of the Department's activities for which M/s Goa Electronics Limited (GEL), Panaji was assigned the following works:

- development and implementation of e-RTA software for web-based-application with 11 modules to be executed through M/s Maruthi IT. Com Limited (Maruthi). e-RTA was functioning in all the seven RTOs since July 2006;
- development and implementation of e-Transport software for administrative activities with 11 modules[6] was entrusted in September 2005;
- development and implementation of Electronic Motor Vehicle Registration Scheme (e-MVR) for dealer level registration was entrusted in April 2006 for non-transport and January 2007 for transport vehicles; and
- computerisation of permanent driving licences in the form of smart card[7] in April 2006 through M/s Smart Chip Limited.

Windows 2000 server application server, SQL server 2000 database server at the back-end and ASP language at the front-end were used in both e-RTA as well as e-Transport.

The central server at Secretariat is the repository of data of registration and learners' licences (e-RTA).

6.3.3 Objectives of computerisation

The objectives of computerisation were to process through system the activities of:

- issuance of learners' driving licenses, driving licenses and its renewal;
- motor vehicle registration, renewal of registration;
- collection of taxes and fees at check posts online;
- issue and renewal of permits online;
- online generation of management information system and reports.

6.3.4 Organizational set up

The Directorate of Transport is headed by a Director who is assisted by seven[8] Assistant Directors each heading the respective road transport offices (RTO) in the State. Besides, there are four[9] check posts situated at the borders under the control of the department.

[6] Cash collection, challans generation, demand drafts collection, inward/outward, prosecution, accounts functions, establishment and personnel, STA permits, website interface and maintenance, RTA permits and touch screen kiosk facility.

[7] Smart card refers to permanent driving licence in the form of card with features of data storage through which online booking of offences was possible.

[8] Panaji, Margao, Mapusa, Bicholim, Ponda, Vasco and Quepem.

[9] Pollem, Mollem, Dhargal and Dhudamarg.

6.3.5 Audit objectives

The audit objective was to assess the implementation and operation of e-RTA, e-Transport, e-MVR and the smart card module with reference to data integrity, confidentiality and availability. The system compliance to IT objectives of the department, IT security benchmark, achievement of business intended results and efficient use of the resources were examined.

6.3.6 Scope and methodology of Audit

The records relating to e-RTA, e-Transport, Smart Card and e-MVR were scrutinised to evaluate the effectiveness of computerised activities of the department with reference to the stated objective. The collection of data through issue of questionnaire, audit requisitions, audit enquiries; test check of sample transactions in registration module and extraction and analysis of data using CAAT was made.

Audit observations

6.3.7 Planning of computerization

6.3.7.1 Development of module for tax collection

Though the e-RTA system developed by Maruthi had provision to collect road tax from transport vehicles, the department awarded development of a separate module for collection of tax as part of e-Transport to GEL. It was noticed that there was no linkage between the two modules as well to share data. Thus the data already available in e-RTA had to be entered into e-Transport again. Further, as the details of the vehicle registration, licences and their renewals were available in the e-RTA only, the collection module in e-Transport could not be effectively utilised to monitor the revenue for the due renewals.

The department replied (July 2008) that the motive in incorporating a separate cash collection module was to have a single point cash collection for fine/fees and tax and as the date of registration and the latest tax paid date were captured, the system could easily generate the list of defaulters for each RTO. However, it was seen that the RTOs were unable to generate such lists of defaulters as they were not adequately trained to do the same. The reply also indicated poor planning as the facility available in e-RTA was not considered while developing the new module resulting in duplication of data entry besides incompleteness of data.

6.3.7.2 Non establishment of WAN connectivity – Smart Card module

Work order for issue of smart cards for permanent drivers' license provided for connectivity of all the RTOs with the Headquarters through a wide area network (WAN) and a central server installed in the Transport Commissioner's office. Instead, a server was installed (May 2006) at each RTO with no inter-connectivity and there was no central server installed at the Headquarters. Further, hand held machines (20 numbers) supplied by GEL for enabling online checking of the smart cards also could not be put to use for want of connectivity leading to non-utilisation of the smart cards for intended purposes.

The department replied (July 2008) that a central server for the smart card driving licence would be installed.

System deficiencies

6.3.8 Registration of new vehicles

There was no provision in the registration module of e-RTA system to select dual fuel (petrol and LPG) option and also to enter the details of cylinder number, batch number and validity. The department replied (July 2008) that the provision for dual fuel would be facilitated in the system.

6.3.9 Re-registration of vehicles

In re-registration module of e-RTA system, the registration number of the vehicle being re-registered could be entered either in old format or new format. The new format had State code, RTO code, series and number. It was seen that the details of the state and the name of the RTO were being captured again in the same format to facilitate ascertaining the state and the RTO even though the registration number in new format was already captured. This re-capture of same information was avoidable. There was no validation between the data being captured for the registration number and the data to ascertain the state and RTO as well. This led to inconsistent data in the system.

The department replied (July 2008) that the above suggestions were noted and the required changes would be incorporated into the system.

6.3.10 Issue of duplicate RC book

There was provision in the registration module of e-RTA system for issue of a duplicate registration certificate (RC) book. Before issuing a duplicate RC book, it was seen that the original RC book number had to be deleted and the present running number was allotted to the duplicate RC book. The original RC book number could not be retrieved from the system which left scope for misuse of the original RC book through manipulations. The department replied (July 2008) that the suggestion was noted and the required change would be incorporated into the system.

6.3.11 Continuity in registration numbers

The Motor Vehicles Act provides that a registering authority shall assign a unique mark in a series to every vehicle at the time of registration. The department had designed the system in such a way that two series in each class of vehicle could be kept open. Before a series is exhausted, no new series should be opened. An analysis of registration data in e-RTA of all the seven RTOs showed that opening of a new series led to closure of the older of the two current series such that only two series were alive at the same time. This led to non-issue of the balance of the registration numbers in the old/closed series.

The department replied (July 2008) that the reason for opening of a new series was mainly due to the constant demand from vehicle owners for specific/ choice numbers and there was no apprehension/or cause to believe that there will be any misuse of numbers on account of any gap in the chronological order. The reply is not acceptable as system could have been customised for opening more than two series or not to open new series till series in currency was exhausted. This practice led to the risk of allotment of unused numbers in the closed series through manipulations.

6.3.12 Change of driving licence number on renewal – Smart card module

In smart card module, it was observed that the earlier number of the driving licence (DL) was not retained on renewal but a fresh number was allotted. Change of DL number on each renewal indicated deficient design as no link was established between old and new numbers due to which tracing the old DL number for a new DL was not possible.

6.3.13 Challan and vehicle number entry (Check post module-e-Transport)

- For recording day-to-day transaction, the check post module of e-Transport provides for generation and issue of receipts. The system provided for remittance of day-to-day collection of receipts into bank. It was seen that at the end of the day for generating a challan, the details of all receipts were entered into the system manually though they were already available in the system. This manual intervention posed the risk of wrong entry and manipulation of receipt details and belated remittance of collections into the bank. It was further seen that the receipt details were automatically captured in cash module of e-Transport used at Directorate as well as RTOs but the same was not provided at the check posts.

The department accepted (July 2008) the fact and assured for necessary action.

- The data entry of registration number of vehicles was not uniform in the check posts as a format for such entry was not available in the system. The department replied (July 2008) that maintaining uniformity at the check post with reference to vehicle numbers was not feasible as well as not practical as there were vehicles with different formats of registration numbers from different States entering the check post. The reply could not be accepted since the format of the vehicle registration number applicable to all the states was prescribed in Motor Vehicles Act, 1988 and the format as followed in re-registration module of e-RTA could be adopted.

Mapping of business rules

6.3.14 Non-compliance of the provisions of the Acts and Rules

6.3.14.1 Registration Module

The permanent account number (PAN) issued by Income Tax Department had to be quoted in cases of purchase of motor car. However, there was no provision in the registration module of e-RTA system to capture the PAN. The department replied (July 2008) that the provision to enter the PAN card details would be provided in the application.

6.3.14.2 Licencing Module

- As per section 7(1) of the Motor Vehicles (MV) Act, no person was to be granted a learner's license (LL) to drive a transport vehicle unless he held a driving license (DL) to drive a light motor vehicle for at least one year. This mandatory requirement of populating/capturing in database was not provided.
- As per section 7(2) of the MV Act, no person under the age of 18 years shall be granted LL to drive a motor cycle without gear except with the consent in writing of the person (guardian) having the care of the licensee desiring the LL. There was no provision in the system to record the consent.
- According to section 4 of MV Act, a motor cycle with engine capacity not exceeding 50 cc may be driven in a public place by a person after attaining the age of 16 years and no person under the age of 20 years shall drive a transport vehicle in any public place. In contravention of this proviso, LL was issued in nine cases to persons below 18 years to drive motor cycle with gear and LL was issued in 139 cases to persons below 20 years of age to drive transport vehicles. The system was not customised to exclude person below 18 years from obtaining LL to drive motor cycle with gear and below 20 years from obtaining LL to drive transport vehicles.

6.3.15 IT security

6.3.15.1 Physical access controls

There was lack of access controls to system in directorate office and in five out of seven RTOs. The department had not installed any security devices like finger print reader, card swipe, etc. to ensure only authorised persons had access to EDP room.

6.3.15.2 Logical access controls

- Logical access controls in the system should prevent any unauthorised access to the system. It was noticed that the access to e-RTA system (both registration and licensing) was through a single common user id and password in each RTO. Thus, with a single user id the users were allowed to access the system exposing it to unauthorised changes and manipulations which led to deficient accountability.

- The system did not deny access after limited number of unsuccessful attempts.

6.3.15.3 System Security

- Programme developers and support rendering agency were doing the job of data entry from the back-end as corroborated from the fact of presence of two series with the same alphabet viz. GA-08-A and GA-08-a. This was impossible as the registration number is auto generated by the system. Similarly, vehicles of Kadamba Transport Corporation Limited (State owned transport company) at Mapusa RTO were registered from the back-end as the system did not generate the registration number. Use of back-end for data entry or its manipulation is fraught with risk of deficient data integrity.
- The changes to data in master tables were effected by the support rendering agency. The department had not put in place any mechanism to ensure the entries made were by authorised persons only and in order. Thus there was a risk and compromised security to the data.
- The data of check posts were delivered in person to RTOs through pen drives without encryption of data. Thus, there was a risk of manipulation or even loss of data.
- **Unauthorised access to infrastructure resources**

  The MV Act through an amendment in January 2005, provided for only registration of vehicles by the dealers. The dealers, however, have been granted access to register as well as to print the RC books in e-RTA. The department attributed (July 2008) that the provision was made with presumption of facilitating dealer level printing of RC book in future. However, the fact remains that printing of RC Book by dealers was not permitted by the Act and the facility needed to be withdrawn to avoid unauthorised printing of RC books.
- The systems in the directorate or in five RTOs and Mollem and Dhargal check posts were not protected through anti virus software.

6.3.15.4 Data Migration from the legacy system

The work of data entry of legacy data in the system related to vehicles registered in manual system was awarded (September 2005) to GEL. However, no time frame for completion of the work was fixed and data entry was yet to be completed (May 2008).

The department replied (July 2008) that though the data was digitised, it had not been verified for its authenticity and hence, was not available in the live e-RTA database. Analysis of legacy data available in e-Transport revealed null or redundant figures for name of the citizen (735 cases), address (1,537 cases), name of city (65,181 cases), model of the vehicle (1,09,814 cases), chassis number (2,462 cases), engine number (2,563 cases), colour of the vehicle (2,452 cases), insurance numbers (24,653 cases), date of registration (1,254 cases) and date of issue of fitness certificate (4,380 cases). The outsourced work of data entry, though deficient, was paid without verifying the completeness and correctness of the data.

The department replied (July 2008) that the records would be checked and updated.

6.3.16 Application controls

Application controls are those checks and balances that are incorporated in the developed application for maintaining data integrity. These include input controls, processing controls and output controls.

6.3.16.1 Input Controls

- The registration number of the vehicle being unique, the re-registration module in e-RTA system should capture vehicle data details automatically in respect of cases already registered through the system whenever vehicles are re-registered on conversion. This inbuilt control was not available in the e-RTA system leading to manual data entry and thus led scope for erroneous data with respect to category of vehicles, price, chassis number, engine number, etc.
- In e-RTA system, duplicate chassis (in 621 cases) and duplicate engine numbers (in 669 cases) after excluding duplicate entries due to re-registration were noticed. In 1,041 cases both the engine number and chassis number were the same.

The department replied (July 2008) that lack in the data validation was noticed almost two years back and the system has been rectified to ensure the uniqueness of engine and chassis number for each vehicle. The reply was not tenable as duplicate engine numbers and chassis numbers could be entered into the system even till April 2008.

- Analysis of data of registration in e-RTA system revealed that null values were present in validity of registration period (1,793 cases) and insurance certificate number and insurance date (492 cases). Similarly, valid date in respect of LL (4,795 cases), class of vehicle (6,587 cases) and citizen number (1,84,351 cases) were missing in issued licences.

Absence of input controls in the system made data incomplete. The department replied (July 2008) that registrations in these cases were not carried out and that the date of registration would not be captured. The reply was not tenable since registration numbers were present in 1,413 cases cited to department. The department further replied (July 2008) that the selection of a 'class' and citizen number was mandatory for issuing a LL but the claim was not substantiated by system data maintained in the department.

6.3.16.2 Absence of validation checks

- **Non-validation of life time tax rates**

The life time tax on non-transport vehicles costing Rs six lakh and above was six *per cent*. In 59 cases of vehicles registered between June 2004 and April 2008 through e-RTA, tax was not collected at the stipulated rate resulting in short realisation of tax by Rs 6.24 lakh. The department replied (July 2008) that the revised tax structure was incorporated into the system after five days of notification and the tax amount was collected and receipts were issued manually by the RTOs during this period. Reply is not tenable as the short realisation did not pertain to only five days but persisted as on date (April 2008). It was further observed that the system calculated the life time tax correctly, but the same could be edited by the user due to absence of a validation check. Thus, manipulation could not be ruled out.

- **Non-validation of registration period**

As per provisos to the MV Act, the validity of registration in case of new non-transport vehicles was 15 years from the date of registration. The registration module of e-RTA system is not customised to take default valid registration period with the result that vehicles with registration period less than 15 years was observed in 268 cases and registration period with more than 15 years was observed in 50 cases.

The department replied (July 2008) that the cases where the validity of registration was less than or more than 15 years were records where editing was carried out. This confirmed the absence of necessary validations to ensure the validity of registration for 15 years only.

- The insurance of any vehicle was valid for a period of one year. The registration module of e-RTA system accepted the insurance effective date even if it was prior to the date of registration by more than one year. The department replied (July 2008) that the check for the validity of the insurance would be incorporated in the system.

- The registration module of e-RTA system accepted future dates as dates of manufacture indicating absence of validation controls. The department replied (July 2008) that necessary controls would be incorporated in the system.

- **Non-capture of validity of learners licence – licensing modules**

Validity of the LL issued is for six months. The licensing module of e-RTA system was not customised for capturing the default validity period of six months. It was observed that date of validity for LL was not entered (6,633 cases), the validity of LL was more than the prescribed period of six months (1,383 cases) and LL validity was prior to date of commencement of the LL (1,854 cases).

The department recorded the facts and replied (July 2008) that issue regarding renewal after six months was encountered due to a change in the process, as notified by the Government which was not incorporated in the system. Further development has not been intimated (September 2008).

6.3.17 Non-utilisation of modules

The system provided for entering the details of alterations carried out on vehicles but the module was not working. As a result, the details of alterations remained outside the database.

6.3.18 MIS

The system was not customised for generation of various MIS reports though the required data were available in the system. The department replied (July 2008) that the possibility of incorporating more reports would be explored and added as per requirement.

6.3.19 Business continuity plan

The GEL was entrusted with development of various modules for computerisation of the activities of the department. The company on payment of Rs one lakh per month was rendering support services like modifications and enhancements to system implemented, development of new MIS reports, assisting the users in the day-to-day functioning of the system, taking regular back up of data, supervising and verifying the data entry and uploading the data onto department website, since the implementation of e-RTA. The support was periodically extended up to March 2008. The department continued to depend on the support from the GEL to carry out the critical activities and has not prepared any plan to link e-RTA with other modules, complete the entry of legacy data and take over the maintenance of the system.

6.3.20 Conclusion

Poor planning in the system development stage has resulted in development of similar modules without integration and unnecessary duplication of work, non-utilisation of smart card system for day-to-day online checking. Deficient system designs and incomplete mapping of business rules paved way for continued dependence on manual interventions and controls. Changes of management controls and documentation of such changes were not satisfactory. Deficient logical access controls like usage of single user id to access the system exposed the system to the risk of unauthorised manipulations. Deficient input controls and validation checks coupled with incomplete migration of legacy data resulted in less assurance regarding completeness, correctness and reliability of data. The system could not be used for an effective MIS system. Thus, the stated objectives of computerising the system of registration, licencing and taxation of vehicles could not be fully achieved.

6.3.21 Recommendations

The Government may consider the following recommendations:

- the developed modules for collection of tax should be integrated so as to avoid duplication of work;
- the connectivity should be established and smart card system should be put in use for online checking of the licenses;
- necessary input controls and validation checks should be inbuilt in the system so as to make data complete, accurate and reliable;
- completeness and correctness of migrated data from the legacy system should be ensured;
- physical and logical access controls should be strengthened to make data secure; and
- system should be customised and utilised to generate effective MIS reports for reference and decision making.

FINANCE DEPARTMENT

6.4 Non-realisation of bottling fee

Faliure of the department to collect bottling fee resulted in non-realisation of revenue amounting to Rs 44.06 lakh.

As per notification dated 31 March 2000, the bottling fee for Malt Spirit[10] and Extra Neutral Alcohol (ENA)[10] was notified as Re. 0.20 per bottle. Further, as per notification dated 31 March 2003, a bottling fee of Re. 0.20 per bottle was leviable in respect of High Bouquet Spirit (HBS)[10]. "Bottle" means a bottle of any volume not exceeding one litre and in case of transfer of any excisable article from receptacle into tankers/tanks carrying bulk quantity, one bulk litre shall be the unit of measure for the purpose of levying bottling fees.

Audit scrutiny (August 2007) revealed that United Spirits Ltd Ponda, a manufacturer of HBS, malt spirit and Indian made foreign liquor (IMFL) was paying bottling fees only for the quantity of HBS and Malt Spirit sold to other units but not for the quantity used for in-house production of IMFL. The unit which was also a manufacturer of ENA, was also not paying bottling fees on the quantity of ENA used for in-house production of IMFL. During April 2002 to February 2008, the unit consumed 2,20,28,326 bulk litre of ENA/HBS/Malt Spirit for in-house production of IMFL, but did not pay bottling fees. Failure of the department in collecting bottling fee led to non-realisation of revenue amounting to Rs 44.06 lakh.

This was brought to the notice of the department and the Government in March 2008, their reply has not been received (September 2008).

6.5 Non-levy of penalty on delayed payment of tax

Non-levy of penalty on delayed payment of road tax resulted in non-recovery of revenue amounting to Rs 43.50 lakh.

As per amendment (August 2004) to Section 4 of the Goa, Daman and Diu Motor Vehicles Tax (MVT) Act, 1974, tax shall be paid in advance for a year by every registered owner or person having possession or control of the motor vehicle. Section 12 of the Act ibid provides that if the tax due in respect of any motor vehicle is not paid in time, the registered owner shall, in addition to the payment of tax due, be liable to a penalty which may extend to twice the quarterly tax payable. Further, the Director of Transport issued instructions (December 2004) to all the seven taxation officers to levy a penalty of minimum of 25 *per cent* in addition to tax payable, if the road tax due in respect of any motor vehicle is not paid within the stipulated period. For the year 2005-06, the advance road tax was due on or before 31 March 2005.

Audit scrutiny (January 2007) and information furnished by seven taxation officers revealed that during April 2005 to July 2005, only one taxation officer[11] collected the road tax for the year 2005-06 amounting to Rs 6.25 lakh

[10] Raw material for production of IMFL.

[11] Asstt. Director of Transport, Quepem.

with a penalty of Rs 39,000. The other six taxation officers[12] collected road tax amounting to Rs 6.71 crore but did not levy minimum penalty of Rs 43.50 lakh for delayed payment of tax, resulting in non-recovery of revenue.

This was brought to the notice of the Government in March 2008, their reply has not been received (September 2008).

6.6 Grant of inadmissible rebate on advance payment of yearly tax

Failure of the Government to amend the provision of the Rules in consonance with amendment of a provision of the Motor Vehicle Tax Act, resulted in grant of inadmissible rebate of Rs 29.85 lakh.

As per sections 3 and 4 of Goa, Daman and Diu MVT Act, road tax is to be paid in advance by every registered owner of the motor vehicle for a quarter, half year or year at his choice and in the case of annual licences, rebate shall be allowed. Further, as per Rule 9 of Goa, Daman and Diu Motor Vehicles Rules, 1974 in case of annual payment of tax, a rebate of two and a half *per cent* of the tax is admissible to the registered vehicle owneRs By an amendment (August 2004) to section 4 of the Act, road tax was to be paid in advance for a year by every registered owner with effect from 1 April 2005. However, no corresponding amendment was made to remove Rule 9 which was rendered redundant.

Audit scrutiny (January 2007) and information furnished by the seven taxation officers revealed that during 2005-06 and 2006-07, while one taxation officer[13] did not allow rebate in the absence of provision in the amendment (August 2004) to the Act, the other six[14] taxation officers allowed a rebate of Rs 29.85 lakh while levying the tax at annual rate. As the Government replaced the old section 4 of the Act by a new section the corresponding provisions in the Rule 9 should have also been repealed. Failure of the Government to repeal Rule 9, resulted in grant of inadmissible rebate of Rs 29.85 lakh.

This was brought to the notice of the department and the Government in March 2008, their reply has not been received (September 2008).

6.7 Non-levy of interest

Failure of the department to levy interest on delayed payment of sales tax.

Under Goa Sales Tax Act and rules made thereunder, if a dealer fails to pay the tax due from him, within the prescribed period, simple interest at the rate of 15 *per cent* per annum (reduced to 12 *per cent* per annum with effect from 22 February 2005) is leviable on the amount of tax remaining unpaid. A fraction of a month is treated as one calendar month. The above provisions

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12 Asstt. Director of Transport, Bicholim, Mapusa, Margao, Panaji, Ponda and Vasco.
13 Asstt. Director of Transport, Vasco.
14 Asstt. Director of Transport Bicholim, Mapusa, Margao, Panaji, Ponda and Quepem.

CHAPTER – VII

Government Commercial and Trading Activities

CHAPTER – VII

Government Commercial and Trading Activities

7.1 Overview of Government companies and Statutory corporations

Introduction

7.1.1 As on 31 March 2008, there were 15 Government companies (all working) and two Statutory corporations (working) as against 15 working Government companies and one working Statutory corporation as on 31 March 2007 under the control of the State Government. During the year, one new Statutory corporation viz. Goa Information Technology Development Corporation was added. The accounts of Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) under the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit by the CAG as per the provisions of Section 619 of the Companies Act, 1956. The audit arrangements of Statutory corporations are as shown below:

Name of the Corporation	Authority for audit by the CAG	Audit arrangement
Goa Industrial Development Corporation	Section 25(2) of the Goa Industrial Development Corporation Act, 1965 and Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit up to the period 31 March 2012 has been entrusted to the CAG
Goa Information Technology Development Corporation	Section 25(2) of the Goa Information Technology Development Corporation Act, 2006 and Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit up to the period 31 March 2012 has been entrusted to the CAG

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

7.1.2 The total investment[≠] in working PSUs at the end of March 2007 and March 2008 respectively, was as follows:

(Amount: Rupees in crore)

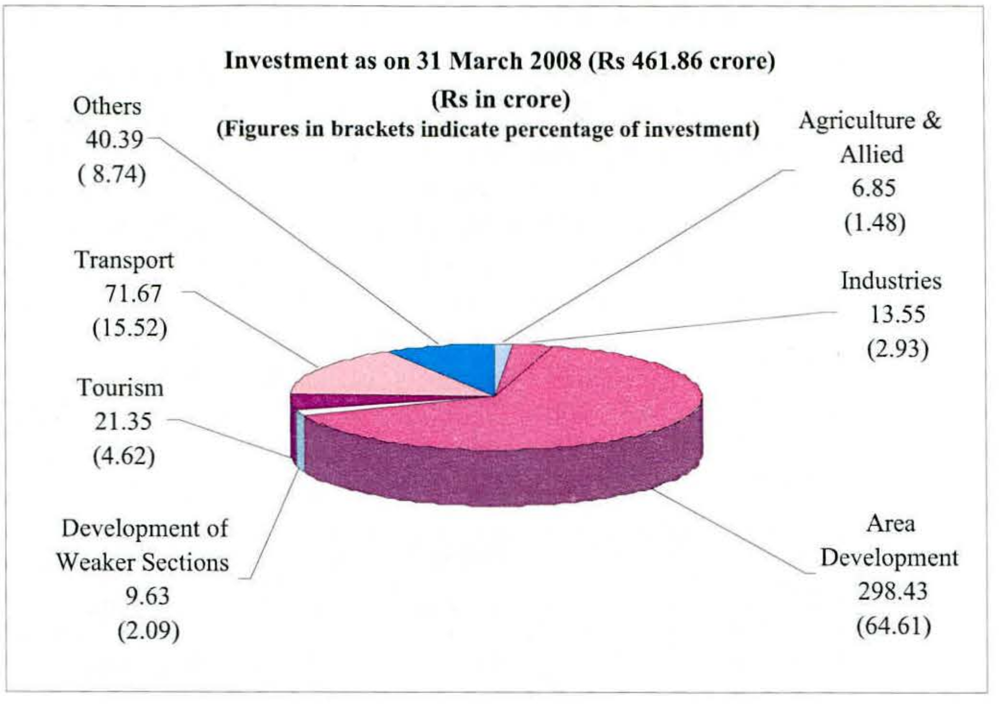
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans*	Total
2006-07	16	192.60	27.68	256.01	476.29
2007-08	17	221.64	23.68	216.54	461.86

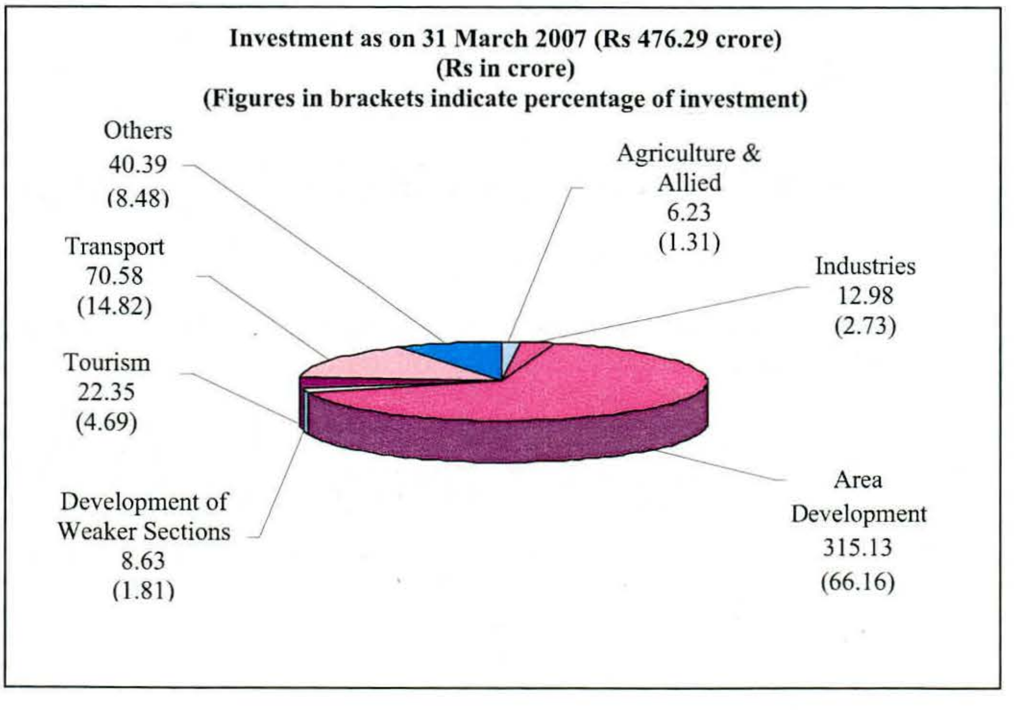
≠ Investment by way of equity and share application money in working PSUs by State Government is Rs 188.78 crore as per data furnished by the PSUs (Appendix 7.1); whereas the amount as per Finance Accounts 2007-08 is Rs 167.19 crore. The difference is under reconciliation.

* Long-term loans mentioned in Para 7.1.2 and 7.1.3 are excluding interest accrued and due on such loans.

Sector wise investment in working Government companies and Statutory corporations

The investment (equity and long term loans) in PSUs in various sectors and percentages thereof at the end of March 2008 and March 2007 are indicated in the following pie charts:





Working Government Companies

7.1.3 The total investment in working Government companies at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Year	Number of Companies	Investment in working Government Companies			
		Equity	Share application money	Loans	Total
2006-07	15	164.58	27.68	256.01	448.27
2007-08	15	193.62	23.68	216.54	433.84

The summarised statement of Government investment in working Government companies in the form of equity and loans is given in ***Appendix-7.1.***

As on 31 March 2008, the total investment in working Government companies comprised 50.09 *per cent* of equity capital and 49.91 *per cent* of loans as compared to 42.89 and 57.11 *per cent* respectively as on 31 March 2007. The increase in investment in equity capital of Rs 25.04 crore was due to additional investment by the State Government in seven[#] companies during the year. The decline in loan in 2007-08 was due to repayment of loans by two companies (EDC Limited and Goa State Infrastructure Development Corporation Limited).

Working Statutory corporations

7.1.4 The total investment in working Statutory corporations at the end of March 2007 and March 2008 was as follows:

(Amount: Rupees in crore)

Name of the corporation	2006-07		2007-08 (Provisional)	
	Capital[*]	Loan	Capital[*]	Loan
Goa Industrial Development Corporation	28.02	-	28.02	-
Goa Information Technology Development Corporation[®]	NIL	NIL	NIL	NIL

A summarised statement of Government investment in the working Statutory corporations in the form of equity and loans is given in ***Appendix-7.1.***

Budgetary outgo, grants/subsidies, guarantees issued and waiver of dues and conversion of loans into equity

7.1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by the State Government in respect of the working Government companies and working Statutory corporations are given in ***Appendix-7.1*** and ***Appendix-7.3***.

[#] Sl. No. A- 4, 6, 7, 10, 11, 12 and 15 of Appendix-7.1

[*] Amount payable to the State Government is treated as capital from State Government.

[®] No investment by Government till 31 March 2008 and the information on investment by 'Others' was not available; Corporation was yet to start the activities.

The budgetary outgo in the form of equity capital and loans and grants/subsidies from the State Government to working Government companies and working Statutory corporations during the three years up to 2007-08 are given below:

(Amount: Rupees in crore)

Particulars	2005-06				2006-07				2007-08			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No	Amount	No.	Amount	No.	Amount
Equity capital	6	9.08	-	-	6	28.23	-	-	7	26.04	--	--
Loans given from budget	1	1.00	-	-	1	1.00	-	-	-	-	-	-
Grants/subsidies	5	114.68	-	-	5	74.16	-	-	5	86.32	-	-
Total Outgo	9[@]	124.76	-	-	9[@]	103.39	-	-	10[@]	112.36	-	-

At the end of the year, guarantees of Rs 87.35 crore obtained by three Government companies were outstanding as against the outstanding guarantees of Rs 286.91 crore as on 31 March 2007. One company (Kadamba Transport Corporation Limited) defaulted in repayment of guaranteed loan of Rs 29.08 crore and interest of Rs 8.89 crore.

Finalisation of accounts by working PSUs

7.1.6 The accounts of the Government 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, read with Section 19 of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. These are also to be laid before the Legislature within nine months from the end of the financial year. 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 position of finalisation of accounts by the working PSUs is given in ***Appendix 7.2.*** It will be noticed that out of 15 working Government companies and two Statutory corporations, only three[°] Government companies had finalised their accounts for 2007-08 within the stipulated period. During the period from October 2007 to September 2008, nine companies and one Statutory Corporation finalised 11 accounts for previous years.

The accounts of 12 working Government companies and two Statutory corporations were in arrears for periods ranging from one to seven years as on 30 September 2008, as detailed below:

[@] Actual number of Companies/Corporation which have received budgetary support from the State Government in the form of equity, loans, grants and subsidies.

[°] Sl. Nos. A-3, 4 and 5 of Appendix 7.2

Sl. No.	Number of working companies/corporations		Year for which accounts are in arrears	Number of years for which accounts are in arrears	Reference to Sl. No. of Appendix-7.2	
	Government companies	Statutory corporations			Government companies	Statutory corporations
1.	1	-	2001-02 to 2007-08	7	A-11	-
2.	1	-	2003-04 to 2007-08	5	A-10	-
3.	1	-	2005-06 to 2007-08	3	A-2	
4.	1	1	2006-07 to 2007-08	2	A-9	B-2
5.	8	1	2007-08	1	1 , 6, 7, 8, 12, 13, 14 and 15	B-1
Total	12	2				

The State Government had invested Rs 113.30 crore (Equity: Rs 25.64 crore; loans: Rs 1.49 crore and grants/subsidy: Rs 86.17 crore) in nine working PSUs during the years for which accounts have not been finalized as detailed in ***Appendix 7.4***. In the absence of finalization 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.

The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the concerned administrative departments and the officials of the PSUs were apprised quarterly by the Accountant General regarding arrears in finalisation of accounts, adequate measures had not been taken by the Government and as a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

7.1.7 The summarised financial results of the working PSUs (Government companies and Statutory corporations) as per their latest finalised accounts are given in ***Appendix-7.2***. Besides, the financial position and working results of one[⊗] (Goa Industrial Development Corporation) of the two working Statutory corporations for the latest three years for which accounts are finalised are given separately in ***Appendix-7.5***.

According to the latest finalised accounts of 15 working Government

⊗ The other Statutory corporation (viz. Goa Information Technology Development Corporation) has not started the activities.

companies and one working Statutory corporation, nine companies had incurred an aggregate loss of Rs 9.97 crore, five companies earned an aggregate profit of Rs 51.78 crore and one company, (viz., Sewage and Infrastructural Development Corporation Limited) had not started commercial activities. Out of the two Statutory corporations, one (Goa Industrial Development Corporation) earned a profit of Rs 10.80 crore while the other was yet to commence activities.

Working Government companies

Profit earning working companies and dividend

7.1.8 Out of three working Government companies which finalized their accounts for 2007-08, two companies (A – 4 and 5 of **Appendix 7.2**) earned profit of Rs 1.23 crore and one company (A – 4 of **Appendix 7.2**) declared dividend of Rs 7.50 lakh. The State Government has not formulated any policy for payment of minimum dividend by the Government companies.

Similarly, out of 12 working Government companies which finalised their accounts for previous years by 30 September 2008, three[Δ] companies earned an aggregate profit of Rs 50.55 crore and all these three companies earned profit for two or more successive years. One company (Sl.No.8 of **Appendix 7.2**) has declared dividend amounting to Rs 31 lakh for the year 2006-07.

Loss incurring Government companies

7.1.9 Out of nine loss incurring working Government companies, two[#] companies had accumulated losses aggregating Rs 98.32 crore which exceeded their aggregate paid-up capital of Rs 55.61 crore.

Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of grant, subsidy *etc.* According to available information, total financial support so provided by the State Government to one of these two companies (viz. Kadamba Transport Corporation Limited) by way of equity and subsidy during 2007-08 was Rs 14 crore.

Working Statutory corporations

Profit earning working corporation and dividend

7.1.10 Out of two Statutory corporations, one corporation (Goa Industrial Development Corporation), which finalised its accounts for 2006-07, earned a profit of Rs 10.80 crore during the year but did not declare any dividend. The State Government has not formulated any policy for payment of minimum dividend by the Statutory corporations. The other Statutory corporation (Goa Information Technology Development Corporation) is yet to start the commercial activities and has not submitted its first accounts.

[Δ] Serial No. A- 7, 8 and 13 of Appendix-7.2.

[#] Goa Antibiotics and Pharmaceuticals Limited and Kadamba Transport Corporation Limited.

Return on capital employed

7.1.11 As per the latest finalised accounts (up to September 2008) the capital employed[@] in 15 working Government companies worked out to Rs 531.33 crore and total return* thereon amounted to Rs 75.88 crore which was 14.28 *per cent*, as compared to total return of Rs 43.75 crore (9.32 *per cent*) in the previous year (accounts finalised up to September 2007). Similarly, the capital employed and total return thereon in case of one[∇] working Statutory corporation (Goa Industrial Development Corporation) as per the latest finalised accounts (up to September 2008) worked out to Rs 37.96 crore and Rs 10.77 crore respectively. The details of capital employed and total return on capital employed in case of working Government companies and the Statutory corporation are given in ***Appendix-7.2***.

Status of placement of Separate Audit Report of Statutory corporation in the Legislature

7.1.12 The following table indicates the status of placement of Separate Audit Reports (SARs) on the accounts of one out of two Statutory corporations as issued by the CAG in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Years up to which SARs placed in Legislature	Years for which SARs not placed in the Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Goa Industrial Development Corporation	2004-05	2005-06	28 April 2008	Delay in printing

Results of audit of accounts of PSUs by the Comptroller and Auditor General of India

7.1.13 During October 2007 to September 2008, the accounts of nine working Government companies and one Statutory corporation (Goa Industrial Development Corporation) were selected for audit. The net impact of the important audit observations as a result of audit of accounts of these PSUs was as follows:

Sl. No.	Details	Number of accounts of		Amount (*Rupees in lakh*)	
		Government Companies	Statutory Corporation	Government Companies	Statutory Corporation
i)	Increase in profit	1	--	4.25	--
ii)	Increase in loss	-	1	-	57.83
iii)	Decrease in loss	1	-	2.75	
iv)	Errors of classification	2	1	330.99	14780.84

[@] Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in finance companies and corporations where it represents the mean of aggregate of opening and closing balances of paid-up capital, free-reserves, bonds, deposits and borrowing (including refinance).

* For calculating total return on capital employed, interest on borrowed funds is added to net profit/ subtracted from the loss as disclosed in the Profit and Loss Account.

∇ The other statutory corporation has not started the commercial activities and has not submitted its first accounts.

Some of the major errors and omissions noticed in the course of audit of annual accounts of the PSUs by Statutory Auditors and by Comptroller and Auditor General of India during supplementary audit are as under:

Important Comments of Statutory auditors in case of working Government companies

Goa Antibiotics and Pharmaceuticals Limited (2006-07)

7.1.14 The Company had not made any provision for Rs 4.34 crore being the sales tax, interest and penalties demanded by the Commercial Tax Officer, Hyderabad.

7.1.15 The expenditure of Rs 1.16 crore incurred towards installation of HVAC system was accounted as capital work-in-progress though work completion certificate was issued to the supplier.

Goa Forest Development Corporation Limited (2006-07)

7.1.16 As against the doubtful debts of Rs 56.93 lakh, provision was made towards doubtful debts only for Rs 35.67 lakh, resulting in inadequate provision on this account and consequent understatement of loss by Rs 21.26 lakh.

Important Comments arising from Supplementary audit in case of working Government companies

EDC Limited (2006-07)

7.1.17 A term loan of Rs 80 crore was sanctioned to Goa Infrastructure Development Corporation Limited (GSIDC) for funding the pre-payment of HUDCO loan. Though the Company had taken the obligation of settling the pre-payment charges, pre-payment charge of Rs 1.64 crore levied by HUDCO was neither accounted nor the fact disclosed.

Goa Forest Development Corporation Limited (2006-07)

7.1.18 The development cost of Rs 2.53 crore was to be written off at the rate of five *per cent* from the fifth year of plantation. Accordingly, the amount to be written off in 2006-07 worked out to Rs 12.65 lakh against which Rs 15.40 lakh has been written off, resulting in overstatement of 'Plantation and related expenses' and loss by Rs 2.75 lakh.

Important Comments arising from Sole audit in case of working Statutory corporation

Goa Industrial Development Corporation (2005-06)

7.1.19 Non-accounting of unutilised grants, received from the Central/State Government, and interest earned thereon, resulted in understatement of Sundry Creditors as well as Cash at Bank by Rs 9.79 crore.

7.1.20 Delayed payment charges received from the allottees towards rent and water was credited to Sundry Creditors Account instead of crediting to income which resulted in overstatement of deficit by Rs 10 lakh.

7.1.21 Non-capitalisation of the construction cost of Head Office Building completed and put to use resulted in overstatement of work-in-progress and understatement of office buildings under Fixed Assets by Rs 2.62 crore. Further, as depreciation was not charged, accumulated surplus was overstated by Rs 41.95 lakh.

Internal Audit/Internal Control

7.1.22 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report on various aspects including the Internal Control/Internal Audit Systems in the companies audited in accordance with the directions issued by the Comptroller and Auditor General of India under Section 619(3)(a) of the Companies Act, 1956 and to identify the areas which need improvement.

An illustrative resume of major recommendations/comments made by the Statutory Auditors on possible improvements in the Internal Audit/Control System in respect of State Government companies is indicated below:

Nature of recommendations/ comments made by the Statutory Auditors	Number of companies where recommendations/ comments were made	Reference to serial number of Appendix 7.2
Auditors Report and Comments/ Draft Paras/Mini Reviews not discussed in Audit Committee	2	A-7, 15
No system of making a Business Plan –short term/long term	6	A- 5, 6, 9, 10, 13 and 14
No clear credit policy	5	A-1, 2, 5, 6 and 13
No delineated fraud policy	13	A-1, 2, 3, 4, 5, 6, 9, 10, 11, 12, 13, 14 and 15
No separate Vigilance Department	14	A-1, 2, 3, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14 and 15
Maximum and minimum levels of stocks were not prescribed	6	A-1, 2, 3, 4, 6 and 14
No ABC analysis adopted to control the inventory	5	A-1, 2, 4, 6 and 14
Inadequate Scope of Internal Audit	3	A- 5, 11 and 12
No Internal Audit	1	A- 9

Response to inspection reports, draft paras and reviews

7.1.23 Observations made during audit and not settled on the spot are communicated to the heads of PSUs and the concerned administrative departments of the State Government through Inspection Reports. The heads of PSUs are required to furnish replies to the Inspection Reports through the respective heads of departments within a period of six weeks. Inspection Reports issued upto March 2008 pertaining to 11 PSUs, and 11 divisions of Electricity Department of Goa and River Navigation

Department disclosed that 148 paragraphs relating to 28 Inspection Reports remained outstanding at the end of September 2008. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2008 is given in ***Appendix-7.6***.

Similarly, draft paragraphs and reviews on the working of PSUs are forwarded to the Principal Secretary/Secretary of the administrative department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It was, however, observed that out of ten draft paragraphs and one review forwarded to various departments (viz., Finance, Information Technology, Power and Industries Departments) during March-June 2008, no replies were received from the Government so far in respect of six paragraphs and one review pertaining to Finance, Information Technology, Power and Industries Department (September 2008). It is recommended that the Government should ensure that:

- procedure exists for action against the officials who failed to send replies to Inspection Reports/draft paragraphs/reviews and ATNs on the recommendations of COPU, as per the prescribed time schedule;
- action is taken to recover loss/outstanding advances/overpayment in a time bound manner; and
- the system of responding to audit observations is revamped.

Departmentally managed Government commercial/quasi commercial undertakings

7.1.24 There were two departmentally managed Government commercial/ quasi commercial undertakings *viz.*, the Electricity Department and the River Navigation Department in the State as on 31 March 2008.

The *pro forma* accounts of the River Navigation Department were in arrears for the years from 2004-05 to 2007-08 and that of the Electricity Department for the years 2006-07 and 2007-08 (September 2008).

The summarised financial results of the Electricity Department and River Navigation Department for the latest three years for which their *pro forma* accounts are finalised are given in ***Appendix-7.7***.

SECTION A - PERFORMANCE REVIEW

GOA INDUSTRIAL DEVELOPMENT CORPORATION

7.2 Estate Management

Highlights

The Corporation did not prepare a perspective plan for development of industrial infrastructure in the State.

(Paragraph 7.2.7)

The Corporation deviated from its mandated role of acquiring and allotting land for industrial units, by acquiring and allotting land to developer companies for development and further allotment by them.

(Paragraphs 7.2.9 and 7.2.13)

Allotments of land at Verna Phase IV to Special Economic Zones (SEZ) were irregular as the land was acquired for industrial growth centre with financial assistance from Government of India.

(Paragraph 7.2.13)

Allotment of plots at tentative rates at Verna Phase IV resulted in loss of Rs 36.89 crore.

(Paragraph 7.2.14)

The Corporation executed lease deeds with four SEZ allottees for more area than approved by the Board which was rectified by allotting the area at lesser rates resulting in loss of Rs 39.47 crore.

(Paragraph 7.2.15)

The Corporation extended undue favour to 41 allottees by allotting land at lesser rates resulting in loss of Rs 26.28 crore.

(Paragraphs 7.2.16 to 7.2.20)

There was no effective system for monitoring post allotment activities and evaluation of performance of industrial units.

(Paragraph 7.2.23)

The Corporation has not adopted a policy to periodically revise the lease premium rate for plots. Delay in implementation of its own decision to revise premium rates resulted in loss of Rs 7.07 crore.

(Paragraphs 7.2.27 and 7.2.28)

Introduction

7.2.1 The Goa, Daman and Diu Industrial Development Corporation (Corporation) was established in February 1966 under the Goa Daman and Diu Industrial Development Act 1965 to secure and assist in the rapid and orderly establishment and organisation of industries in industrial areas and industrial estates in Goa Daman and Diu. Consequent upon the formation of Goa State, the name of the Corporation was changed to Goa Industrial Development Corporation. The Corporation is yet (March 2008) to transfer its assets and liabilities situated in Daman and Diu to the Omnibus Industrial Development Corporation of Daman, Diu and Dadra and Nagar Haveli (OIDC), a company formed by Government of India vide notification issued in January 1998. The main activities of the Corporation are:

- to identify appropriate sites for industrial purpose, acquire them and provide basic infrastructure facilities like roads, power, water, drainage, etc; and
- to allot the developed plots to entrepreneurs on the terms and conditions as may be determined by the Corporation.

Land is also acquired at the specific request of entrepreneurs/companies for establishment of their projects. The allotment of developed/undeveloped land to prospective entrepreneurs was being made on lease basis initially for 30 years and extendable upto 95 years for a lump sum lease premium and annual lease rent (ALR) in consideration. The Corporation has established (March 2008) 22[*] industrial estates including two in Daman and Diu. The Corporation has so far (March 2008) acquired 2.09 crore square metre of land; 1.63 crore square metre for own industrial estates and 46.35 lakh square metre at the specific request of entrepreneurs/companies. The land acquired for establishing own industrial estates has been developed into 3,538 plots of which 3,404 plots have been allotted and the remaining 134 plots were yet (March 2008) to be allotted.

The management of the Corporation is vested with a Board of Directors (BOD) consisting of 12[β] members. The Managing Director (MD) is the Chief Executive and also Ex-Officio Secretary to the Corporation and is assisted by Chief General Manager (CGM), Chief Accounts Officer (CAO), General Manager-Engineering (GM-E) and Deputy General Manger-Administration (DGM-A). A Land Acquisition Officer (LAO) has been deputed by the State Government for acquisition of land for the Corporation. The field offices are headed by Area Managers/Field Managers with overall supervision by three Deputy General Managers. The Corporation has a sanctioned staff strength of 318 against which the men-in-position (March 2008) were 248.

* Corlim, Margao, Sancoale, Mapusa, Tivim, Bicholim, Kakoda, Honda, Bethora, Cancona, Kundaim, Tuem, Verna, Cuncolim, Pilerne, Marcaim, Pissurlem, Colvale, Shiroda, Sanquem, Daman and Diu.

β Secretary (Industries), Secretary (Finance) who shall be the financial advisor to the Corporation, Chief Electrical Engineer, Director of Industries, an architect or environment expert, a person having shown capacity in industry or commerce, three persons having expertise in the fields of foods processing/agriculture, bio-technology and pharma, the Managing Director all nominated by the Government, President, Goa Chamber of Commerce and Industry and President, Small Scale Industries Association.

Scope of audit

7.2.2 The working of the Corporation was last reviewed and observations included in the Report of the Comptroller and Auditor General of India for the year ended 31 March 2003, Government of Goa. The Report was under discussion (September 2008) by the Committee on Public Sector Undertakings (COPU). The present performance review was conducted during March to May 2008 at Head Office and four[⊕] field offices out of 22 field offices to evaluate the estate management by the Corporation during the five years ended 31 March 2008. The selected four industrial estates account for 68 *per cent* (1.11 crore square metre) of the total area of own industrial estates (1.63 crore square metre).

Audit Objectives

7.2.3 The performance review of the management of estates was conducted with a view to ascertain whether:

- the requirement of land was assessed and the acquisition was planned accordingly;
- the land was acquired and developed efficiently as per target;
- land/plots were allotted to industrial entrepreneurs in a transparent manner and the terms and conditions of lease were conducive to industrial development;
- lease rent/premium was fixed correctly;
- land/plots were utilised for the intended purpose;
- the corporation had framed policy regarding transfer of lease and
- internal control measures existed to monitor timely recovery of receivables and follow up thereof.

Audit Criteria

7.2.4 The Audit Criteria used for assessing the achievement of audit objectives were as follows:

- Industrial policy of the State Government and directives issued relating thereto;
- Proposals and planning for acquisition of land;
- Planning and Development Authority Regulations;
- Terms and conditions for allotment of land/plots;
- Rules/regulations/guidelines in force with regard to fixation of land price;
- Policy/guidelines in regard to levy of lease rent; and
- Internal control procedures.

[⊕] Verna, Kundaim, Pissurlem and Cuncolim.

Audit Methodology

7.2.5 The methodology adopted for attaining the audit objectives with reference to audit criteria involved:

- scrutiny of records relating to acquisition of land;
- review of allotment register, files and deeds;
- review of progress reports furnished by field offices;
- review of Government directions, minutes of meetings of BOD; and
- issue of audit observations and interaction with management at various levels.

Audit findings

7.2.6 Audit findings arising from the performance review were reported (June 2008) to the Government/Management and were discussed in the meeting (16 September 2008) of Audit Review Committee for Public Sector Enterprises (ARCPSE). The meeting was attended by the repsentatives of the Government and the Management. The views expressed by the representatives of the Government/Management have been taken into consideration while finalising the review.

The review of estate management in the Corporation revealed several deficiencies and irregularities in its functioning. Poor financial management, irregularities in allotment of land and other deficiencies resulted in a loss of Rs 127.25 crore to the Corporation. The loss on account of delay in revision of land premium is not quantifiable in the absence of specific details. The audit findings are discussed in the succeeding paragraphs.

Absence of perspective plan

7.2.7 The State Government announced (2003) its industrial policy which provided for an overall approach towards economic growth of the State through accelerated industrial development with high quality infrastructure to enable optimum utilization of the State's resources. The Government identified thrust areas for focused attention such as pharmaceuticals, drugs and bio-tech industries, food processing and agro based industries, IT & IT enabled services, eco-tourism / heritage tourism / adventure tourism / event tourism / medical tourism and entertainment industry. The salient features of the policy included:

- Setting-up of industrial parks to ensure focused attention for thrust areas;
- Revamping the functioning of the Corporation to provide proper infrastructure and facilities for setting up of industries and attracting investments in Goa;
- Quality competitiveness and technology upgradation; and
- Building industrial competency in women.

The following deficiencies were noticed in Audit:

Corporation did not prepare a perspective plan for development of infrastructure

- The Corporation has been pursuing industrial development on ad-hoc basis. It did not prepare a perspective plan defining both short term and long term plans for development of industrial infrastructure in the State in consonance with the Industrial Policy of the State Government. A perspective plan helps in ascertaining the level of industrial development required/can be achieved, employment potential, requirement of land and infrastructure which in turn is useful in planning industrial development.
- The State Government also did not set a definite target or time frame for the Corporation for development of estates in line with its policy.
- The Corporation does not have the details of employment created in the industrial estates. Though an allottee is required to mention the employment potential in his application, no systematic review and compilation of actual employment statistics was done.

The Management stated (August 2008) that it followed policy of industrial development by establishing industrial estates covering all the talukas of the State and subsequently gone in for expansion of the industrial estates. It further stated that employment census was going on and the details of employment would be ready on its completion.

The fact however, remains that the Corporation had not prepared any perspective plan for setting up industrial parks to ensure focused attention for thrust areas identified in the industrial policy. A systematic review and compilation of employment statistics is yet to take place.

Acquisition of land

Action Plan

7.2.8 For the purpose of establishing industrial estates and expansion thereof, the Corporation had been acquiring land from private parties as per procedures laid down in Land Acquisition Act, 1894. The Corporation acquired land at the specific request of entrepreneurs also, for establishing their own projects. The land acquisition is made through Land Acquisition Officer (LAO) deputed by the State Government. The Corporation so far acquired (March 2008) 2.09 crore square metre of land for 22 industrial estates and eight special projects. During the five years ended March 2008, the Corporation initiated acquisition proceedings for 1.64 crore square metre of land in different locations for expansion of own industrial estates and for two special projects and acquired 43.47 lakh square metre (35.88 lakh square metre pertaining to proceedings initiated prior to 2003-04) of land up to March 2008. Audit noticed the following deficiencies:

No system existed to assess the requirement in accordance with specific project or demand

- No system existed to assess the requirement in accordance with any specific project of its own or local demand of industries.
- No time specific action plan was drawn up for land acquisition. The Corporation initiated action for land acquisition without fixing any time

schedule. The acquisition proposals for 13.83 lakh square metre in four* locations envisaged in the Budget proposals for 2003-04 were carried forward in the Budget proposals for 2008-09 also due to inadequate follow-up of the proposals and resultant delay in getting clearance from various authorities.

The Management stated (August 2008) that it was promoting industrial estates in backward areas to overcome regional imbalances. The fact however, remains that the Corporation does not have a definite policy for selection of land for acquisition with respect to the nature of industries and suitability for creation of infrastructure facilities.

Deviation from policy/established practice

Corporation deviated from its established role, of acquiring and allotting land directly to the entrepreneur, by allotting land to developers for further allotments by them

7.2.9 The Corporation was set up with the objective of securing and assisting in establishment and organization of industries in the State. With this end in view the Corporation acquired land, developed it with infrastructure facilities such as roads, water supply, drainage and street lights and allotted the developed land to industrial units. Special acquisitions were also made as per request of the industrial entrepreneurs for specific industries.

Contrary to this established practice, the Corporation acquired and allotted (April 2007) 4.19 lakh square metre of land in Quitol Village to Betul Hospitality Parks Private Limited (BHPL) for auxiliary services to Food Park. BHPL applied (November 2005) for land, for setting up residential resorts for up market tourists to cater to the industries that would come up in the proposed Food Park in the locality. Land for the Food Park however, was yet to be acquired. The decision of the Corporation to acquire and allot land for residential resorts was a clear deviation from the policies followed by the Corporation.

The Management stated (August 2008) that the acquisition/allotment had been done in line with the prevailing Government policies. However, the Government in its industrial policy had not envisaged allotment of land for residential resorts.

Development of land

Lack of planning

7.2.10 The Corporation developed land acquired for industrial estates by providing basic facilities viz. roads, water supply, sewerage and street lights. The Corporation prepared its development plans sub-dividing the total area into saleable plots and open space/green area, internal roads (15 *per cent* each) and other utilities (7.5 *per cent*) in line with Planning and Development Authority regulations in the State. Of the 22 industrial estates the Corporation furnished area details only in respect of eight$^{\psi}$ estates of which the entire area

* Cuncolim Phase II, Sancoale Phase IV-A and V, Bethora

$^{\psi}$ Bethora, Cuncolim, Kakoda, Kundaim, Pilerne, Pissurlem, Shiroda, Thivim was developed only in three[π] estates. Five industrial estates were partly developed and areas aggregating 8.73 lakh square metre were yet to be developed in those industrial estates. The Corporation was not able to furnish the area statement in respect of remaining 14 industrial estates in the absence of which availability of undeveloped area in those 14 estates could not be ascertained. Audit observed the following :

Corporation allotted land before completing basic development activities, paving way for fixing arbitrary rate of lease premium

- Despite having exhausted saleable developed area in most of the estates, the Corporation has neither initiated any action to develop the undeveloped area aggregating 8.73 lakh square metre in the five industrial estates nor reported the matter to the BOD.
- The development activities were not planned and executed before commencing the process for allotment of plots. The Corporation allotted (September 2005) land (Verna Phase IV) even before lay out plans were finalised (March 2007). The procedure for allotting land before completing the basic development activities was irregular as it paved way for fixing arbitrary rate of lease premium without ascertaining the development cost, as discussed in ***paragraph 7.2.14 and 7.2.18***.
- The Corporation subdivided the area acquired (March 2004) in Verna (Phase IV) into open/green space (5.37 lakh square metre), utilities (2.73 lakh square metre), plots (23.47 lakh square metre) and roads (5.34 lakh square metre). The area intended for plots, utilities and open space have been utilised. Out of 5.34 lakh square metre earmarked for roads, 1.35 lakh square metre was diverted for allocation to three SEZs and 1.30 lakh square metre only was utilized (March 2008) for construction of roads. The position of utilization of the remaining (2.69 lakh square metre) was not ascertainable.

The Management stated (August 2008) that the undeveloped land was being developed. It further stated that land was allotted before developing to avoid some industries moving out of the State.

The fact however, remains that the Corporation had not maintained the area details of all the estates and availability of undeveloped land had not been brought to the notice of BOD. The Corporation had not evolved a transparent system to provide information regarding availability of land for allotment.

Allotment of Land

7.2.11 The applications for allotments are processed in the Estate Division. MD has been delegated powers to allot land against requests for area less than 10,000 square metre with the approval of Chairman. Approval of the BOD is required for allotment of area of 10,000 square metre and above. The Corporation during the five years period ended 31 March 2008 allotted 50.63 lakh square metre of land in 18 industrial estates to 443 units. In addition to this, 18.55 lakh square metre of land specially procured (August 1992, August 2001 and March 2007) was also allotted during the

[π] Bethora, Cuncolim, Shiroda

period. The allotments included 38.41 lakh square metre of land to seven units for establishing Special Economic Zones (SEZ). All allotments to SEZs (38.41 lakh square metre) and allotments of area more than 10,000 square metre individually in Verna, Kundaim, Pissurlem and Cuncolim aggregating to 7.83 lakh square metre were test checked in audit while other allotments were generally reviewed.

Deficiency in system of allotment

7.2.12 Audit observed the following deficiencies in the system of allotment of land:

Allotments were made without any transparent selection procedures

- The Corporation had not formulated an open system for providing information to the entrepreneurs regarding availability of land/plots and the area thereof by uploading the same on website etc.
- The Corporation had not resorted to open invitation for Expression of Interest (EOI) from interested entrepreneurs for allotment of land. The allotments were made without any kind of selection process; instead a 'direct approach system' was in vogue.
- The Corporation had not evolved a centralized system of registering all the requests/ applications from the entrepreneurs to ensure that all applications received get processed.

Audit noticed irregularities in 86 allotments (46.24 lakh square metre) involving loss of revenue of Rs 102.64 crore, as discussed in the succeeding paragraphs.

The Management while agreeing that it had no practice of advertising and inviting EOI stated (August 2008) that it has created a website to provide information regarding availability of land and also commenced maintaining applicants' roaster.

The fact however remains that introduction of the new systems indicated deficiency in the system hitherto followed. A system of invitation of EOI for allotment of land however, was not in place.

Irregular allotment of land for SEZ projects

7.2.13 In pursuance of SEZ Act, 2005 and SEZ Rules, 2006 notified by the Government of India, the State Government formulated its SEZ policy in June 2006 to promote development of SEZ by extending various incentives such as exemption from payment of taxes and duties. The Government, however, had not assigned any specific role for the Corporation in development of SEZs. The Corporation allotted 38.41 lakh square metre land for setting up seven SEZs as detailed below.

Name of Firm	Name of Estate	Area (Sq. Metre)	Purpose
K Raheja Corporation Private Limited (KRC)	Verna	7,91,732	Service SEZ
		2,67,386	
Paradigm Logistics and Distribution Private Limited (PLDP)	Verna	2,64,419	IT / ITES Park
		1,22,246	
Inox Mercantile Company Private Limited (IMCL)	Verna	4,84,832	Bio-tech Park/SEZ
		35,000	
Planet view Mercantile Company Private Limited (PMCL)	Verna	1,32,845	Gem and Jewellery Park/SEZ
		1,03,331	
Maxgrow Fin lease Private Limited (MFPL)	Verna	2,03,445	Park/ SEZ for IT office space for sale or lease or lease cum sale
Peninsula Pharma Research Centre Private Limited (PPRC)	Sancoale	2,03,650	R&D Centre/Bio-technology Park/ SEZ
Meditab Specialties Private Limited (MSPL)	Keri	12,32,000	Pharmaceutical SEZ
	TOTAL	**38,40,886**	

Audit scrutiny revealed the following:

Allotments to SEZs were made without publicising, that too before the State Government formulated its SEZ policy

- The Corporation had not publicised its intention to allot land for SEZs. The allotments were not made based on any selection process such as invitation of expression of interest etc. The selection of allottees for SEZ, therefore, lacked transparency to that extent.
- The Corporation allotted (April/May 2006) land for SEZ even before the Government formulated its policy on SEZ. Land has been allotted to the above companies for establishing product specific SEZs as well as for creating office space for further sale or lease or lease cum sale. By allotting land to developer companies for further allotment to entrepreneurs, the Corporation deviated from its established role of developing and allotting land directly to entrepreneurs.

Land acquired for small and medium scale industries under IGC Scheme was allotted to SEZ violating GOI guidelines

- Verna Industrial Estate has been established under the Industrial Growth Centre (IGC) Scheme of Government of India (GOI) for which financial assistance of Rs 10 crore was received. IGCs were intended for promotion of industries in the backward areas by allotting land to small and medium scale units. Area to the extent of 24.05 lakh square metre allotted to five companies for SEZs in Verna formed part of the total area of 65.81 lakh square metre of land acquired for IGC. Allotment of land for SEZ therefrom was in deviation from the GOI scheme for IGCs as SEZ is a specially delineated enclave treated as foreign territory for the purpose of industrial service and trade operations. GOI grant was meant for IGCs and not for setting up various SEZs. Allotment of land acquired for establishing IGCs with the aid of GOI, to SEZs was not in order and violated GOI guidelines in regard to IGC. In view of deviation, contribution of Rs 10 crore received from GOI is required to be regularised/refunded.

- The lease deed (with effect from 2003) with lessees in other cases provided to revise the Annual Lease Rent (ALR) as and when premium rates are revised whereas this clause was absent in the lease deeds executed with the SEZ allottees. In the case of SEZ allottees, the ALR fixed at the time of allotment was to remain unchanged for the full lease period (30 years). The change in the clause was detrimental to the interest of the Corporation as it deprived the Corporation of the right to revise the ALR as and when the lease premium in that area was revised. This was an undue concession to SEZ allottees.

Management stated (August 2008) that various instructions received from the Government to allot the land, indicated interest of the Government to have SEZ in the State. It further stated that Verna Phase IV did not form part of IGC. Further, revision of ALR annually was not applicable to SEZ as the entire infrastructure maintenance cost within SEZ would be borne by SEZ developers.

The fact is that the allotment for SEZ was made before the Government formulated its policy on SEZ. Government had not issued any orders to allot land acquired by the Corporation to SEZs. The contention in regard to IGC is also not correct as, without the area acquired for Verna Phase IV, the target of acquisition of land for IGC would not have been achieved. GOI provided grant/subsidy to establish growth centre and not SEZ. The reply in regard to ALR is also not appropriate as the Corporation had included its right to revise the ALR in lease deed with BHPL for land at Quitol where the entire infrastructure maintenance cost was to be borne by the allottee.

Allotment of land at lower rate

7.2.14 The Corporation acquired (March 2004) 35.88 lakh square metre of land in Verna and Loutulim Village of Salcette Taluka for expansion (Phase IV) of its Verna Industrial Estate. The Corporation commenced (September 2005) allotment of land in the area even before the layout plan was prepared and the sub divisions completed, at tentatively fixed (September 2005) premium rate of Rs 600 per square metre. The rate was subsequently revised (03 August 2006) to Rs 750 per square metre. The Corporation allotted 24.60 lakh square metre of land at Rs 600 and 15,365 square metre at Rs 750. Audit observed that :

Revision of premium rate at Verna Ph-IV only after major chunk was allotted at lower rate, tentatively fixed, resulted in loss of Rs 36.89 crore

- The rate of Rs 600 at which land was allotted initially was purely tentative as no infrastructure development activities had commenced when the rate of Rs 600 was fixed. The Corporation however, neither informed the allottees that the rate was tentative nor included in the deeds a provision to collect the differential amount on finalisation of the premium. Consequently the Corporation could not recover the differential rate of Rs 150 per square metre for the 24.60 lakh square metre of land allotted at the tentative rate resulting in revenue loss of Rs 36.89 crore.

- With a view to rationalise the lease premium rate in different industrial estates, the Corporation revised (February 2006) the premium rates for land in Verna from Rs 600 to Rs 750 per square metre. The Corporation while revising/rationalising the premium rate for plots in Phase I, II and III however did not revise the rate for Phase IV which needed revision/fixation as the rate already fixed was tentative. When the rationalisation/ revision was proposed/decided, land available for allotment in the first three phases was only 4,121 square metre whereas 30 lakh square metre of land was available for allotment in Phase IV. The premium rate for plots in Phase IV was revised only in August 2006, after major chunk (94 *per* cent) of the area was allotted at the tentative rate of Rs 600 per square metre. Thus allottees of plots in Phase IV who were allotted plots during the six months period (February 2006 to July 2006) after the upward revision of the rates for Phases I, II & III, but before the upward revision of rates for Phase IV were extended an unjustified benefit against the interest of the Corporation.

The Management stated that the rate worked out to Rs 502 per square metre only whereas allotments were made at Rs 600 / Rs 750 per square metre. The rate of Rs 502 was not informed to the BOD as GCCI and GSIA would have insisted upon to allot land at that rate. It was also stated that revision in premium rates was decided with a view to increase the lease rent.

However, non-revision of tentative rate (Rs 600) fixed for Verna Phase IV along with other revisions in February 2006 and increasing the rate (Rs 750) after allotting major chunk of the area at lower rate was not justified. Further, the reply that the rate worked out to Rs 502 was not supported by the details of cost elements considered for tentative rate of Rs 600 or for the revised rate of Rs 750 and the infrastructure development cost factored therein was only an estimation not based on any detailed data. The amount of enhanced compensation for acquisition of land yet to be decided by the Court also has not been factored. The contention that the premium rate was increased for revising the ALR also does not hold good as the Corporation has not revised the ALR for already allotted plots on the basis of revised premium. The Corporation did not inform the cost computation to the BOD which compromised the transparency of its operations.

Unauthorised excess allotment of land

7.2.15 Based on the decision (19 April 2006) of the BOD, the Corporation allotted (20 April 2006) land admeasuring 16,73,828 square metre in Phase IV of Verna Industrial Estate to four* companies at lease premium rate of Rs 600 per square metre, for establishing various sector specific SEZs. The lease deeds executed (July/August 2006) with the companies however, included (Schedule 1B) additional area to the extent of 274651, 125703, 35000, 103331 square metre respectively, over and above the area approved by the BOD and included in the allotment orders. The additional areas so

* (i) K Raheja Corporation Pvt Ltd (ii) Paradigm Logistics and Distribution Private Limited (iii) Inox Mercantile Company Private Limited and (iv) Planet view Mercantile Company Private Limited

included were without any consideration and was described as open space/internal roads. These areas also formed part of the proposed park/SEZ along with the allotted area and would remain in possession of the respective lessees. As per the deeds, the lessees were entitled to realign such areas as per their master plan and develop and maintain at their cost, provided, the lessee shall not be allowed to utilize the area for Floor Space Index[∇] (FSI) purpose. Though the areas unauthorisedly included were proposed (January 2007) for deletion by rectification deeds, the Corporation subsequently allotted (April 2007) such areas (5.28 lakh square metre) also to the respective lessees at a reduced premium of Rs 100 per square metre as decided (March 2007) by the BOD. Rectification deeds to incorporate the changes were executed (May/July 2007). Audit scrutiny revealed the following :

- Inclusion of area to the extent of 5.28 lakh square metre (aggregate) initially in the deeds over and above the approved/allotted area was irregular. The unauthorised inclusion of additional land was undue favour to the companies which helped them to obtain SEZ approval considering the entire area under the absolute possession of the respective companies.

Allotment of land contiguous to the land allotted to four SEZs at lesser rate resulted in loss of Rs 39.47 crore

- As per Planning and Development Authority (PDA) regulations, when development of a plot is undertaken, each sub-divided plot should be provided with access roads and when the plot to be subdivided has an effective area of more than 4000 square metres, an area equal to 15 *per cent* of the effective area of such plot shall be set apart as usable/green area. All open spaces shall have means of access as if they are independent plots. In case of partial development of a plot, however, 15 *per cent* open space need not be set apart for the portion of the plot not undertaken for development. The Corporation allotted land to the four companies without any development activities within the bulk area allotted. As such, the Corporation was not bound to provide internal roads or to set apart area for open space for the area not taken for development. Providing green area/open space etc as per SEZ requirements within the periphery of allotted land was the primary responsibility of the respective developers of SEZ. Thus, total area allotted to each of the above lessee should have been treated as single allotment and lease premium rate of Rs 750 per square metre applied uniformly for the total area allotted in each case. Thus, the decision to allot 5.28 lakh square metre of land under the pretext of open space/internal road, at a lesser premium of Rs 100 per square metre resulted in loss of revenue of Rs 39.47 crore (i.e. Rs 34.32 crore on account of premium plus Rs 5.15 crore on account of annual lease rent for 30 years) to the Corporation.

The Management stated (August 2008) that it was a normal practice to permit unit holders to use open space free of cost. By charging Rs 100 to SEZ developers the Corporation generated additional revenue of Rs 5.27 crore.

The fact is that the Corporation allowed certain units only to develop the open space without actually allotting such area or parting with the right of ownership of the Corporation. In the case of SEZ developers the area of open

[∇] Ratio of total floor area of building that can be constructed on a plot to the total plot area.

space and road has been allotted to them with absolute possession thereof. Further, providing open space, internal roads, etc., within the SEZ was the responsibility of the respective developers, out of the area declared as SEZ. The Corporation was in no way bound to provide for such area free of cost or at concessional rate. The contention that the Corporation had benefited by additional revenue also does not hold good as the land was allotted in bulk in March 2006 without actually subdividing them into smaller parts. Thus, entire area allotted to each SEZ developer should have been treated as single plot, for the purpose of collecting premium and ALR.

Undue favour to allottees

Allotment of 14.36 lakh square metre land to two SEZ developers without adopting approved formula resulted in loss of Rs 17.76 crore

7.2.16 Based on requests (March 2006) received, the Corporation allotted (March/April 2006) 12.32 lakh square metre of land in Keri/Candepar Village in Ponda to MSPL at premium rate of Rs 80 per square metre and 2.04 lakh square metre of land in Sancoale village to PPRC at a lease premium of Rs 270 per square metre. Audit scrutiny revealed the following:

- Both the lands specially acquired (August 1992 & 2001) on requests from Thapar Dupont Limited and Bharat Petroleum Corporation Limited were remaining unallotted consequent to backing out of the respective companies. As per the approved formula* for computing the lease premium for allotment of specially acquired/undeveloped land, the premium rate chargeable to MSPL and PPRC worked out to Rs 95.50 and Rs 934.20 per square metre respectively against which rate applied was Rs 80 and Rs 270 per square metre. The rate would be still higher if carrying cost on the cost of land is also considered. While the Corporation had a definite approved formula for computing premium rates for such areas, applying arbitrary rates was irregular. Deviation from the approved formula and allotting land at a lesser rate tantamount to extending undue favour to PPRC and MSPL which resulted in loss of revenue of Rs 15.44 crore in premium and Rs 2.32 crore in annual lease rent for 30 years.
- PPRC requested for land as export processing zone. Instead, the Corporation *suo moto* processed the application for SEZ.
- MSPL was allotted land at a time when the Corporation was in the process of implementing a Pharma park by itself at the land available at Keri and the Corporation had already appointed (March 2006) a consultant for the purpose.

The Management stated (August 2008) that there were no takers for the land as it remained idle for long. The rate charged to MSPL was almost double the rate to be charged and for PPRC the rate was decided through negotiation.

The fact remains that the Corporation had a definite formula for computing premium for allotment of undeveloped land as per which the premium worked out to Rs 95.50 per square metre at Keri and Rs 934.20 per square metre at

* Premium = x+ 3x where x is the Compensation (original enhanced/differential) for acquisition of land awarded/enhanced by LAO/Court and 3x (300 *per cent* of compensation) overhead/service charges.

Sancoale. Though the Corporation considered the amount deposited in court towards additional compensation in appeal, the amounts have not been appropriately applied in the formula for computing the premium. The contention that there was no taker also does not hold good as, the Corporation was in the process of setting up product specific parks by itself by utilising such area.

Allotment of land at pre-revised rates

Allotment of land at pre-revised rates resulted in loss of Rs 11.06 crore

7.2.17 As per the procedures in vogue, applications for allotment of land should be accompanied by prescribed documents/details regarding the project. If all the documents are attached, the Corporation communicates the offer of allotment (pre-allotment letter) directing to pay the premium and first year ALR within 15 days failing which the offer would lapse. In case, the application is not complete in all respects, the Corporation communicates earmarking of the area allowing three months time to furnish all the documents. In such cases also, pre-allotment letter would follow. The earmarking letters specifically stipulated that the rate prevailing on the date of allotment would be applicable. The Corporation revised lease premium rates in September 2005, November 2005, February 2006, August 2006 and July 2007. Audit observed that despite having made clear mention in the earmarking letters about the applicability of rates prevailing on the dates of allotment, the Corporation allotted land at pre-revised rates to 43 (40 in Verna and 3 in Kundaim) earmarked cases, thus extending undue concession to such applicants. The concession was not warranted as the applicants in such cases had not submitted the documents/paid the premium and ALR within the validity period of earmarking/pre-allotment. The loss due to concessions extended to 43 allottees amounted to Rs 11.06 crore (loss of Rs 9.49 crore in respect of 27 cases in Verna Phase IV forms part of loss mentioned in *paragraph 7.2.14*).

The Management stated that the revised premium rates were not charged to existing applicants as decided by the BOD.

The reply does not address the point that the earmarking letters specifically stipulated that the rate prevailing on the date of allotment would be applicable. Thus allotment of land at pre-revised rates even after the validity period of earmarking / pre-allotment amounted to an undue favour to the respective allottees.

Allotment before infrastructure development

7.2.18 The Corporation does not have any approved policy of allotting land acquired for industrial estates in 'as is where is basis'. The Corporation, however, allotted 40,000 square metre of land in Honda Phase III and 20,875 square metre in Kundaim at lesser rates without developing the same. Audit scrutiny revealed the following:

Allotment of land categorising them as undeveloped/ unuseable at arbitrary rates resulted in loss of Rs 2.27 crore

- 40,000 square metre of land in Honda (Phase III) was allotted (February 2006) to Goa Formulation Limited (GFL) for their pharmaceutical unit at lease premium rate of Rs 120 per square metre and ALR at 0.5 per cent of the premium, whereas the prevailing lease premium for plots in the same industrial estate (Phase I and II) was Rs 200 per square metre and ALR rate was two *per cent* for the first 10,000 square metre and one *per cent* thereafter. The rate of lease premium and ALR applied to GFL was arbitrarily fixed without any basis. The land was allotted to GFL before development activities (approach road, water pipelines) in the land were taken up, which were awarded only in August/October 2007. Before taking up the developmental activities, the Corporation allotted land in Phase III to three[δ] more firms applying lease premium rate at Rs 300 per square metre. Audit observed that the Corporation provided approach road and water pipelines up to the plot allotted to GFL also, as part of the infrastructural development activities. Thus, GFL enjoyed all facilities provided to other firms and therefore allotting the area at a lesser rate lacked justification. In fact the rate was dictated by GFL itself. Thus, the allotment of land at Rs 120 per square metre and at reduced[∝] lease rent tantamount to extending undue favour to GFL with resultant loss of revenue of Rs 72 lakh[♠] in premium and Rs 37.80 lakh in ALR for 30 years.

The Management stated (August 2008) that the rate of Rs 120 per square metre was charged as the land was allotted before conversion and development.

By development the Corporation meant to provide approach road and water pipelines up to the periphery of the plots which had been provided to GFL as well, when development activities for the industrial area were taken up subsequently. Allotment at reduced rate before development and providing benefit of facilities later was against the commercial interests of the Corporation.

- Additional area aggregating 20,875 square metre was allotted (March/November 2006) to three[•] existing units in Kundaim Industrial Estate at Rs 150 per square metre terming the allotment as 'as is where is basis' whereas the prevailing rate approved by the BOD was Rs 500 per square metre. The additional areas allotted were adjoining their existing plots. Being adjacent to the existing plots, existing approach road and pipelines would suffice for the requirements and no extra developments were required to be provided by the Corporation. Thus, allotting additional area terming it as 'as is where is basis' was incorrect and amounted to an

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[δ] Elsteel Modular Pvt Ltd (18743 Sqm –12.02.2007), Parenteral Bio-tech (19283 SqM - 30.04.2007), Proactive Project (6016 Sqm – 30.05.2007).

[∝] 0.5% of premium as against 2% for 10000 sqm and 1% for balance area

[♠] 40000 sqm X (Rs 300 minus Rs 120)

[•] Himcast 9000 sqm, Nova System 6775 sqm, Shiva Samrath Engineering 5100 sqm.

undue concession of Rs 73.06 lakh[Ψ] in premium and Rs 43.84 lakh[λ] in ALR for 30 years.

The Management stated (August 2008) that the area allotted was unusable as HT lines were passing over the area.

The contention does not hold good as, the respective allottees had requested the Corporation to allot the land in their favour for useful purposes. Thus, no relaxation in the premium rate was warranted.

Other irregularities in allotment of land

Allotment of land acquired for expansion of Verna IE at special rates resulted in loss of Rs 4.47 crore

7.2.19 ***Allotment of land to Cipla at Verna:*** The Corporation acquired (March 2006) an area of 75,475 square metre of land in Verna village adjacent to the existing Verna Industrial Estate for its expansion. The land was allotted (March 2006) to CIPLA based on their request (September 2005) at a premium of Rs 276 per square metre. The rate was computed adopting formula applicable to special acquisition. CIPLA paid (March 2006 & April 2008) the premium amount of Rs 2.08 crore. Audit scrutiny revealed that premium computed on the basis of formula applicable to special acquisition was not applicable to CIPLA as CIPLA had not complied with the pre-requisites, i.e., pre-acquisition agreement (Section 39 of Land Acquisition Act) and deposit of cost of acquisition, formulated by the Corporation for special acquisition. Further, the decision to treat the acquisition as special acquisition for CIPLA and computing the premium accordingly was not in line with the Corporation's earlier stand (March 2003) that requests from a particular unit for acquisition of land adjoining industrial estate should not be entertained; instead, such acquisitions should be done as part of the existing industrial estate and allotted accordingly. In view of the non-compliance of the pre-requisites and the stand already taken by the BOD, the allotment of 75,475 square metre of land to CIPLA was a normal allotment for which prevailing lease premium rate should have been applied. The Corporation in another identical case[♣] in Kundaim Industrial Estate allotted (July 2006) land at the prevailing rate for plots in that area. Reckoned at the prevailing premium rate of Rs 750 per square metre for plots in Verna, the premium collected from CIPLA for the 75,475 square metre area was lower by Rs 3.58 crore[♦] and there would also be consequent loss of Rs 89.21 lakh in lease rent for 30 years.

The Management stated (August 2008) that it was decided to acquire the land considering the investment potential and good work done by CIPLA. Premium applicable to special project had been adopted as the Corporation was not required to provide any infrastructure.

Ψ (9000 + 6775 + 5100) square metre x Rs (500 – 150) = 20,875 square metre x Rs 350 = Rs 73.06 lakh

λ Rs 73.06 lakh x 2 per cent x 30 years = Rs 43.84 lakh

♣ allotment of 19,528 square metre land to Okasa Limited.

♦ 75,475 square metre X (Rs 750 minus Rs 276)

The fact remains that the pre acquisition agreements and deposit of cost of acquisition were pre requisites for special acquisitions which had not been complied with. Further, as per Reports submitted to GOI, the land formed part of the land acquired for IGC at Verna.

7.2.20 ***Allotment of land for kiosks*** **:** The Corporation by converting open area, allotted area aggregating 2661.5 square metre in the Verna Industrial Estate to 18 persons for putting kiosks at concessional rate of Rs 100 per square metre as against the prevailing rate of Rs 600. These 18 persons were earlier allotted kiosks on rental basis for running small business activities such as general stores, tea stall, Xerox, STD booth, etc., and were evicted for unauthorized expansion. The Corporation allotted land afresh to rehabilitate such evicted persons. Audit observed that no concession was warranted in rehabilitating the evictees as they unauthorisedly expanded their original kiosks and such rehabilitation and concessional rates would create a bad precedent. By extending concessional rate, the Corporation suffered loss of revenue of Rs 13.31 lakh in premium and Rs 7.98 lakh in ALR for 30 years.

Re-allotting land at concessional rates to evictees resulted in loss of Rs 21.29 lakh

The Management stated (August 2008) that the concessional rate was considered as the activities of kiosk holders were not for industrial production but for providing services to the workers in the industrial estates.

The reply does not address the point that concession in normal rate for those who had been evicted for unauthorized expansion of the original kiosk allotted to them, would create a bad precedent.

Diversion of land for housing projects

7.2.21 Based on a request (September 2005) from Village Panchayat, Verna, the Corporation decided (April 2006) to surrender 50,000 square metre land free of cost in Verna Village for housing colony for workers from that village. The Corporation also took decision (April 2006) to surrender another 50,000 square metre land in Loutolim Village free of cost for housing colony for workers of that village. The land was surrendered to the Collector, South Goa District, as per directives (March/April 2006) of Government. The land was proposed to be allotted by the District Collector to 403 beneficiaries. The surrendered area was part of the land (35.88 lakh square metre) acquired (March 2004) by the Corporation for the purpose of expansion of Verna Industrial Estate, Phase IV as part of IGC. Diverting land acquired for industrial purpose under IGC scheme of GOI to housing projects was irregular and against the mandate of the Corporation. This also deprived the Corporation of the revenue of Rs 7.50 crore by way of premium and Rs 1.12 crore by way ALR for 30 years.

Corporation surrendered land acquired for industrial purposes for housing schemes forgoing revenue of Rs 8.62 crore

The Management stated (August 2008) that the diversion of land for housing projects was done as per Government orders.

Non utilisation of allotted land

Corporation did not repossess 7.53 lakh square metre land allotted to SKCC, lying un-utilised for last 12 years despite directions of BOD

7.2.22 The Corporation allotted (December 1994, February 1995 and October 1998) area aggregating 14.50 lakh square metre in Navelim-Amona, Bicholim Taluka to Sesha Kembla Coke Company Limited (SKCC) for their metallurgical coke manufacturing project. The land was acquired (July 1996) by the Corporation invoking urgency clause for the public purpose of Industrial Estate/project. Of the total area allotted, SKCC surrendered (June 1998) 2.63 lakh square metre area which then was allotted to another firm. As per conditions for allotment, the allottee shall execute lease deed immediately after issue of allotment letter. Further, construction of building in the allotted area was to be started within six months and production within two years. Audit observed that SKCC executed (February 1998) lease deed for part area admeasuring 4.34 lakh square metre only. No lease deed had been executed for an area of 7.53 lakh square metre; nor did SKCC seek permission of the revenue department for conversion of the land for industrial purpose. Thus, area to the extent of 7.53 lakh square metre remained with SKCC for the last 12 years without utilisation for the purpose for which it was acquired. Though the BOD decided (August 2005) to take back the unused land, the Corporation did not comply with the decision and no effective action had been taken to repossess the unused area, despite having high demand for industrial land in that area.

The Management stated (August 2008) that SKCC approached the Corporation for conversion of the land for industrial purpose and the Corporation approved (June 2008) construction plans submitted by them.

The fact remains that the Corporation's post allotment monitoring was ineffective and the land acquired invoking urgency clause remained unutilised for the purpose, even after 12 years, without the Corporation taking any action to repossess the land.

Monitoring and evaluation

7.2.23 In order to ensure that the infrastructure created by the Corporation had been productively utilized and the units, which are allotted land in various industrial estates, are functioning well, the conditions for allotment of land and lease deed executed by the entrepreneur prescribed various post allotment responsibilities, for the Corporation/allottee as mentioned below.

- Allottee has to execute with the Corporation a lease deed immediately after the issue of allotment order.
- The entrepreneur should, within three months from the date of allotment order, submit plans of building for approval.
- Commence construction within six months from the date of allotment.
- Complete the building and commence industrial activities within two years from the date of allotment.

The Corporation was at liberty to take back the possession of such land in case of non-compliance of the conditions. Audit observed the following deficiencies:

Monitoring of post allotment activities was ineffective

- There was no system in the Corporation to monitor the above activities with reference to the schedule fixed and to report the lapses thereon to the top management with a view to take either corrective measures or invoke penal provisions. Though monthly progress reports regarding construction and commencement of industry were to be sent to Head Office of the Corporation by the field offices, the field offices were not regular in furnishing the same, nor did the Head Office insist for the timely reports.
- There was no system to have evaluation of the overall performance of industrial units set up. Out of 2,127 allotments made up to March 2008, units pertaining to 1,444 allotments only were functioning and 326 allottees have stopped their activities indicating slow pace of industrialisation. The Corporation had not analysed the reasons for closure of units. Area aggregating 3.13 lakh square metre in respect of 167 allottees remained unutilised for more than two years. The Corporation was not taking action on a regular basis to repossess areas remaining unutilised or closed for more than two years. 190 allotees were at various stages of procedural compliance required for commencement of industry.
- The Corporation was allotting three times the built up area including provision for expansion as shown in the application of each allottee. No systems however exist to ensure whether the proposed expansions have taken place and excess areas allotted have been utilized for the intended purpose.

The Management stated (August 2008) that there was a watch on each and every allottee. More than 50 plots which had not been utilised were taken back. The closure of units was due to change in technology, market recession, etc, which the Corporation could not solve.

The fact however, remains that post allotment monitoring was not effective. The Corporation was not taking action on a regular basis to repossess plots remaining unutilised/closed. The field offices were not regular in submitting the progress reports regarding construction, commencement and continuance of the units.

Financial Management

Financial position

7.2.24 The financial position of the Corporation for the five years ended March 2008* is given in ***Appendix 7.8.*** As on 31 March 2008 the Corporation has been provided with funds of Rs 16.88 crore by the Government of Union Territory of Goa, Daman and Diu (Rs 8.12 crore), Government of Goa (Rs 6.93 crore) and Union Territory of Daman and Diu (Rs 1.83 crore).

* Figures for 2007-08 are provisional.

Besides, the Corporation received Rs 11.07 crore (rupees two crore during 2003-07) from Central/State Government towards contribution for establishing industrial growth centre and Rs 6.94 lakh towards scheme for educated unemployed. The Corporation collected premium and deposits from allottees aggregating Rs 230.26 crore for allotment of plots and sheds during this period. The funds generated were mainly used for creation of fixed assets (Rs 3.31 crore) and development of industrial estates (Rs 66.28 crore). As on 31.03.2008, the Corporation had surplus funds of Rs 196.63 crore including Rs 185.12 crore kept in fixed deposits with banks.

Short recovery of operating expenses

7.2.25 The working results of the Corporation for the four years ended 31 March 2008 are given in ***Appendix 7.9***. During 2003-06, the working of the Corporation resulted in aggregate deficit of Rs 5.25 crore whereas it earned surplus of Rs 10.80 crore in 2006-07 and Rs 23.34 crore (provisional) in 2007-08. The details of total operating income vis-à-vis total operating expenses for the five years ended March 2008 are given below.

(Rrupees in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08*
Annual rent of land lease and building	2.04	2.19	3.06	4.59	4.40
Transfer fees and approval charges	1.1	0.59	1.12	2.01	1.48
Water supply recovery	2.35	2.19	2.2	2.6	2.54
Total Operating Income	**5.49**	**4.97**	**6.38**	**9.2**	**8.42**
Operating Expenses (excluding depreciation and financial expenses)	6.21	4.72	5.51	6.93	7.30
Water supply expenditure	4.76	4.31	3.56	3.81	3.81
Total Operating Expenses	**10.97**	**9.04**	**9.08**	**10.74**	**11.11**
Operating deficit	**(-) 5.48**	**(-) 4.07**	**(-) 2.70**	**(-) 1.54**	**(-) 2.69**
Percentage of expenditure to operating income	199.82	181.89	142.32	116.74	131.95
Depreciation and financial expenditure	2.65	3.04	3.67	4.22	4.54
Other Income (interest and miscellaneous)	5.4	5.68	5.28	16.56	30.57
Surplus / Deficit (-)	**(-) 2.73**	**(-) 1.43**	**(-) 1.09**	**10.80**	**23.34**

It could be seen from the above table that the Corporation suffered operating deficit consistently indicating operational inefficiency due to short recovery of operating expenses aggregating to Rs 16.48 crore during the five years. The

* 2007-08 figures are provisional

short recovery is mainly attributable to non-revision of annual lease rent and to distribution loss of water supplied to the units as discussed in ***paragraphs 7.2.29 and 7.2.32*** respectively.

The Management stated (August 2008) that income towards interest received from banks also constituted income of the Corporation during the course of its activities. The Corporation could not implement revision of ALR due to non provision of adequate clause in the lease deed and opposition from GSIA & GCCI. Further, effective steps were being taken to curtail the water losses.

The reply is not acceptable as interest income does not form part of operating income of the Corporation. The contention that lease deeds did not contain adequate clause for revision of ALR is factually incorrect as the lease deed in respect of allotments made after 2003 contained provision to revise ALR based on premium prevailing from time to time. The fact remains that the income from operating activities was not adequate to meet the operating expenses.

Non implementation of Government Order to transfer assets

Transfer of the assets & liabilities in Daman & Diu has not materialised even after ten years of notification by GOI

7.2.26 Mention was made in Audit Report for the year ended 31 March 2003 - Government of Goa, regarding non-transfer of assets and liabilities relating to industrial estates of the erstwhile Goa, Daman and Diu Industrial Development Corporation (GDDIDC) situated in Daman and Diu to the OIDC*. As per notification (January 1998) of Ministry of Home Affairs, Government of India which came into effect from September 1997, all assets of GDDIDC situated within the Union Territory of Daman and Diu were required to be transferred to OIDC and all existing liabilities apportioned between GIDC and OIDC as specified therein. Even after ten years of the notification, transfer of the assets and liabilities has not materialised, as issues like future liabilities that may arise against awards for acquisition of land in Daman and Diu, transfer of lease premium collected for the unexpired period of lease etc., have not been resolved. The Corporation has not taken up the matter at appropriate level as a result of which Government of India orders regarding division of assets and liabilities of the erstwhile GDDIDC between Corporation and OIDC remained to be implemented.

The Corporation sustained operational loss of Rs 10.82 lakh during 2006-07 for maintaining the estate of Daman and Rs 19.80 lakh during 2003-07 for Diu. Considering the administrative inconvenience and operational loss, the Corporation needs to accelerate the process of handing over the assets and liabilities in respect of industrial estates in Daman and Diu to the OIDC.

The Management stated (August 2008) that the matter would be taken up with the Daman Administration to sort out the issue involved for handing over the assets and liability to OIDC.

* Omnibus Industrial Development Corporation of Daman, Diu and Dadra and Nagar Haveli.

Deficiency in fixation and revision of lease premium

7.2.27 The Corporation had been computing the lease premium by aggregating the acquisition cost, development expenditure, interest cost, conversion charges and any other expenditure necessary to put the acquired land into saleable plots. Audit scrutiny revealed the following deficiencies:

No policy exists to periodically revise lease premium

- The Corporation had not adopted a policy to periodically revise the lease premium for plots to absorb the carrying costs or additional cost for providing infrastructure. As a result, lease premium rate fixed in the earlier years remained unrevised till September 2005, which caused revenue loss to the Corporation as discussed in ***paragraph 7.2.28.***
- The Corporation took four to 13 years to revise the premium initially fixed. The lease premium rates were revised in September 2005 (Verna), November 2005 (Tuem) and February 2006 (17 estates). The Corporation, however, neither provided the detailed information regarding various components which formed the basis of the revision/initial fixation nor explained the same, indicating absence of transparency in the revision/fixation of lease premium.

The Management stated (August 2008) that the lease premium had been fixed as and when the new Industrial Estates were established. It has not been revised as the infrastructure cost provided in the rate initially had not exceeded.

However, price revision was required as the entire plots were not allotted at a stretch and the price initially fixed did not provide adequate cushion for interest on cost incurred for acquisition and development, on the plots allotted in subsequent years. Further, non revision of lease premium periodically would result in over-subsidising the land cost to those who had been allotted land in subsequent years. The revision was also important as non revision of lease premium would result in non revision of ALR which had been fixed as a percentage of the premium.

Non-implementation of price revision and consequent loss

Deferment of decision to revise lease premium rates resulted in loss of Rs 7.07 crore

7.2.28 The Corporation had not revised the lease premium rates for plots in its industrial estates for periods ranging from four to 13 years. A sub-committee[Δ] of the BOD constituted to look into the necessity of rationalising the land price (lease premium) recommended (August 2002) for urgent upward revision of the price of 18 industrial estates. Accordingly, the BOD decided (September 2002) to revise the price of land in 18 industrial areas with effect from 10 September 2002. The same Board, however, decided (October 2002) to defer its own decision till new industrial policy of Government of Goa was declared. Though the Government declared its industrial policy in August 2003, the Corporation did not revise the rates till September 2005 (Verna)/November 2005 (Tuem)/February 2006 (17 estates). During the intervening period, the Corporation allotted area aggregating

[Δ] Chairman, Managing Director, President GSIA and President GCCI.

6,23,870.48 square metre to 160 entrepreneurs at the old rates. The decision to defer the implementation of price revision despite the BOD having convinced about the urgent need to revise the rates compromised with the interest of the Corporation and deprived it of additional revenue to the extent of Rs 7.07 crore worked out on the basis of rates proposed in September 2002.

The Management stated (August 2008) that revision in lease premium would create unrest among industries and affect the smooth functioning. Further, there was no need to periodically increase the premium as long as actual cost of infrastructure did not exceed original estimate.

The fact is that it was the sub-committee consisting of Presidents of GCCI and GSIA, representing the industrialists in the Board among others, who recommended the revision on urgent basis, of which the Board was convinced of. Thus, there was no justification for the non-revision of premium.

Non-revision of Annual Lease Rent (ALR)

7.2.29 The Corporation fixed (December 1996) ALR for different slabs of area allotted as given below.

Total Plot Area Allotted (in SqM)	Lease Rent as percentage of total premium
Up to 10,000	2 *per cent*
Up to 50,000	2 *per cent* for the first 10,000 SqM; 1 *per cent* thereafter.
Up to 1,00,000	1 *per cent* for the first 50,000 SqM; 0.5 *per cent* thereafter.
Above 1,00,000	0.5 *per cent* for entire area.

Non-revision of lease rent despite enabling provisions resulted in loss of Rs 48.82 lakh

The Corporation's income from the industrial estates is by way of lease rent which in turn is based on lease premium. As the Corporation did not revise the premium rate for years together, the lease rent also remained unrevised for years, whereas, the cost of maintenance of estates recorded steep increase over the years. The Corporation during 2003-08 revised the premium rates applicable to various industrial estates on five occasions[λ]. The Corporation however did not revise the lease rent on the basis of the revised rate despite having enabling provision in the lease deed. In fact, the BOD had unanimously decided (19 April 2006) to revise the lease rent with effect from 01 April 2006. The decision however was deferred (September 2006) based on request from Goa Small Industries Association (GSIA) and remained unimplemented till date (April 2008). Audit observed that as the lease deed contained provision to revise the annual lease rent based on the premium amount of the plot, prevailing from time to time, the Corporation was at liberty to revise the lease rent as and when premium rate was revised. The revision was essential to offset the rising costs of maintaining the industrial

[λ] September 2005, November 2005, February 2006, August 2006 and July 2007.

estates. The loss (up to March 2008) of revenue due to non-revision of lease rent in respect of 142 allotments, made during the period April 2003 to October 2007, in the three industrial estates (Kundaim, Verna and Cuncolim) amounted to Rs 48.82 lakh. The allotment registers being in a deteriorated condition, the loss due to non-revision of ALR was not ascertainable in other cases.

Anomaly in fixation of percentage of lease rent for plots

Discrepancy in fixing ALR resulted in loss of Rs 4.30 crore

7.2.30 The present rate of lease rent as a percentage of premium is anomalous as lease rent payable by lessee holding area of 50,000 square metre would be more than the lease rent payable by lessees holding area measuring 50,001 to 69,000 square metre; and lease rent payable by lessee holding area of 1,00,000 square metre would be more than the lease rent payable by lessees holding area measuring 1,00,001 to 1,49,000 square metre. The discrepancy resulted in under realisation of ALR amounting to Rs 4.30 crore in respect of 14 allotments made during 2003-08. The Corporation needs to review the present rate of lease rent to overcome the anomaly by adopting slab-wise uniform percentage. In view of the fact that the Corporation does not have a policy to revise the premium rates of the plots at regular intervals, the Corporation may consider adopting a policy of increasing the lease rent annually based on initial lease rent fixed at the time of allotment, so as to absorb increase in cost of maintenance/ development.

After being pointed out in audit, the anomaly is being rectified by the Corporation.

Recovery mechanism

Debtors details not maintained rendering recovery mechanism ineffective

7.2.31 The lease deeds provide that the Corporation may re-enter (take over) the premises and forfeit the deposits and premium already paid in case of default in payment of installment of premium or ALR and also to recover the arrears as per provisions of Goa Land Revenue Code. As per provisional accounts for 2007-08, Rs 72.32 crore were due from various parties of which Rs 67.67 crore were towards premium of plots. Huge arrears pending realisation indicated ineffectiveness of recovery mechanism. As the Corporation is not maintaining debtors ledger and updated age-wise debtors' details, the accuracy and realisability of the amount shown in accounts was not ascertainable. The Corporation was not able to furnish estate-wise details of debtors.

The Management stated (August 2008) that major portion of the recovery had been done by extending One Time Settlement (OTS) Scheme. Recovery was done when allottees approached with a request to allow them to transfer their plots/sheds. The estate wise details of debtors as on 31 March 2008 was under process.

The fact that the Corporation had to introduce OTS scheme for settling dues and that recovery was done when allottees approached for transfer, indicated that dues were not recovered regularly.

Distribution loss in water supply

Corporation suffered loss of Rs 4.13 crore in supply of water to units

7.2.32 The Corporation is supplying water drawn from PWD to the industrial units. Scrutiny of water bills in respect of 17 estates revealed heavy distribution loss in 13 estates. As against bills for Rs 11.71 crore raised by PWD on the Corporation for supply of 53.25 lakh cubic metre of water during 2003-08, the field offices raised bills for Rs 7.58 crore for 34.67 lakh cubic metre only indicating distribution loss of 18.58 lakh cubic metre (35 *per cent*) resulting in loss of Rs 4.13 crore. The scrutiny was not exhaustive as the Corporation did not furnish details in respect of all the industrial estates for the entire period of audit. The quantum of loss indicated possibility of pilferage and defective metering.

The Management stated (August 2008) that apart from normal reasons such as leakages in pipelines, defective valves, seepage in water sumps and defective meters, poor quality of water and irregular supply by PWD and resultant pressure of air column formed inside the pipeline which led to defective metering were the reasons for loss in water supply to the units. Besides, PWD raised bills on minimum demand assured initially and not on actual consumption. It was further stated that steps had been taken to curtail the loss except defective metering due to air pressure.

The fact, however, remains that the action taken had not brought about the desired results and the Corporation continued to incur loss in water supply in all the years. The loss being persistent and apparently beyond the control of the Corporation, it could have dispensed with the system of supplying water by leaving it to the units to draw water directly from PWD sources.

Corporate Governance

7.2.33 The Corporation is a body corporate with perpetual succession and shall consist of 12 Directors (nine up to March 2006). The responsibility of good governance rests on the Corporate Board which has the primary duty of ensuring that principles of Corporate Governance expected by the stake holders are scrupulously and voluntarily complied with and the stake holders' interest are kept at the highest level. For this purpose, regulations have been framed. Audit scrutiny revealed that:

Corporate Governance was not effective due to continued absence of Government Directors in the Board meeting

- The management failed to comply with the regulations in regard to convening of meetings. During the period 2003-2007 (60 months) only 35 meetings were held, that too at an interval of two to three months as against one meeting in a month envisaged in the regulations.
- The Government ensures its role and responsibility in achieving the objectives of the Corporation through the official directors[ϕ] representing the Government on the Board. The Government Directors, however, did not attend most of the meetings and were granted leave of absence. Their continued absence indicated lack of active participation of Government in

[ϕ] Secretary (Finance), Secretary (Industries), Director of Industries and Chief Electrical Engineer.

the management of affairs of the Corporation and in the decision making process.

- As per regulations, four members present in the meeting will form quorum for a meeting, provided that at least one of the members[Ψ] nominated under section 4(1)(d) of the GDDIC Act 1965, other than the Chairman is present. The Act was amended in 1991 and 2006, in which the four members described under section 4(1)(d) of the original Act were separately provided as 4(1) - (e), (f), (g) and (h). Section 4(1)(d) was substituted as 'Director of Industries'. The number of Directors also has been increased from nine to 12. The Government, however, had not made clear whether the presence of Director of Industries was essential to form the quorum of the meetings nor made any change in the regulation in respect of quorum in proportion to the increase in the number of Directors.
- The meetings discussed and took decisions which involved financial matters without prior circulation of the Agenda (vide instances in ***Appendix 7.10***) contrary to the regulation that no financial matter not specifically included in the agenda should be considered without prior notice. As the non-circulation of agenda notes of such items in advance would deprive the Directors of adequate time for effective and critical scrutiny of financial implications of such items, inclusion of such items of financial importance as 'additional items with the permission of Chairman' was against the spirit of regulations framed by the Corporation in regard to circulation of the agenda. The non-compliance of regulation assumes importance in a scenario where the active participation of Government Directors in the decision making process was lacking.
- No system existed to specifically include in the agenda note an item "action taken reports on decisions taken in earlier meetings", to monitor the compliance of decisions taken.

The Management stated (August 2008) that Board Meetings had been convened as and when there was sufficient business to transact. The earlier provisions in regard to quorum of the meeting had been continued in the absence of any directives from the Government.

The fact, however, remains that Regulations in respect of convening the meetings and its procedures had not been strictly adhered to. Further, the position in regard to compulsory presence of Director of Industries to form the quorum has not been clarified.

Internal Audit and internal control

Internal audit

7.2.34 The Corporation does not have its own Internal Audit (IA) Wing. IA was being got done by a firm of Chartered Accountants who have submitted

[Ψ] Section 4(1)(d) - Four members nominated by the State Government from amongst persons appearing to Government to be qualified as having had experience of, and having shown capacity in industry or trade or finance or who are in the opinion of the State Government capable of representing the interest of persons engaged or employed therein.

Deficiencies reported by Internal Auditors were not reported to BOD

their report up to September 2007. No IA manual exists prescribing the areas to be covered/aspects to be examined during IA. The IA reports were also not being placed before the BOD and there was no system of reporting the deficiencies contained in the IA report to the top management. Irregularities of persistent nature like improper maintenance of Premium and Leasehold Rent Register, Fixed Asset Register and huge pendency of premium/rent arrears were not reported to the Management.

The Management stated (August 2008) that the scope of internal audit has since been widened and the reports would be placed before the Board.

Internal control

Upkeep of records to ensure internal control procedures was not satisfactory

7.2.35 The following deficiencies were noticed in the internal control systems.

- The Corporation had not formulated internal control procedures/functional manual.
- The allotment registers were in a deteriorated condition, calling for urgent need for computerisation of data.
- The Corporation had not maintained land register to monitor the availability and disposal of land in different estates at a particular point of time. As per progress of activities furnished to the Board, the Corporation as on 31.03.2008 held vacant land, area aggregating 3.75 lakh square metre in seven Industrial Estates. The availability of land as informed to the Board was not factually correct and did not provide the true position of availability as on that date. Based on the area details as per layout plan, progress reports furnished by the field offices and the allotment registers the availability in the four industrial estates was short reported to the extent of 2.27 lakh square metre.

The Management stated (August 2008) that internal control had been exercised. Computerisation of the allotment registers maintained was under process. However, in the absence of land register and allotment register in proper condition the effective monitoring would not be possible and internal controls would be ineffective.

Conclusion

The Corporation did not prepare a perspective plan for industrialisation in the State. Allotment of land for industrialisation, one of the prime activities of the Corporation, contained several irregularities. The Corporation has also been deviating from its role of developer by allotting land to firms for development and subsequent allotment to others. The Corporation has not been either monitoring or evaluating performance of individual units, creation of employment, etc. The record keeping in the Corporation is deficient. The Corporation has also not been raising ALR promptly to safeguard its financial interest. Thus, the Corporation has not been managing its activities satisfactorily, though due to creation of industrial estates industrial development has taken place in the State.

Recommendations

The Corporation should:

- Prepare a perspective plan defining both short term and long term plans for development of industrial infrastructure.
- Evolve a policy for fixation of lease premium and timely revision of premium and annual lease rent.
- Define its role in setting up SEZs.
- Create database in respect of acquisition of land, allotments, post allotment performance of units, employment generation, etc.
- Ensure attendance of directors in Board meetings for effective corporate governance.
- Strengthen internal controls in the area of allotment and recovery.

The matter was referred to the Government in June 2008, their reply had not been received (September 2008).

SECTION B - TRANSACTION AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

Goa State Infrastructure Development Corporation Limited

7.3 Engagement of consultants and contractors for infrastructure development activities

Introduction

7.3.1 Goa State Infrastructure Development Corporation Limited, incorporated in February 2001, is engaged in development of infrastructure facilities for Government of Goa and other local self-governing bodies.

During the period from September 2001 to December 2007, the Company awarded 179 works to various contractors for execution. The works awarded included 29 works each estimated to cost more than rupees five crore and the aggregate cost of these 29 works constituted 73 *per cent* of the total estimated cost (Rs 510.01 crore) of the 179 works awarded for execution. The matters related to selection of consultants and contractors in respect of above 29 works were examined in audit and the main findings were as follows:

Selection of Consultants

7.3.2 Each project taken up by the company involves pre-tender activities such as techno-feasibility studies, preparation of estimates and tender documents, evaluation of bids etc., and post tender activities namely, project management including measurement and certification of bills of contractors. The Company entrusts all these activities to consultants and is wholly dependant on them for such services, as the duties of the Company's technical/managerial staff are confined to oversee the activities entrusted to consultants/contractors. The Company started maintaining a panel of consultants since November 2001. However the system of competitive bidding for the selection of consultants from the panel started in January 2006 only. Out of 29 works selected for audit scrutiny, consultants for 14 works were appointed without following competitive bidding process. The average consultancy fees for those 14 works was 5.58 *per cent* of cost of works whereas the average fees for the consultants selected through bidding process in the remaining 15 cases was only 4.27 *per cent*. Thus the fee agreed for 14 works was higher by Rs 2.46 crore.

The Company maintains a panel of consultants who are selected based on prescribed eligibility criteria. As at December 2007, 47 consultants were in the panel for various categories of works. During 2005-07, competitive offers for 12 works were invited from empanelled consultants but the average number of consultants who submitted their offers was only two. The Company received only one offer each in seven cases and the consultancy was awarded to the respective single bidder. The Company may consider resorting to open tenders as well, in addition to calling offers from empanelled consultants to make the bidding process meaningful and more competitive.

Adoption of market rates for preparation of estimated cost / reasonable cost

7.3.3 The reasonable cost is worked out by the consultants based on Goa Schedule of Rates (GSR) as adjusted for price increase and market rates in respect of items not available in GSR. The market rate is adopted based on three quotations collected by consultants from the market. The Company has not evolved a system for independent verification of the market rates furnished by the consultants. As the reasonable cost is used for comparison of offers received and thus has a bearing on the cost of works, it is necessary that the company devises an in house system of independent verification of market rates so as to get assurance on reasonableness of 'reasonable cost'. The Company stated (September 2008) that a Material Rates Review Committee has been constituted (February 2008) to ascertain the rates of major items of materials from source of supplies.

Selection of contractors

7.3.4 The Contractors are selected through two bid system (technical bid and financial bid) under open tender procedure. The responses to tender invitations showed a declining trend over the years. An analysis of 29 selected works revealed that average number of bids received per tender declined from six in 2002-03 to two in 2006-07 and the average number of valid financial bids decreased from four in 2002-03 to two in 2006-07. There was only one valid financial bid in 10 cases. Though four out of 10 works were re-tendered due to single / no bidder, the response was not encouraging. The poor response culminated in awarding 10 works (one each in 2002-03, 2004-05 and 2007-08 and seven in 2006-07), in favour of single tenderer. Thus, competitive bidding for selection of contractors cannot be said to have taken place in spirit. The Company has not analysed the reasons for poor response to the Notice for Invitation of Tenders. The bidders have been quoting higher rates leading to extra expenditure. Out of 29 works awarded, 13 works were at cost more than five percent of the reasonable costs computed by the Company/Consultant and the excess cost thereon aggregated to Rs 26.56 crore. Inability of the Company to inspire confidence among prospective bidders and get competitive rates resulted in dwindling competition and excess expenditure. The Company needs to analyse the poor response and take measures to increase competitiveness so as to secure the price within reasonable cost. The Management stated (September 2008) that the Company being a Special Purpose Vehicle (SPV), it had to execute the works entrusted to it at a greater speed maintaining the quality and hence the chances for getting cheaper offer on re-tendering were rare and likely to end up with higher offer or no offer at all. The fact remains that the company was not able to inspire confidence among prospective bidders, leading to dwindling competition and excess expenditure.

Negotiation as a routine part of tendering process

7.3.5 As per the instructions (March 2007) of Central Vigilance Commission there should be no 'Post tender negotiations' with L1 except in certain exceptional situations as such negotiations could often be a source of corruption. The Company, however, negotiated with the L1 firm in respect of all three works awarded in 2007-08. Audit observed that negotiations were held as a part of tendering process earlier also and it had negotiated with the L1 in respect of 17 works. Though, as a result of negotiations, reduction in cost aggregating to Rs 10.94 crore (3.3 *per cent of total cost*) from originally quoted costs could be achieved in 20 cases, there was a tendency on the part of bidders to inflate their rates initially. This was evident from the fact that the quantum of reduction offered during negotiations ranged upto 22 *per cent* of quoted cost. The Company should follow the CVC guidelines and stop negotiations with contractors. Retendering can be resorted to if the quotes are not within the reasonable cost. The Management stated (September 2008) that as competition is the essence of bidding no contractors would be inflating the rates. This is not true as competition among contractors was not taking place due to less participation and the magnitude of reduction during negotiation indicated that the originally quoted rates were highly inflated.

Loss due to payment of interest free mobilization advance

7.3.6 As per section 31.6 of the CPWD manual, in respect of certain specialized and capital intensive works costing not less than rupees two crore, mobilization advance limited to a maximum of 10 *per cent* of the estimated cost put to tender or rupees one crore whichever is less, shall be sanctioned to the contractors at 10 *per cent* simple interest on specific request and as per the terms of the agreement. The Company, as per conditions provided in the contract, paid interest free mobilization advance aggregating to Rs 11.53 crore to the contractors of 13 works awarded during 2002-05. As the Company is working on borrowed funds, payment of interest free mobilization advance resulted in loss of Rs 85.51 lakh towards interest. Though the company had discontinued the system of payment of mobilization advance from 2005-06, the same was re-introduced from December 2007 with 10 *per cent* simple interest. The Company should establish its own policy for mobilization advance with due regard to CPWD manual.

Delay in completion of works

7.3.7 Of the 29 works awarded, though the agreed period of completion of 19 works was over by December 2007, five works were completed within the agreed period. Of the 14 works not completed within stipulated time, five works were foreclosed by the Company/Contractors and other five works were completed with delay ranging from three to 24 months. The balance four works were still in progress with an average delay of six months as of December 2007. As the delay in executing the works defeats the very purpose - *speedy execution of works* - of formation of the Company, the Management should monitor the progress closely and may consider incorporating in the agreement a very stiff penalty clause for delay in execution of works. The Management stated that more attention as suggested by Audit would be given for the system of monitoring the projects for avoiding delay in completion of work.

The matter was referred to the Government in June 2008; their reply had not been received (September 2008).

7.4 Avoidable expenditure in the construction of Sewage Treatment Plant

Procurement of Sewage Treatment Plant through Contractors instead of direct procurement from the supplier, resulted in extra expenditure of Rs 1.17 crore.

The Company at the request of Sanquelim Municipal Council decided (October 2006) to install a Sewage Treatment Plant (STP) at Sanquelim, Goa at an estimated cost of Rs 7.85 crore and accordingly tenders were invited in February 2007. The scope of work included supply and erection of the STP and related civil works for drainage, pipelines, roads etc. As per the tender conditions, the bidders had to install *C-Tech process* based STP for which SFC Environmental Technologies Pvt. Ltd. (SFC), Navi Mumbai was the only supplier in the country. Though three offers were received, the rates quoted were abnormally high as it ranged from 176 to 205 per cent of the estimated cost. In view of a suspected cartel formation among the Supplier, Consultant and Bidders, the Company retendered (February 2007) the work. The lowest offer (Rs 13.21 crore) was from UPL Environmental Engineers Limited (UPL) in which the quoted price of plant alone was Rs 3.82 crore. The Company awarded (April 2007) the work to UPL at a negotiated rate of Rs 11.30 crore (144 per cent of estimated cost).

Audit observed that the estimate for the STP was prepared based on a quotation from the supplier (SFC) to supply the plant at Rs 2.10 crore. After apportioning the benefit of negotiation (Rs 1.91 crore) on pro rata basis, the price of the plant quoted by UPL worked out to Rs 3.27 crore*. Had the company procured the plant directly and outsourced the civil works, it could have saved Rs 1.17 crore♣. The Government/Management stated (August 2008) that direct procurement of STP would have hindered the smooth implementation of the Project. This assumption is baseless as high value equipments are usually guaranteed for trouble free performance by suppliers and the Company was confident of the advantages of the plant provided by SFC.

7.5 Extra expenditure in road upgradation work

Injudicious decision to club three road works and put them to tender afresh as a single work, resulted in additional expenditure of Rs 38.69 lakh.

The Company invited (October-November 2006) bids separately for the works of improvement and upgradation of existing road network- *(i) at Pilgao in Bicholim Taluka, (ii) from Chodan Ferry Point to Thikazem and from Chodan to Pomburpa ferry point; and (iii) at Curti in Ponda Taluka.* The total costs for the three works, based on the final offer by the single bidder of each work, aggregated to Rs 12.98 crore which was 41.39 *per cent* above the aggregate estimated costs (Rs 9.18 crore). Though the company found the offers justifiable considering the then existing market rates for materials, it was

* Rs 3.82 crore x 11.30 / 13.21

♣ Rs 3.27 crore – Rs 2.10 crore

finally decided (December 2006) to club the three works and to tender the work afresh as a single work. Accordingly the three works were clubbed together and tendered (December 2006) as a single work. The Company finalised (February 2007) the bid in favour of the single bidder at Rs 13.28 crore which was Rs 30.36 lakh higher than the aggregate cost offered when the works were tendered separately. Moreover, the services of the three consultants engaged separately for the three works initially were discontinued and another consultant firm was appointed at an additional cost of Rs 8.33 lakh.

The Government stated (July 2008) that the decision to club the three works was taken in order to have better competition from the contractors performing high value contracts for road works and for getting competitive and cheaper offers. However, while recording the decision no anticipated benefit was noted except to the extent of participation of major contractors. Moreover, on account of the heavy entry barrier* for major works, the chances of getting more offers were also limited.

Audit also observed that:

- The Company was not hopeful of getting better offers if re-tendered as its Engineering Department, citing the cost trend, had recommended for acceptance of the single bids obtained in each case.
- As the works located at three distant places were combined, the single contractor required more time and thus the main objective of speedy completion of works was defeated.

Thus the assumption that the company would get more competitive offers by clubbing the three works had no basis and the injudicious decision to club and re-tender the work resulted in additional expenditure of Rs 38.69 lakh.

EDC Limited

7.6 Avoidable payment of interest on income tax

Failure to pay advance tax based on estimated income resulted in avoidable payment of interest on income tax of Rs 59.08 lakh.

As per section 208 and 211 of the Income Tax Act, 1961, companies having taxable income had to pay advance tax every quarter (15 June/September/ December/March) at the prescribed rates (15, 45, 75 and 100 *per cent) on* the estimated income failing which interest was payable under section 234 C on the short paid amount. Further, if the total advance tax paid was less than 90 percent of the assessed tax, interest was payable under section 234 B also, on the short paid amount.

The Company had a total income of Rs 6.44 crore during the financial year 2005-06 and the tax payable thereon worked out to Rs 1.68 crore. Though the

* Contractors for major works were required to have more work experience in the execution of major works and have more solvency.

Company had engaged a tax consultant, it did not make any estimate of income and pay any advance tax. The entire tax dues were paid only when Income Tax return was filed in October 2006, which necessitated payment of interest of Rs 18.80 lakh, under section 234 B and 234 C. Similarly, in the next financial year (2006-07) also the Company did not pay advance tax due in full, within the stipulated time, which resulted in payment of Rs 40.28 lakh towards interest.

Government stated (July 2008) that the Company was under the impression that long term/short term capital gain earned from sale of land during the year was available for set off against 'brought forward business loss' of earlier years and thereby tax liability could have been avoided. The fact, however, remained that the Company's failure in estimating its income promptly and correctly, resulted in payment of Rs 59.08 lakh towards interest.

7.7 Avoidable payment of interest on wealth tax

Non-observance of statutory requirements in regard to filing of wealth tax returns and deferment of payment of wealth tax dues resulted in avoidable payment of interest of Rs 24.06 lakh.

The Company owned 18,726 square meters of land (market value – Rs 936.32 lakh) and motor cars (market value - Rs 15 lakh) as on 31 March 2001, which were liable for wealth tax under section 2 (Ea) of the Finance Act, 1992. Based on the suggestions of the Statutory Auditors / Tax consultant, the Company made a provision for Rs 38.40 lakh in its accounts for the year 2002-03, towards the wealth tax liability for the three assessment years up to 2003-04. The Company, however, neither filed annual return of wealth nor paid the wealth tax dues in any of these years. The Income Tax Department issued (March 2007) notice under section 17 A of the Wealth Tax Act, 1957 directing the Company to file wealth tax returns. Accordingly the Company filed (May 2007) returns for the six assessment years up to 2006-07 and paid (May 2007) Rs 84.80 lakh as wealth tax and Rs 24.06 lakh as interest under section 17 B for belated payment of wealth tax. Thus failure of the Company in filing the wealth tax returns and in paying the statutory dues in time, resulted in loss of Rs 24.06 lakh. While confirming the audit observation, Management stated (April 2008) that action had been initiated to fix responsibility for the loss.

The matter was referred to the Government in February 2008; their reply had not been received (September 2008).

Info Tech Corporation of Goa Limited

7.8 Loss due to incorrect assessment of market rate of land

Assessment of market rate of land at a lesser rate resulted in minimum loss of Rs 15.74 crore by way of premium and lease rent.

The State Government transferred (June 2000) 2,85,296 square metre of land at Dona Paula, Goa to the Company, at a price of Rs 275 per square metre, for setting up a High-tech Habitat for IT Software and ITES industries. The Company developed the land and allotted (August 2006 – October 2007) 18 plots (2,03,757 square metre), on lease basis for 30 years to 14 parties at a premium of Rs 4,600 per square metre. The premium consisted of Rs 3,100 towards land cost and Rs 1,500 towards infrastructure development charges. The land cost (Rs 3,100 per square metre) in turn was fixed based on the market rate intimated by the Revenue Department in July 2006. The market rate was assessed by the Revenue Department as the average of 20 selected sale transactions registered in the same place during the preceeding three years. This was not reasonable in view of the rising trend of market rate. Had the average rate been assessed based on the transactions carried out in the preceding one year, the market rate would have been higher by Rs 483 per square metre.

Thus incorrect assessment of market rate of land resulted in loss of Rs 9.84 crore* by way of premium and thereby undue benefit to the allottees of land. The loss would be still higher, in view of the fact that the prices at which the sale deeds are registered are generally lower than the transaction value as Government has not prescribed minimum land rates for the purpose of levying stamp duty. Further, as the lease rent is fixed at two percent of the premium amount, fixation of market rate at a lesser rate would result in loss of Rs 5.90♣ crore to the Company by way of less lease rent for 30 years. Management replied (August 2008) that the rate (Rs 3,100 per square metre) was fixed at the instance of Government. Government reply was awaited (August 2008).

Audit scrutiny also revealed the following irregularities in the allotment of plots.

- Plots were available for allotment to IT firms directly as well as to Real Estate Developers (Developers) who wanted to create built up space for offering to IT firms. Out of 37 applications received for allotment of plots, 19 were from IT firms and 18 were from Developers. Allotment was made to five IT firms and nine Developers and the remaining 23 applications were rejected. Applications of seven IT firms and four Developers were rejected on the grounds such as incomplete application, absence of project report etc. whereas one of the Developers (Venkatarao Infra Projects) who had not submitted proper application and project report initially was allotted a plot. Similarly five Developers were allotted plots by relaxing the prescribed eligibility criteria.
- One of the allottees (Technology Options Pvt. Ltd.) was refunded the premium amount remitted and one of the applicants (S.A.S. Servizio Ltd) who refused to accept allotment was allowed refund of Security Deposit. As Security Deposits in these cases were not forfeited as required as per the terms of allotment, the Company incurred loss of Rs 25.63 lakh.

* Rs 483 x 203757

♣ Rs 9.84 crore x 30 x 2%

Management stated (August 2008) that these allottees had withdrawn their applications due to their own disinterest in the project. The fact, however, remained that EMD should have been forfeited after withdrawal of offer subsequent to allotment.

The matter was referred to the Government in June 2008; their reply had not been received (September 2008).

Goa Antibiotics and Pharmaceuticals Limited

7.9 Loss due to non- liquidation of stock of medicine before expiry

Failure in taking back the stock of medicine from the Depot before its expiry resulted in loss of Rs 15.05 lakh.

The Company appointed (April 2001) Madhur Pharma, Indore as their Clearing and Forwarding (C&F) Agent for the state of Madhya Pradesh. Goods were being dispatched from the Company's factory in Goa to its own Depot at Indore as stock transfer and later on invoiced to C&F Agent and other stockists.

As at the end of March 2005, a sum of Rs 4.07 lakh was due from the C&F Agent. At the same time, medicines worth Rs 23.85 lakh, which were dispatched by the Company between July 2002 and October 2004, were also available at the Depot. As the C&F Agent could not liquidate the stock and as the expiry dates of medicines were nearing, the Company requested (January 2005) the C&F Agent to return the goods. Meanwhile, the Company had received supply orders from the Government of Goa which would have enabled them to liquidate the stock. The Agent, however, returned medicines (value: Rs 18.69 lakh) in July 2005 only and retained the balance stock of Rs 5.16 lakh. The Company did not accept the returned stock as its expiry date was over or nearing completion and hence debited the account of the party with Rs 23.85 lakh. After adjusting the security deposit (Rs 10 lakh) and other dues payable (Rs 2.87 lakh), a sum of Rs 15.05 lakh was pending recovery from the Agent.

Audit scrutiny revealed that, though the Company had its own official posted at the Depot, it failed to exercise adequate control over the stock held at the depot. The Company also failed in monitoring the stock levels and in timely liquidation of stock of medicines which were having shelf life. The Company suffered loss of Rs 15.05 lakh, as it did not resort to any legal action to recover the dues from the Agent.

The Government/Management stated (May 2008) that the C&F Agent created hurdles to transfer the goods back to Goa. It was also stated that arbitration clause of the agreement would be invoked to realise the dues. It was however noticed in Audit that the Company has not taken any such action so far (August 2008).

DEPARTMENTAL COMMERCIAL UNDERTAKINGS

Goa Electricity Department

7.10 Loss of revenue due to delay in replacement of faulty meter

Inordinate delay in replacing the energy meter of a High Tension Consumer resulted in loss of revenue of Rs 1.31 crore.

Clause 24 of the 'Condition of Supply of Electrical Energy' stipulates that a consumer should be finally billed for the period when meter was faulty, on the basis of average consumption subsequent to the replacement of faulty meter.

Electrical Division XI of the Department provided High Tension electrical connection to Airport Authority of India for their Goa Airport in June 1997. The energy meter installed at the consumer's premises became faulty in December 2003. Thereafter, the consumer was billed monthly for 2,32,445 units, which was the average consumption of the preceding three months. The meter remained faulty for 34 months and new meter was installed only in October 2006. Meanwhile, consumption of energy by the consumer had gone up drastically and the monthly average of three months' consumption subsequent to replacement of meter was 3,50,550 units. The Division, however, did not issue any revised bill for recovering energy charges on the short billed units (1,18,105 units per month) for the period of 34 months.

Audit scrutiny revealed that:

- Though the metering equipment was owned by the Department, it failed to take action to rectify/replace the faulty meter within a reasonable time. Also, the consumer had been requesting the Department to replace the faulty meter. The Department should have ensured prompt replacement of the meter in case of this big consumer.
- Had the standby meter (Check meter) as required by the Departmental guidelines been installed in the consumer's premises, the actual consumption could have been assessed, even though the main meter was faulty.
- As the faulty meter was not replaced in time and consumption during the meter faulty period was not billed as per the rules, the Department suffered loss of revenue of Rs 1.31 crore* by way of energy charges alone. As back billing is restricted to six months period, the scope of recovering this revenue at this stage is remote.

The Department replied (August 2008) that non availability of suitable meters caused delay in replacement of the faulty meter. The fact remains that the Department could have taken action to procure new metering equipment (cost Rs 0.94 lakh). After pointed out by audit, the Department raised an additional bill of Rs 23.03 lakh for the six months' period (April 2006 to September 2006), which was yet to be paid by the consumer (August 2008).

* For 34 months @ 1,18,105 units per month, at Rs 3.25 per unit.

The matter was referred to the Government in May 2008; their reply had not been received (September 2008).

7.11 Extra expenditure in purchase of fuse wire

Delay in accepting the lowest offer for supply of fuse wire resulted in re-tendering and purchase of the same at double the rates incurring extra expenditure of Rs 24.62 lakh.

Stores & Workshop Division of the Department invited (January 2006) eight tenders separately for supplying 'tinned copper fuse wire' of various capacities (6 Amps to 100 Amps). The dates of opening of tenders were between 3 February 2006 and 7 February 2006 and the dates of validity of offers were to expire between 4 May 2006 and 8 May 2006. However, the Division finalised the tenders and forwarded the same to the Chief Electrical Engineer for approval, by the end of April 2006 only. Thus against the total available time of 90 days for the acceptance of offer, the Division office itself took nearly 80 days to process the tender. The Chief Electrical Engineer returned the proposals (May-June 2006) as the validity period of the offers had expired. In order to meet its requirements, the Division again invited (September 2006) tenders and purchased (November 2006) 5.11 MT of fuse wire at a total cost of Rs 45.70 lakh. Based on the originally offered rates, the total cost of 5.11 MT of fuse wire would have been Rs 21.08 lakh only.

As the offers received in February 2006 were not finalised and accepted before the expiry of validity period, the Division had to purchase the material subsequently at double the rates incurring extra expenditure of Rs 24.62 lakh. The Department stated (August 2008) that the suppliers had expressed (April 2006) inability to supply the material at their quoted price due to steep increase in price of raw materials. This is factually incorrect as the suppliers had never expressed such inability. Further, in view of the rising trend in prices, the Department should have taken prompt action to accept the offers in time so as to ensure procurement of materials at the cheaper rates.

The matter was referred to the Government in May 2008; their reply had not been received (September 2008).

7.12 Extra expenditure on purchase of transformers

Purchase of transformers at higher rate while a previous order placed on the same supplier was pending execution, resulted in extra expenditure of Rs 15.51 lakh.

The Department invited (September 2004) tenders for supply of 80 numbers of 100 KVA Distribution transformers and supply order was issued (November 2004) to the lowest bidder, Stanlec Private Limited (SPL) at Rs 54,810 per unit. The price quoted was firm, inclusive of all taxes and duties and no price variation was allowable. Though the entire ordered quantity was to be supplied before 1 March 2005, the tenderer supplied 32 transformers only and the balance (48 Numbers) was not supplied.

While this supply order was pending execution, the Division invited (August 2005) fresh tenders for supply of 50 transformers of same capacity (100 KVA) and the lowest offer (Rs 73,332 per unit) from the same supplier (SPL) was accepted (November 2005). The contractor supplied the entire ordered quantity (50 numbers) by February 2008, at a total price of Rs 89,706 per unit (including price variation and VAT). For the pending quantity (48 numbers) against the first tender, the contractor requested for revised price of Rs 77,997 (including 12.5 *per cent* VAT) which was higher by Rs 23,187.

Government agreed (March 2008) to this request and accordingly the contractor supplied (May-July 2008) 48 transformers. Thus, instead of recovering penalty (Rs 4.38 lakh) for delayed supply, the Department allowed revised price resulting in extra expenditure of Rs 11.13 lakh[⊗].

The Department stated (August 2008) that the revised price was cheaper when compared to the present market rate. The fact is that the supplier was bound to supply, three years back, the entire quantity of the first order at firm price without price variation. Moreover, due to distance of time, comparison of price with the present market price was not realistic.

The matter was referred to the Government in May 2008; their reply had not been received (September 2008).

Mridula S—F.

Panaji **(MRIDULA SAPRU)**
The 14 JAN 2009 **Accountant General, Goa**

Countersigned

V Rai

New Delhi **(VINOD RAI)**
The 29 JAN 2009 **Comptroller and Auditor General of India**

[⊗] at the rate of Rs 23,187 per unit for 48 transformers

APPENDICES

APPENDIX - 1.1

PART A: STRUCTURE AND FORM OF GOVERNMENT ACCOUNTS

(Reference: Paragraph 1.1)

Structure of Government Accounts: The accounts of the State Government are kept in three parts (i) Consolidated Fund, (ii) Contingency Fund and (iii) Public Account.

Part I: Consolidated Fund

All revenues received by the State Government, all loans raised by issue of treasury bills, internal and external loans and all moneys received by the Government in repayment of loans shall form one consolidated fund entitled 'The Consolidated Fund of State' established under Article 266(1) of the Constitution of India.

Part II: Contingency Fund

Contingency Fund of State established under Article 267(2) of the Constitution is in the nature of an imprest placed at the disposal of the Governor to enable him to make advances to meet urgent unforeseen expenditure, pending authorisation by the Legislature. Approval of the Legislature for such expenditure and for withdrawal of an equivalent amount from the Consolidated Fund is subsequently obtained, whereupon the advances from the Contingency Fund are recouped to the Fund.

Part III: Public Account

Receipts and disbursements in respect of certain transactions such as small savings, provident funds, reserve funds, deposits, suspense, remittances etc., which do not form part of the Consolidated Fund, are kept in the Public Account set up under Article 266(2) of the Constitution and are not subject to vote by the State legislature.

APPENDIX - 1.1

PART B: LAYOUT OF FINANCE ACCOUNTS

(Reference: Paragraph 1.1)

Statement	Layout
Statement No.1	Presents the summary of transactions of the State Government – receipts and expenditure, revenue and capital, public debt receipts and disbursements etc., in the Consolidated Fund, Contingency Fund and Public Account of the State.
Statement No.2	Contains the summarized statement of capital outlay showing progressive expenditure to the end of 2007-08.
Statement No.3	Gives financial results of irrigation works, their revenue receipts, working expenses and maintenance charges, capital outlay, net profit or loss, etc.
Statement No.4	Indicates the summary of debt position of the State which includes borrowing from internal debt, Government of India, other obligations and servicing of debt.
Statement No.5	Gives the summary of loans and advances given by the State Government during the year, repayments made, recoveries in arrears etc.
Statement No.6	Gives the summary of guarantees given by the Government for repayment of loans etc. raised by the statutory corporations, local bodies and other institutions.
Statement No.7	Gives the summary of cash balances and investments made out of such balances.
Statement No.8	Depicts the summary of balances under Consolidated Fund, Contingency Fund and Public Account as on 31 March 2008.
Statement No.9	Shows the revenue and expenditure under different heads for the year 2007-08 as a percentage of total revenue/expenditure.
Statement No.10	Indicates the distribution between the charged and the voted expenditure incurred during the year.
Statement No.11	Indicates the detailed account of revenue receipts by minor heads.
Statement No.12	Provides accounts of revenue expenditure by minor heads under non–plan and plan separately and capital expenditure by major headwise.
Statement No.13	Depicts the detailed capital expenditure incurred during and to the end of 2007-08.
Statement No.14	Shows the details of investment of the State Government in statutory corporations, Government companies, other joint stock companies, co-operative banks and societies etc., upto the end of 2007-08.
Statement No.15	Depicts the capital and other expenditure to the end of 2007-08 and the principal sources from which the funds were provided for that expenditure.
Statement No.16	Gives the detailed account of receipts, disbursements and balances under heads of account relating to Debt, Contingency Fund and Public Account.
Statement No.17	Presents detailed account of debt and other interest bearing obligations of the Government of Goa.
Statement No.18	Provides the detailed account of loans and advances given by the Government of Goa, the amount of loan repaid during the year, the balance as on 31 March 2008.
Statement No.19	Gives the details of earmarked balances of reserve funds.

APPENDIX - 1.1

PART C: LIST OF TERMS USED IN THE CHAPTER I AND BASIS OF THEIR CALCULATION

(Reference: Paragraph 1.2)

Terms	Basis of calculation
Buoyancy of a parameter	Rate of Growth of the parameter/ GSDP Growth
Buoyancy of a parameter (X) With respect to another parameter (Y)	Rate of Growth of parameter (X)/ Rate of Growth of parameter (Y)
Rate of Growth (ROG)	[(Current year Amount /Previous year Amount)-1]* 100
Development Expenditure	Social Services + Economic Services
Average interest paid by the State	Interest payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100
Weighted Interest Rate (Average interest paid by the states)	Interest Payment/ {(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2} * 100
Interest spread	GSDP growth – Average Interest Rate
Quantum spread	Debt stock *Interest spread
Interest received as *per cent* to Loans Outstanding	Interest Received/[(Opening balance + Closing balance of Loans and Advances)/2]*100
Revenue Deficit	Revenue Receipt – Revenue Expenditure
Fiscal Deficit	Revenue Expenditure + Capital Expenditure + Net Loans and Advances – Revenue Receipts – Miscellaneous Capital Receipts
Primary Deficit	Fiscal Deficit – Interest payments
Balance from Current Revenue (BCR)	Revenue Receipts **minus** all Plan grants and Non-plan Revenue Expenditure excluding expenditure recorded under the major head 2048 – Appropriation for reduction of Avoidance of debt

APPENDIX-1.2

(Referred to in paragraph 1.5.5)

DEPARTMENT-WISE AND YEAR-WISE BREAK UP OF OUTSTANDING UTILISATION CERTIFICATES AS ON 30 JUNE 2008

Sr. No.	Name of the Department	No. of utilization certificates	Amount (*Rupees in crore*)
1.	**Education**		
	Directorate of Education	284	10.48
2.	Directorate of Technical Education	3	0.83
3.	Directorate of Higher Education	26	9.73
4.	**Sports**		
	Director of Sports & Youth Affairs	180	30.42
5.	Town and Country Planning Department	32	13.23
6.	**Urban Development**		
	Directorate of Municipal Administration	452	94.80
7.	**Social Welfare**		
	i) Directorate of Women and Child Welfare	72	2.61
	ii) Directorate of Social Welfare	76	2.52
8.	**Science, Technology & Environment**		
	Directorate of Science, Technology & Environment	39	10.04
9.	**Panchayati Raj**		
	i) Directorate of Panchayat (South),	1202	10.90
	ii) Directorate of Panchayat (North)	955	47.43
10.	i) GAD Secretariat	13	2.66
	ii) Directorate of Official Language	18	2.07
11.	**Health**		
	i) Directorate of Health Services	15	3.06
	ii) Institute of Psychiatry & Human Behaviour	1	0.01
12.	**Home Department**		
	Director General of Police	1	0.02
13.	**Finance Department**		
	Directorate of Small Savings	5	5.00
14.	Directorate of Art & Culture	470	16.17
15.	Directorate of Agriculture	129	0.85
16.	**Law Department**		
	Goa Legal Services Authority	4	0.60
	TOTAL	**3977**	**263.43**

APPENDIX - 1.3

(Referred to in paragraph 1.5.6)

STATEMENT SHOWING NON-SUBMISSION OF ACCOUNTS BY DEPARTMENTS FOR FINANCIAL ASSISTANCE GIVEN TO VARIOUS INSTITUTIONS

Sr. No.	Name of the Department	No. of institutions under the Department
1.	Directorate of Higher Education	8
2.	Directorate of Agriculture	1
3.	Chief Town Planner	2
4.	Directorate of Panchayat	1
5.	Directorate of Municipal Administration	7
6.	Directorate of Technical Education	1
7.	Directorate of Industries	1
8.	Directorate of Social Welfare	1
9.	Directorate of Education	79
	TOTAL	**101**

APPENDIX - 1.4

(Referred to in paragraph 1.5.7)

ABSTRACT OF PERFORMANCE OF AUTONOMOUS BODIES

The status of submission of accounts by the autonomous bodies and submission of Audit Reports thereon to the State Legislature as of June 2008 is given below.

Sr. No.	Name of the Body/Authority	Entrustment of audit	Year for which Accounts due	Year upto which Accounts received	Year upto which Audit Report issued	Year upto which Audit Report laid in the legislature
1.	Goa Tillari Irrigation Development Corporation	1.4.2008 to 31.3.2012	2006-07 2007-08	2005-06	2005-06	2004-05
2.	Goa State Commission for Backward Classes	1.4.2004 to 31.3.2009	2007-08	2006-07	2006-07	2005-06
3.	Goa University	1.4.2005 to 31.3.2010	2006-07 2007-08	2005-06	2005-06	2005-06
4.	Goa Khadi & Village Industries Board	1.4.2008 to 31.3.2013	2006-07	2005-06	2005-06	2004-05
5.	Goa Housing Board	1.4.2007 to 31.3.2012	2006-07	2006-07	2006-07	2004-05

APPENDIX – 1.5

(Referred to in paragraph 1.6)

DEPARTMENT WISE AND CATEGORY WISE DETAILS OF MISAPPROPRIATION, LOSSES ETC. REPORTED UPTO 31 MARCH 2008 PENDING FINALISATION AT THE END OF JUNE 2008

Sr. No.	Name of the Department	Awaiting Dept. criminal investigation		Departmental action started but not finalised		Criminal proceedings finalized but execution of certificate cases for recovery of the amount pending		Awaiting orders for recovery or write off		Pending in the courts of law		Total	
		No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount	No. of items	Amount
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
(Rupees in lakh)													
1.	**Panchayati Raj** Director of Panchayat, Panaji	--	--	--	--	--	--	2	0.79	--	--	2	0.79
2.	**Home**												
	a) Deputy Commandant General, Home Guards	--	--	--	--	--	--	--	--	1	4.95	1	4.95
	b) Director General of Police	--	--	--	--	--	--	--	--	2*	1.38	2	1.38
3.	**Civil Supplies**	--	--	2	2.89	--	--	--	--	--	--	2	2.89
4.	**Forest** Conservator of Forest	--	--	1	0.67	--	--	--	--	--	--	1	0.67

* In 1 case money value is not determined

5.	**Power Department** Chief Electrical Engineer	2	57.94	1	40.24	--	--	--	--	--	--	3	98.18
6.	**Public Works Department** Chief Engineer, PWD	--	--	1	38.60	--	--	--	--	1	0.20	2	38.80
7.	Goa Medical College	1	2.39	--	--	--	--	--	--	--	--	1	2.39
8.	**Education** Director of Education, Panaji	--	--	--	--	--	--	--	--	1	0.77	1	0.77
9.	**E. S. I. Scheme**	--	--	--	--	--	--	1	1.85	--	--	1	1.85
10.	**Technical Education** Govt. Polytechnic Mayem, Bicholim	1	0.40	--	--	--	--	--	--	--	--	1	0.40
TOTAL		**4**	**60.73**	**5**	**82.40**	**--**	**--**	**3**	**2.64**	**5**	**7.30**	**17**	**153.07**

APPENDIX - 1.6

(Referred to in paragraph 1.6.1)

DEPARTMENT-WISE DETAILS OF WRITE-OFF AND WAIVER OF RECOVERY

Sr. No.	Name of Department	Write off	
		No. of Cases	Amount *(in Rupees)*
1.	**TECHNICAL EDUCATION** Goa College of Art	31	11444
2.	**ANIMAL HUSBANDRY & VETERINARY SERVICES** Director of Animal Husbandry & Veterinary Services	34	18365
3.	**FINANCE DEPARTMENT** Directorate of Accounts	1	12120
4.	**HEALTH DEPARTMENT** Directorate of Health Services	8	91723
5.	**AGRICULTURE DEPARTMENT** Directorate of Agriculture	38	82559
	Total	**112**	**216211**

APPENDIX - 1.7

(Referred to in paragraph 1.7.1)

SUMMARISED FINANCIAL POSITION OF THE GOVERNMENT OF GOA

(Rupees in crore)

As on 31 March 2007		Liabilities	As on 31 March 2008	
1224.49		**Internal Debt**		**1587.06**
	1107.68	Market Loans bearing interest	1477.36	
	26.68	Loans from LIC	24.69	
	70.76	Loans from other institutions	71.66	
	18.18	Loans from NABARD	12.35	
	1.19	Loans from National Co-operatives Development Corporation	1.00	
	-	Ways and Means Advances /overdraft	-	
3465.51		**Loans and Advances from Central Government**		**3539.42**
	2682.60	Non-Plan Loans	2778.54	
	772.88	Loans for State Plan Schemes	750.34	
	0.09	Loans for Central Plan Schemes	0.07	
	9.94	Loans for Centrally Sponsored Plan Schemes	10.47	
30.00		**Contingency Fund**		**200.00**
632.79		**Small savings, Provident Fund etc.**		**721.95**
371.32		**Deposits**		**440.28**
139.65		**Reserve Funds**		**174.55**
28.07		**Remittances**		**79.00**
(-) 29.19		**Suspense and Miscellaneous**		**60.50**
5862.64				**6802.76**
As on 31 March 2007		**Assets**	**As on 31 March 2008**	
4289.48		**Gross Capital Outlay on Fixed Assets**		**4978.01**
	266.06	Investment in shares of Companies, Corporation etc.	299.17	
	4023.42	Other Capital Outlay	4678.84	
52.74		**Loans and Advances**		**71.16**
	38.44	Other Development Loans	48.26	
	14.30	Loans to Government Servants	22.90	
0.74		**Advances**		**0.70**
-		**Remittances**		--
-		**Suspense & Miscellaneous Balances**		
495.79		**Cash**		**725.13**
		Cash in Treasuries		
	1.45	Departmental Cash Balances	1.45	
	0.12	Permanent Advances	0.12	
	355.50	Cash Balance Investment	655.46	
	132.62	Earmarked Fund Investment	167.96	
	6.10	Deposits with Reserve Bank	(-) 99.86	
1016.49		**Deficit in Government Accounts**		
	(-) 141.45	Revenue Deficit of the current year	(-) 166.13	**850.36**
	1157.94	Accumulated deficit as on 31 March 2007	1016.49	
		Appropriation to Contingency Fund		**170.00**
7.40		**Net effect of Balances taken over**		**7.40**
	(-) 431.66	Balances taken over on 30 May 1987 under capital	(-) 431.66	
	424.26	Net result of allocation of Capital Expenditure	424.26	
5862.64				**6802.76**

APPENDIX - 1.8

(Referred to in paragraph 1.7.1)

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	2003-04	2004-05	2005-06	2006-07	2007-08
Part A. Receipts					
1. Revenue Receipts	1623	1820	2169	2610	2944
(i) Tax Revenue	710(44)	857(47)	1096(51)	1292(50)	1359(46)
Sales Tax	592(71)	567(66)	743(68)	845(65)	879(64)
State Excise	53(7)	56(7)	55(5)	57(4)	76(6)
Taxes on Vehicles	51(7)	59(7)	64(6)	75(6)	82(6)
Stamps duty and Registration fees	29(4)	36(4)	60(5)	116(9)	118(9)
Land Revenue	5(1)	5(1)	5(1)	6(1)	7(1)
Taxes on goods and passengers	41(6)	103(12)	131(12)	138(11)	113(8)
Other Taxes	29(4)	31(3)	38(3)	55(4)	84(6)
(ii) Non-Tax Revenue	725(45)	729(40)	761(35)	918(35)	1043(36)
(iii) State's share in Union taxes and duties	136(8)	162(9)	245(11)	312(12)	394(13)
(iv) Grants-in-aid from Government of India	52(3)	72(4)	67(3)	88(3)	148(5)
2. Misc. Capital Receipts	-	-	-	-	-
3. Total Revenue and Non debt capital receipt (1+2)	1623	1820	2169	2610	2944
4. Recoveries of Loans and Advances	7	6	6	6	6
5. Public Debt Receipts	792	702	698	639	505
Internal Debt (excluding Ways & Means Advances and Overdrafts)	273	151	186	100	414
Net transactions under Ways and Means Advances and Overdraft	-	-	-	-	-
Loans and Advances from Government of India	519	551	512	539	91
6. Total Receipts in the Consolidated Fund (3+4+5)	2422	2528	2873	3255	3455
7. Contingency Fund Receipts	-	1	-	-	170
8. Public Accounts receipts	3239	3157	3285	3611	4038
9. Total receipts of the State (6+7+8)	5661	5686	6158	6866	7663
Part B. Expenditure	2065	2369	2771	3095	3466
10. Revenue Expenditure	1764(85)	1943(82)	2191(79)	2469(80)	2778(80)
Plan	284(16)	365(19)	415(19)	484(20)	566(20)
Non-plan	1480(84)	1578(82)	1776(81)	1985(80)	2212(80)
General Services (including interests payments)	582(33)	633(33)	743(34)	786(32)	837(30)
Economic Services	618(35)	642(34)	711(32)	852(34)	1010(36)
Social Services	564(32)	668(34)	737(34)	831(34)	931(34)
Grants-in-aid and contributions	214	219	296	309	333
11. Capital Expenditure	301(15)	426(18)	580(21)	626(20)	688(20)
Plan	301(100)	425(100)	579(100)	622(99)	683(99)
Non-plan	-	1	1	4(1)	5(1)
General Services	28(9)	70(17)	95(16)	83(13)	96(14)
Economic Services	184(61)	265(62)	389(67)	421(67)	450(68)
Social Services	89(30)	91(21)	96(17)	122(19)	142(21)
12. Disbursement of Loans and Advances	10	7	7	8	25
13. Total (10+11+12)	2075	2376	2778	3103	3491

14. Repayments of Public Debt	363	230	71	73	68
Internal Debt (excluding Ways and Means Advances and Overdrafts)	34	38	40	42	51
Net transactions under Ways and Means Advances and Overdraft	21	66	-	-	-
Loans and Advances from Government of India	308	126	31	31	17
15. Appropriation to Contingency Fund	-	-	-	-	170
16. Total disbursement out of Consolidated Fund (13+14+15)	2416	2606	2849	3176	3729
17. Contingency Fund disbursements	1.17	0.22	-	-	170
18. Public Accounts disbursements	3218	2971	3134	3519	3704
19. Total disbursement by the State (16+17+18)	5635	5577	5983	6695	7603
Part C. Deficits					
20. Revenue Deficit (1-10)	141	123	22	(-) 141	(-) 166
21. Fiscal Deficit (3+4-13)	445	550	603	487	541
22. Primary Deficit (-)/surplus (+) (21-23))	124	227	203	60	94
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	321	323	400	427	447
24. Arrears of Revenue (Percentage of Tax & non-tax Revenue Receipts)	321	322	425	532	460
25. Financial Assistance to local bodies etc.	214	219	297	309	333
26. Ways and Means Advances (WMA)/Overdraft availed (days)	249/21	221/12	-	-	-
27. Interest on WMA/Overdraft	1.34/0.23	1.13/0.05	-	-	-
28. Gross State Domestic Product (GSDP)*	9290	10219	11685	13796	15176
29. Outstanding Debt (year end)	3838	4350	5018	5694	6289
30. Outstanding guarantees including interest (year end)	491	621	631	624	311*
31. Maximum amount guaranteed (year end)	628	719	709	715	528
32. Number of incomplete projects	17	12	55	11	2
33. Capital blocked in incomplete projects	466.93	464.18	532.88	568.02	609

Note: Figures in brackets represent percentages (rounded) to total of each sub heading

* Source of GSDP – Budget at a glance of the Govt. of Goa.

* Excluding the information awaited from Goa, Daman & Diu KVIB, Vausmach Industries, Margao Industrial Estate, Goa Construction Corporation Ltd. and Goa State Scheduled Caste and OBC Finance Development Corporation Ltd.

APPENDIX - 1.9

(Referred to in Paragraph 1.7.2.3)

POSITION OF ARREARS AS ON 3OTH JUNE 2008 IN PREPARATION OF PROFORMA ACCOUNTS

Department	No. of undertakings under the Department	Accounts not finalized (name of undertakings)	Year upto which accounts finalised	Investment as per last accounts (Rupees in crore)
Inland Water Transport	1	River Navigation Department	2003-04	92.57
Power	1	Chief Electrical Engineer	2005-06	536.97
Total				629.54

APPENDIX - 2.1

(Referred to in paragraph 2.3.1)

AREAS IN WHICH MAJOR SAVINGS OCCURRED

Grant No./Major Head	Areas in which major savings occurred	Savings *(Rupees in crore)*
8	**Treasury and Accounts Administration North Goa (Revenue Voted)**	
2071	Pension and other retirement benefits	47.15
19	**Industries Trade and Commerce (Revenue Voted)**	
2851	Village and Small Industries	10.84
21	**Public Works (Capital Voted)**	
4215	Water Supply & Sanitation	69.93
30	**Lotteries (Revenue Voted)**	
2075	State Lotteries	683.41
55	**Municipal Administration (Revenue Voted)**	
2217	Urban development	59.74

APPENDIX – 2.2

(Referred to in paragraph 2.3.1)

SAVINGS IN EXCESS OF RUPEES TWO CRORE AND ALSO BY MORE THAN 10 *PER CENT* OF THE TOTAL PROVISION

(Rupees in crore)

Sr. No	Grant/ Appropriation	Total Provision	Actual Expenditure	Savings
Revenue (Voted)				
1.	07 - Settlement and Land Records	7.22	3.28	3.94
2.	31 - Panchayats	46.46	39.65	6.81
3.	35 – Higher Education	58.11	47.72	10.39
4.	43 - Art & Culture	15.88	12.51	3.37
5.	58 - Women and Child Development	19.11	16.72	2.39
6.	65 - Animal Husbandry and Veterinary Services	19.03	16.54	2.49
7.	71 - Cooperation	6.86	4.67	2.19
Capital (Voted)				
8.	8 - Treasury and Accounts Administration (South Goa)	15.19	12.77	2.42
9.	18 - Jails	7.49	1.94	5.55
10.	19 - Industries Trade and Commerce	4.00	1.00	3.00
11.	45 - Archives and Archaeology	5.50	0.46	5.04
12.	47 - Goa Medical College	10.74	7.46	3.28
13.	67 - Ports Administration	4.50	1.62	2.88
14.	70 - Civil Supplies	33.20	26.18	7.02
Capital (Charged)				
15.	Appropriation Debt Services	205.85	68.30	137.55
	TOTAL	**459.14**	**260.82**	**198.32**

APPENDIX - 2.3

(Referred to in paragraph 2.3.2)

STATEMENT SHOWING EXCESS OVER PROVISION RELATING TO PREVIOUS YEARS REQUIRING REGULARISATION

Year	No. of grants/ Appropriation in the year	Grant/ Appropriation No.	Excess amount (*Rupees in crore*)	Remarks
1998-1999	10	7, 32, 33, 34, 35, 36, 37, 46, 53 and 59	1.35	Public Accounts Committee recommended for regularisation. Report of regularisation awaited
1999-2000	6	9, 27, 40, 42, 46, 58	0.39	
2000-2001	5	8, 37, 44, 58 and Public Debt	14.79	
2001-2002	3	44, 58 and Public Debt	307.91	
2002-2003	2	50, Appropriation Debt Services	675.33	
2003-2004	2	2, Appropriation Debt Services	549.59	--
2004-2005	2	8, Appropriation Debt Services	293.85	--
2005-2006	2	38, Appropriation Debt Services	17.68	--
2006-2007	2	1, 21	0.09	--
TOTAL			**1860.98**	

APPENDIX - 2.4

(Referred to in paragraph 2.3.4)

STATEMENT SHOWING CASES WHERE SUPPLEMENTARY GRANTS PROVED UNNECESSARY

(Rupees in crore)

Sr. No.	Grant/Appropriation	Amount of grants/appropriation			
		Original	Supplementary	Actual expenditure	Savings
Revenue (Voted)					
1.	1- Legislature Secretariat	7.42	0.30	7.16	0.56
2.	10 – Notary Services	2.89	0.09	2.57	0.41
3.	11 – Excise	3.77	0.04	3.76	0.05
4.	13- Transport	14.90	0.05	14.05	0.90
5.	23 – Home	1.33	0.30	1.15	0.48
6.	40 – Goa College of Engineering	9.15	0.02	8.20	0.97
7.	44 – Goa College of Art	1.09	0.02	1.04	0.07
8.	48 – Health Services	72.82	2.50	71.17	4.15
9.	61 – Craftsmen Training	13.48	0.34	13.10	0.72
10.	65 - Animal Husbandry and Veterinary Services	18.83	0.20	16.54	2.49
11.	71 - Cooperation	6.46	0.40	4.67	2.19
12.	72 - Science, Technology and Environment	4.33	0.50	3.89	0.94
13.	77 - River Navigation	12.54	0.63	12.52	0.65
14.	5 - Prosecution	1.47	0.04	1.11	0.40
Capital (Voted)					
15.	26 – Fire and Emergency Services	1.03	0.14	1.02	0.15
16.	31 - Panchayats	1.96	0.40	0.56	1.80
17.	35 – Higher Education	7.17	0.14	6.92	0.39
18.	Food and Drugs Administration	0.13	0.05	0.09	0.09
19.	65 - Animal Husbandry and Veterinary Services	0.68	0.67	0.44	0.91
	Total	**181.45**	**6.83**	**169.96**	**18.32**

APPENDIX – 2.5

(Referred to in paragraph 2.3.4)

STATEMENT SHOWING CASES WHERE SUPPLEMENTARY PROVISION WAS EXCESSIVE

(Rupees in crore)

Sr. No.	Number and name of Grant	Original Provision	Supple-mentary Provision	Total Provision	Expendi-ture	Savings
Revenue (Charged)						
1.	1- Legislature Secretariat	0.30	0.15	0.45	0.32	0.13
2.	A1– Raj Bhavan	2.65	0.36	3.01	2.85	0.16
Revenue (Voted)						
3.	2 - General Administration and Coordination	18.07	4.15	22.22	22.07	0.15
4.	6 - Election Office	4.76	3.05	7.81	7.40	0.41
5.	26 – Fire and Emergency Services	6.49	0.63	7.12	6.92	0.20
6.	34 - School Education	281.32	14.25	295.57	292.37	3.20
7.	52 - Labour	8.88	0.51	9.39	9.24	0.15
8.	56 – Information and Publicity	10.60	6.60	17.20	15.35	1.85
9.	57 - Social Welfare	90.95	66.61	157.56	151.10	6.46
10.	64 - Agriculture	24.64	1.00	25.64	24.93	0.71
11.	66 - Fisheries	14.70	1.15	15.85	15.62	0.23
12.	68 - Forests	16.69	3.68	20.37	19.82	0.55
13.	74 - Water Resources	34.73	3.55	38.28	37.04	1.24
Capital (Voted)						
14.	8 - Treasury and Accounts Administration (South Goa)	2.19	13.00	15.19	12.77	2.42
	TOTAL	**516.97**	**118.69**	**635.66**	**617.80**	**17.86**

APPENDIX – 2.6

(Referred to in paragraph 2.3.5)

UNUTILISED PROVISIONS NOT SURRENDERED

(Rupees in crore)

Sr. No.	Grant No.	Total Grant	Total Expenditure	Savings available
Revenue (Voted)				
1.	32 – Finance	3.55	2.44	1.11
Capital (Voted)				
2.	10 – Notary Services	0.76	--	0.76
3.	34 - School Education	12.47	12.05	0.42
4.	62 – Law	1.50	0.52	0.98
	TOTAL	18.28	15.01	3.27

APPENDIX – 2.7

(Referred to in paragraph 2.3.5)

SAVINGS PARTIALLY SURRENDERED

(Rupees in crore)

Sr. No.	Number and Name of Grant	Total Grant	Expenditure	Savings	Savings surrendered	Savings remaining unsurrendered
Capital (Charged)						
1.	Appropriation Debt Services	205.85	68.30	137.55	36.09	101.46
Revenue (Charged)						
2.	1- Legislature Secretariat	0.45	0.32	0.13	0.02	0.11
3.	Appropriation Debt Services	517.00	466.86	50.14	40.11	10.03
Revenue (Voted)						
4.	8 - Treasury and Accounts Administration (South Goa)	201.85	153.40	48.45	42.57	5.88
5.	23 – Home	1.63	1.15	0.48	0.08	0.40
6.	31 – Panchayats	46.46	39.65	6.81	6.63	0.18
7.	42 – Sports	20.42	18.86	1.56	1.09	0.47
Capital (Voted)						
8.	47 – Goa Medical College and Hospital	10.74	7.46	3.28	3.14	0.14
	TOTAL	1004.40	756.00	248.40	129.73	118.67

Appendix 3.1

(Referred to in paragraph 3.1.8.2)

AVOIDABLE EXTRA BURDEN ON 9315 NON-GENUINE CASES

Categories	Number of non genuine cases	Number deleted	Number of non genuine cases continued	Rs 500 p.m from 2/04 to 10/05 (21 months)	Rs 750 p.m from 11/05 to 3/07 (17 months)	Rs 1000 p.m from 4/07 to 3/08 (12 months)	Total *(in rupees)*
Doubtful	4584	192	4392	46116000	55998000	52704000	154818000
Migrated	866	0	866	9093000	11041500	10392000	30526500
Husband/ wife	881	349	532	5586000	6783000	6384000	18753000
Expired	1631	1191	440	4620000	5610000	5280000	15510000
Not found	3877	792	3085	32392500	39333750	37020000	108746250
Total	11839	2524	9315	97807500	118766250	111780000	328353750

Avoidable extra burden on 3656 cases

Categories	Number of non genuine cases	Deleted	Not deleted	Rs 500 p.m from 2/05 to 10/05 (9 months)	Rs 750 p.m from 11/05 to 3/07 (17 months)	Rs 1000 p.m from 4/07 to 3/08 (12 months)	Total *(in rupees)*
Doubtful	2011	258	1753	7888500	22350750	21036000	51275250
Migrated	612	96	516	2322000	6579000	6192000	15093000
Husband/ wife	164	88	76	342000	969000	912000	2223000
Expired	1125	1077	48	216000	612000	576000	1404000
Not found	1481	251	1230	5535000	15682500	14760000	35977500
Double	88	55	33	148500	420750	396000	965250
Total	**5481**	**1825**	**3656**	**16452000**	**46614000**	**43872000**	**106938000**

APPENDIX 3.2

(Referred to in paragraph 3.1.10.1)

DETAILS OF ADDITIONAL INTEREST PAID TO LIC OVER NORMAL INTEREST PAYABLE

(Amount in Rupees)

Date of sanction	Number of pensioners	Purchase price payable	1/5 th of purchase price	Interest on balance @ 13% per annum on each installments				Total
				second	third	fourth	fifth	
1-1-2002	1671	95568820	19113764	9939157	7454368	4969579	2484789	24847893
1-2-2002	2131	121716005	24343201	12658465	9493848	6329232	3164616	31646161
1-3-2002	1933	112034895	22406979	11651629	8738722	5825815	2912907	29129073
1-4-2002	5249	306104070	61220814	31834823	23876117	15917412	7958706	79587058
1-5-2002	1213	71750795	14350159	7462083	5596562	3731041	1865521	18655207
1-10-2002	8916	513243985	102648797	53377374	40033031	26688687	13344344	133443436
Total	21113	1220418570	244083714	126923531	95192648	63461766	31730883	317308828

Interest payable in case of regular payment of five installments	31,73,08,828
Interest actually paid	48,64,30,928*
Interest on delayed payment	16,91,22,100

*

A Total amount paid to LIC = 1650009244

B Less purchase price payable after deleting 1333 cases = 1163578316 (1220418570 – 56840254)

C Total interest paid 486430928 (A-B)

APPENDIX 4.1

(Referred to in paragraph 4.3.1)

STATEMENT SHOWING YEAR-WISE POSITION OF INSPECTION REPORTS AND PARAGRAPHS PENDING SETTLEMENT

Sr. No.	Name of the Department	Up to 2002-03		2003-04		2004-05		2005-06		2006-07		2007-08		Total	
		IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para
1	Agriculture Department	1	1	--	--	--	--	2	5	1	2	6	16	10	24
2	Animal Husbandry & Veterinary Services Department	--	--	--	--	--	--	--	--	--	--	3	7	3	7
3	Archives, Archaeology & Museum	--	--	--	--	--	--	--	--	--	--	1	5	1	5
4	Art & Culture Department	--	--	--	--	--	--	1	1	1	3	2	6	4	10
5	Civil Supplies Department	--	--	--	--	--	--	--	--	--	--	1	1	1	1
6	Co-operative Department	--	--	--	--	--	--	--	--	1	3	--	--	1	3
7	Education Department	--	--	--	--	--	--	1	1	1	9	7	13	9	23
8	Finance Department	--	--	1	4	--	--	--	--	1	1	--	--	2	5
9	Fisheries Department	--	--	1	2	--	--	--	--	1	2	1	3	3	7
10	Forest Department	--	--	--	--	--	--	--	--	4	10	3	14	7	24
11	Governor's office, Raj Bhavan	--	--	--	--	--	--	--	--	1	4	--	--	1	4
12	General Administration Department	--	--	--	--	--	--	1	2	1	4	2	10	4	16
13	Housing Department	--	--	--	--	1	3	--	--	1	5	--	--	2	8
14	Health Department	--	--	2	3	--	--	1	2	4	16	6	41	13	62
15	Higher Education	2	2	--	--	1	1	2	4	1	2	2	5	8	14
16	Home Department	--	--	--	--	2	3	--	--	3	3	7	16	12	22
17	Industries Department	--	--	--	--	1	2	1	3	1	1	2	9	5	15
18	Information & Publicity	--	--	--	--	--	--	1	1	--	--	2	8	3	9
19	Inland Water Transport	--	--	--	--	--	--	--	--	1	2	2	2	3	4
20	Irrigation Department	2	2	--	--	1	1	2	4	3	5	5	17	13	29

21	Labour Department	--	--	--	--	1	2	--	--	1	1	4	16	6	19
22	Law Department	1	1	--	--	1	1	--	--	1	2	4	6	7	10
23	Legislature Department	--	--	--	--	--	--	1	1	--	--	1	1	2	2
24	Panchayati Raj	--	--	--	--	3	8	2	8	2	11	2	23	9	50
25	Planning Department	2	3	--	--	--	--	1	1	--	--	2	4	5	8
26	Printing & Stationary Dept.	--	--	--	--	--	--	--	--	--	--	1	7	1	7
27	Provedoria Department	--	--	--	--	--	--	--	--	--	--	1	7	1	7
28	Public Works Department	10	13	3	5	4	4	11	31	10	43	10	46	48	142
29	Revenue Department	1	1	--	--	2	3	10	33	9	56	12	86	34	179
30	Rural Development Department	--	--	--	--	1	1	2	4	2	10	--	--	5	15
31	Science Technology & Environment Department	--	--	1	2	1	2	--	--	--	--	--	--	2	4
32	Social Welfare Department	1	1	--	--	1	1	--	--	--	--	3	12	5	14
33	Sports & Youth Affairs	--	--	1	4	--	--	--	--	2	5	--	--	3	9
34	Technical Education	--	--	--	--	1	3	2	2	1	2	5	13	9	20
35	Transport Department	--	--	--	--	1	1	--	--	1	1	--	--	2	2
36	Tourism Department	--	--	1	1	1	2	1	2	--	--	--	--	3	5
37	Urban Development Department	2	2	--	--	1	4	3	10	6	64	8	98	20	178
38	Women & Child Development	--	--	--	--	--	--	--	--	3	11	1	2	4	13
Total		**22**	**26**	**10**	**21**	**24**	**42**	**45**	**115**	**64**	**278**	**106**	**494**	**271**	**976**

APPENDIX 4.2

(Referred to in paragraph 4.3.2)

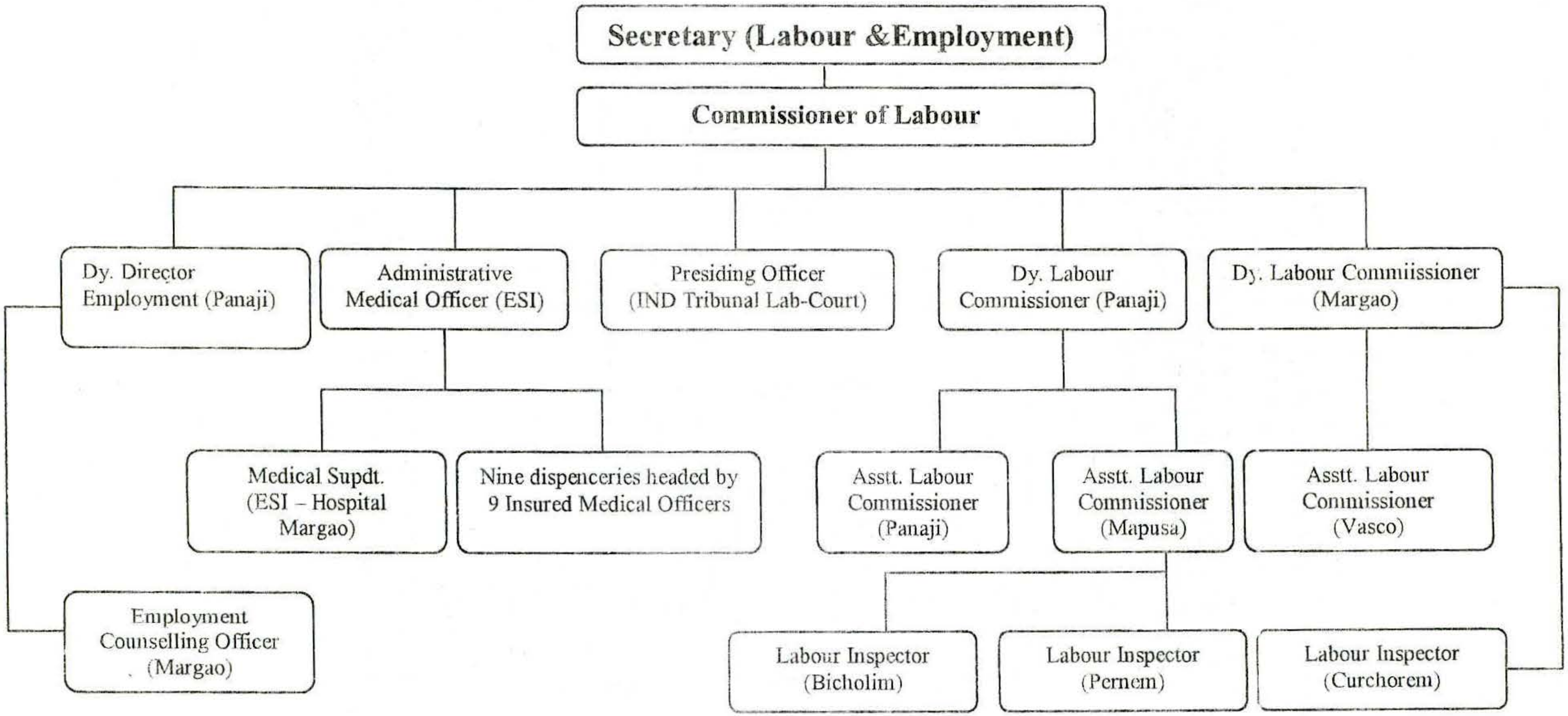
STATEMENT SHOWING NUMBER OF PARAGRAPHS/REVIEWS IN RESPECT OF WHICH GOVERNMENT EXPLANATORY MEMORANDA HAD NOT BEEN RECEIVED

Sr. No.	Name of Department	2003-04	2004-05	2005-06	2006-07	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1	Water Resources	-	-	1	1	2
2	Education	-	1	-	2	3
3	Tourism	-	-	-	1	1
4	Public Works	-	1	4	1	6
5	Finance	-	-	-	2	2
6	Social Welfare	1	-	-	1	2
7	Home	-	3	1	-	4
8	Civil Supplies	-	1	-	-	1
9	Information & Publicity	-	1	1	1	3
10	Rural Development	-	-	1	-	1
11	Women and Child Development	-	-	-	1	1
12	Housing	-	-	-	2	2
13	Town and Country Planning	-	-	-	2	2
	Total	**1**	**7**	**8**	**14**	**30**

APPENDIX 5.1

(Referred to in paragraph 5.1.2)

ORGANIZATION CHART OF LABOUR AND EMPLOYMENT DEPARTMENT



APPENDIX 5.2

(Referred to in paragraph 5.1.7.1)

STATEMENT SHOWING NUMBER OF INSPECTIONS CARRIED OUT DURING THE YEAR 2003-07

Sr. No.	Inspections carried out	2003	2004	2005	2006	2007
1	Shops and Establishment Act	3627	1682	2117	1084	2026
2	Minimum Wages Act	769	1242	935	480	929
3	Payment of Wages Act	75	85	72	20	114
4	Motor Transport Workers Act	26	4	12	23	11
5	Contract Labour Act	321	424	259	106	232
6	Payment of Bonus Act	94	79	134	30	55
7	Equal Remuneration Act	84	125	180	62	224
8	Inter State Migrant Workmen's Act	50	18	03	03	21
9	Child Labour Act	178	225	309	108	1085
10	Labour Welfare Fund Act	292	462	806	217	56
11	Goa Employment Conditions of Services and Retirement Benefit Act 2001	-	683	330	113	351
12	Working journalist and other newspaper Act	02	01	01	-	-
	Total	**5518**	**5030**	**5158**	**2246**	**5104**

APPENDIX 7.1

Statement showing particulars of up to date capital, equity/loans received out of budget and loans outstanding as on 31 March 2008 in respect of Government Companies and Statutory Corporation

(Referred to in paragraphs 7.1.3, 7.1.4 and 7.1.5)

(Figures in column 3(a) to 4(f) are Rupees in lakh)

Sl. No.	Sector and Name of the Company	Paid up capital as at the end of current year (2007-08)					Equity / Loans received out of budget during the year		Other loans received during the year*	Loans# outstanding at the close of 2007-08			Debt-Equity ratio for 2007-08 (previous year) 4(f) / 3(e)
		State Government	Central Government	Holding Company	Others	Total	Equity	Loans		Government	Others	Total	
1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
A	**Government Companies**												
AGRICULTURE & ALLIED													
1.	Goa Meat Complex Limited	25.00	23.96	--	12.86	61.82	--	--	--	--	--	--	--
2.	Goa State Horticultural Corporation Limited	499.50	--	--	--	499.50	--	--	--	124.00	--	124.00	0.25:1 (0.12:1)
	TOTAL	524.50	23.96	--	12.86	561.32	--	--	--	124.00	--	124.00	0.22:1 (0.11:1)
	INDUSTRIES												
3.	Goa Auto Accessories Limited	--	--	559.00	--	559.00	--	--	--	--	45.63	45.63	0.08:1 (0.16:1)
4.	Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited	733.01	17.00	--	--	750.01	100.00	--	--	--	--	--	--
	TOTAL	733.01	17.00	559.00	--	1309.01	100.00	--	--	--	45.63	45.63	0.03:1 (0.07:1)

* Includes bonds, debentures, inter corporate deposits etc.

\# Loans outstanding at the close of 2007-08 represents long-term loan only.

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	ELECTRONICS												
5.	Goa Electronics Limited	--	--	180.00	--	180.00	--	--	--	--	987.46	987.46	5.49:1 (5.59:1)
	TOTAL	--	--	**180.00**	--	**180.00**	--	--	--	--	**987.46**	**987.46**	**5.49:1 (5.59:1)**
	FOREST												
6.	Goa Forest Development Corporation Limited	268.91	--	--	--	268.91	18.91	--	--	--	--	--	--
	TOTAL	**268.91**	--	--	--	**268.91**	**18.91**	--	--	--	--	--	--
	AREA DEVELOPMENT												
7.	EDC Limited	5620.26 ♠1000.00	--	--	1472.22	7092.48 ♠1000.00	1500.00	--	--	--	3500.00	3500.00	0.43:1 (0.82:1)
8.	Goa State Infrastructure Development Corporation Limited	305.00	--	5.00	--	310.00	--	--	4770.00	--	13019.38	13019.38	42.00:1 (46.95:1)
9.	Info Tech Corporation of Goa Limited	1314.56	--	318.90	--	1633.46	--	--	--	--	--	--	--
10.	Sewage and Infrastructural Development Corporation Limited	480.00	--	--	5.00	485.00	280.00	--	--	--	--	--	--
	TOTAL	**7719.82 ♠ 1000.00**	--	**323.90**	**1477.22**	**9520.94 ♠ 1000.00**	**1780.00**	--	**4770.00**	--	**16519.38**	**16519.38**	**1.57:1 (2.28:1)**
	DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS												
11.	Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited	184.67	158.21	--	--	342.88	5.00	--	50.04	--	244.79	244.79	0.71:1 (0.74:1)
12.	Goa State Scheduled Tribes Finance and Development Corporation Limited	350.00	--	--	--	350.00	100.00	--	--	25.00	--	25.00	0.07:1 (0.10:1)
	TOTAL	**534.67**	**158.21**	--	--	**692.88**	**105.00**	--	**50.04**	**25.00**	**244.79**	**269.79**	**0.39:1 (0.47:1)**

1	2	3(a)	3(b)	3(c)	3(d)	3(e)	4(a)	4(b)	4(c)	4(d)	4(e)	4(f)	5
	TOURISM												
13.	Goa Tourism Development Corporation Limited	2035.39	--	--	--	2035.39	--	--	--	100.00	--	100.00	0.05:1 (0.05:1)
	TOTAL	**2035.39**	--	--	--	**2035.39**	--	--	--	**100.00**	--	**100.00**	**0.05:1 (0.05:1)**
	DRUGS, CHEMICALS AND PHARMACEUTICALS												
14.	Goa Antibiotics and Pharmaceuticals Limited	--	--	1902.00	--	1902.00	--	--	--	--	700.00	700.00	0.37:1 (0.37:1)
	TOTAL	--	--	**1902.00**	--	**1902.00**	--	--	--	--	**700.00**	**700.00**	**0.37:1 (0.37:1)**
	TRANSPORT												
15.	Kadamba Transport Corporation Limited	2890.96 ♠ 1368.37	--	--	--	2890.96 ♠ 1368.37	600.00	--	--	--	2908.09	2908.09	0.68:1 (0.93:1)
	TOTAL	**2890.96** **♠ 1368.37**	--	--	--	**2890.96** **♠ 1368.37**	**600.00**	--	--	--	**2908.09**	**2908.09**	**0.68:1 (0.93:1)**
	TOTAL - A	**14707.26** **♠ 2368.37**	**199.17**	**2964.90**	**1490.08**	**19361.41** **♠ 2368.37**	**2603.91**	--	**4820.04**	**249.00**	**21405.35**	**21654.35**	**0.99:1 (1.33:1)**
B	**STATUTORY CORPORATIONS**												
1.	Goa Industrial Development Corporation	1802.18	1000.00	--	--	2802.18	--	--	--	--	--	--	--
2	Goa Information Technology Development Corporation⊗	--	--	--	--	--	--	--	--	--	--	--	--
	TOTAL - B	**1802.18**	**1000.00**	--	--	**2802.18**	--	--	--	--	--	--	--
	TOTAL - A + B	**16509.44** **♠ 2368.37**	**1199.17**	**2964.90**	**1490.08**	**22163.59** **♠ 2368.37**	**2603.91**	--	**4820.04**	**249.00**	**21405.35**	**21654.35**	**0.88:1 (1.16:1)**

Note: 1. Figures in brackets represent figures for previous years.

2. Except in respect of companies which finalised their accounts for 2006-07, figures are provisional and as given by companies / corporation.

3. Investment by way of equity and share application money in working PSUs by State Government is Rs 187.78 crore as per data furnished by the PSUs (Column 3(a)); whereas the amount as per Finance Accounts 2007-08 is Rs 167.19 crore. The difference is under reconciliation.

⊗ No investment by Government till 31 March 2008 and information on investment by 'Others' was not available; Corporation was yet to start the activities

APPENDIX 7.2

Summarised financial results of Government companies and Statutory Corporation for the latest years for which accounts were finalised

(Referred to in paragraphs 7.1.6, 7.1.7, 7.1.8 and 7.1.11)

(Figures in columns 7 to 12 and 15 are Rupees in lakh)

Sl. No.	Sector and Name of the Company	Name of Depart-ment	Year of Incorp-o-ration	Period of accounts	Year in which finalised	Net Profit / loss (-)	Net Impact of Audit comments	Paid up capital	Accumulated Profit / Loss (-)	Capital employed	Total Return on Capital employed	Percentage of total return on capital employed	Arrears of accounts in terms of years	Turn-over	Man power
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
A	WORKING GOVERNMENT COMPANIES														
AGRICULTURE & ALLIED															
1.	Goa Meat Complex Limited	Animal Husbandry	1971	2006-07	2007-08	-81.11		61.82	215.77	609.50	-81.11	-13.31	1	127.67	74
2.	Goa State Horticultural Corporation Limited	Agriculture	1993	2004-05	2006-07	-19.04		496.50	-126.01	498.39	-19.04	-3.82	3	96.59	35
	TOTAL					-100.15		558.32	89.76	1107.89	-100.15			224.26	109
INDUSTRIES															
3.	Goa Auto Accessories Limited	Finance	1976	2007-08	2008-09	-24.50		559.00	-524.01	242.94	-11.06	-4.55	---	832.78	84
4.	Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited	Industries and Labour	1980	2007-08	2008-09	48.54		750.01	26.41	1011.21	48.54	4.80	---	3354.92	62
	TOTAL					24.04		1309.01	-497.60	1254.15	37.48			4187.70	146
ELECTRONICS															
5.	Goa Electronics Limited	Finance	1976	2007-08	2008-09	74.81		180.00	-1977.63	-778.02	91.01	---	---	402.52	9
	TOTAL					74.81		180.00	-1977.63	-778.02	91.01	-		402.52	9

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
FOREST															
6.	Goa Forest Development Corporation Limited	Forest	1997	2006-07	2007-08	-23.42	2.75 Over-statement of Loss	268.91	381.47	739.41	-23.42	-3.17	1	168.42	91
	TOTAL					-23.42		268.91	381.47	739.41	-23.42	--		168.42	91
AREA DEVELOPMENT															
7.	EDC Limited	Finance	1975	2006-07	2007-08	4818.49	-	6592.48	-6699.52	29114.33	6292.56	23.37	1	9891.83	94
8.	Goa State Infrastructure Development Corporation Limited	Finance	2001	2006-07	2007-08	213.42	4.25 Under statement of Profit)	310.00	234.26	15307.14	1686.65	11.02	1	10294.06	60
9.	Info Tech Corporation of Goa Limited	Information Technology	1990	2005-06	2007-08	-39.03		1633.46	-195.56	1449.19	-39.03	-2.69	2	230.00	43
10.	Sewage and Infrastructural Development Corporation Limited	Public Works	2001	2002-03	2005-06	--		205.00	--	--	--	--	5	--	14
	TOTAL					4992.88		8740.94	-6660.82	45870.66	7940.18			20415.89	211

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS															
11.	Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited	Social Welfare	1990	2000-01	2006-07	-3.07		226.76	-15.61	89.01	3.97	1.02	7	26.93	13
12.	Goa State Scheduled Tribes Finance and Development Corporation Limited	Social Welfare	2004	2006-07	2008-09	-37.29		250.00	-54.50	250.00	-37.29	-12.81	1	14.06	7
	TOTAL					-40.36		476.76	-70.11	339.01	-33.32			40.99	20
TOURISM															
13.	Goa Tourism Development Corporation Limited	Tourism	1982	2006-07	2007-08	23.21		2035.39	-68.00	2126.20	28.07	1.32	1	1477.97	366
	TOTAL					23.21		2035.39	-68.00	2126.20	28.07			1477.97	366
DRUGS, CHEMICALS AND PHARMACEUTICALS															
14.	Goa Antibiotics and Pharmaceuticals Limited	Finance	1980	2006-07	2007-08	-213.13		1902.00	-2685.59	688.13	-104.47	-15.18	1	1093.62	225
	TOTAL					-213.13		1902.00	-2685.59	688.13	-104.47			1093.62	225

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
							TRANSPORT								
15.	Kadamba Transport Corporation Limited	Transport	1980	2006-07	2008-09	-556.35		3659.33	-7146.75	1785.17	-246.90	-8.27	1	4758.77	1914
	TOTAL					-556.35		3659.33	-7146.75	1785.17	-246.90			4758.77	1914
	TOTAL – A					4181.53		19130.66	-18635.27	53132.60	7588.48			32770.14	3091
							B. STATUTORY CORPORATIONS								
1.	Goa Industrial Development Corporation	Industries	1966	2006-07	2008-09	1080.27	57.83 (Under-statement of loss)	2802.18	1465.65	3796.40	1080.27	28.46	1	2316.31	225
2	Goa Information Technology Development Corporation	Information Technology	2006	First accounts awaited											
	TOTAL - B					1080.27		2802.18	1465.65	3796.40	1080.27			2316.31	225
	TOTAL-A + B					5261.80		21932.84	-17169.62	56929.00	8668.75			35086.45	3316

Note: Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of finance companies where the capital employed is worked out as a mean of the aggregate of the opening and closing balances of (i) paid-up capital, (ii) bonds and debentures, (iii) free reserves and surplus, (iv) borrowings (including refinance) and deposits.

APPENDIX 7.3

Statement showing grants and subsidy received/receivable, guarantees received, waiver of dues, loans on which moratorium allowed and loans converted into equity during the year and guarantees outstanding at the end of March 2008

(Referred to in paragraph 7.1.5)

(Figures in columns 3(a) to 7 are Rupees in lakh)

Sl. No.	Name of the Company	Central Government		State Government		Others		Total		Guarantees received during the year and outstanding at the end of the year					Waiver of dues during the year				Loans on which moratorium allowed	Loans converted into equity during the year
		G	S	G	S	G	S	G	S	Cash credit from banks	Loans from other source	Letters of credit opened by banks in respect of imports	Payment obligations under agreement with foreign consultants or contracts	Total	Loans repayment written off	Interest waived	Penal interest waived	Total		
1	2	3(a)		3(b)		3(c)		3(d)		4(a)	4(b)	4(c)	4(d)	4(e)	5(a)	5(b)	5(c)	5(d)	6	7
1.	Goa State Infrastructure Development Corporation Limited	–	–	7600.00	–	–	–	7600.00	–	–	– (85.32)	–	–	– (85.32)	–	–	–	–	–	–
2.	EDC Limited	–	–	–	-	–	–	–	-	– (2400.00)	– (3220.00)	–	–	– (5620.00)	–	–	–	–	–	–
3.	Kadamba Transport Corporation Limited	–	–	-	800.00	–	–	--	800.00	– (30.00)	– (3000.00)	–	–	– (3030.00)	–	–	–	–	–	–
4.	Goa Meat Complex Limited	–	–	132.00	–	–	–	132.00	–	–	–	–	–	–	–	–	–	–	–	–
5.	Goa State Horticultural Corporation Limited	–	–	35.00	–	–	–	35.00	–	–	–	–	–	–	–	–	–	–	–	–
6.	Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited	–	–	65.00	–	–	-	65.00	-	–	–	–	–	–	–	–	–	–	–	–
7.	Goa Forest Development Corporation Limited	–	–	–	–	–	16.32	–	16.32	–	–	–	–	–	–	–	–	–	–	–
	Total	–	–	7832.00	800.00	–	16.32	7832.00	816.32	– (2430.00)	– (6305.32)	–	–	– (8735.32)	–	–	–	–	–	–

G - Grants S – Subsidy

Note: Figures in brackets indicate guarantees outstanding at the end of the year.

APPENDIX 7.4

Statement showing investments made by State Government in PSUs whose accounts are in arrears as on 30 September 2008

(Referred to in paragraph 7.1.6)

(Amount: Rs. in Lakh)

Sl. No	Name of PSU	Year upto which Accounts finalised	Paid up capital as per latest finalised 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.
	Working Companies							
1.	Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited	2000-01	226.76	2001-02	5.00	148.82	-	-
				2002-03	31.67	-	-	-
				2003-04	5.00	-	-	-
				2004-05	5.00	-	-	0.29
				2005-06	5.00	-	-	0.26
				2006-07	5.00	-	-	-
				2007-08	5.00	-	-	-
2.	Sewage and Infrastructural Development Corporation Limited	2002-03	205.00	2007-08	280.00	-	-	-
3.	Goa State Horticultural Corporation Limited	2004-05	496.50	2005-06	3.00	-	-	-
				2006-07	-	-	50.00	-
				2007-08	-	-	35.00	-
4.	Goa Meat Complex Limited	2006-07	61.82	2007-08	-	-	132.00	-
5.	Goa Forest Development Corporation Limited	2006-07	268.91	2007-08	18.91	-	-	-
6.	EDC Limited	2006-07	6592.48	2007-08	1500.00	-	-	-
7.	Goa State Infrastructure Development Corporation Limited	2006-07	310.00	2007-08	-	-	7600.00	-
1.	2.	3.	4.	5.	6.	7.	8.	9.
8.	Goa State Scheduled Tribes Finance and Development Corporation Limited	2006-07	250.00	2007-08	100.00	-	-	-
9.	Kadamba Transport Corporation Limited	2006-07	3659.33	2007-08	600.00	-	-	800.00
	Total		12070.80		2563.58	148.82	7817.00	800.55

APPENDIX 7.5

Statement showing the financial position and working results of the Statutory Corporation during the three years 2004-05 to 2006-07

(Referred to in paragraph 7.1.7)

Goa Industrial Development Corporation

(Rupees in crore)

A. Financial Position				
	Particulars	**2004-05**	**2005-06**	**2006-07**
LIABILITIES				
A	Amount payable to Government	28.02	28.02	28.02
B	Reserves and Surplus	4.98	3.89	14.66
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.)	5.83	6.75	8.80
D	Current Liabilities, provisions and refunds	128.28	157.76	318.87
	TOTAL	**167.12**	**196.43**	**370.36**
ASSETS				
A	Fixed Assets	4.83	5.51	5.76
	Less : Depreciation (Cumulative)	3.60	3.96	4.37
	Net Fixed Assets	1.23	1.55	1.39
B	Work in progress	12.18	12.35	7.28
C	Development of Industrial areas / Estates	97.72	104.54	114.02
	Less : Depreciation	23.74	26.84	30.65
	Net development of Industrial areas/ Estates	73.98	77.70	83.37
D	Investments	3.87	4.24	4.71
E	Cash at Bank / in hand	56.94	73.07	150.26
F	Other current assets, loans and advances	18.92	27.52	123.35
	TOTAL	**167.12**	**196.43**	**370.36**
	Capital employed*	29.13	27.67	37.96
	Net worth♣	33.00	31.91	42.68

* Capital employed represents Net Fixed Assets plus capital work-in progress plus working capital.

♣ Net worth represents share capital (Amount payable to Government is treated as share capital) plus reserves and surplus.

(Rupees in crore)

B.WORKING RESULTS				
		2004-05	**2005-06**	**2006-07**
A	**Income**			
	a. Rent	2.19	3.06	4.59
	b. Interest	5.50	4.66	15.98
	c. Other charges	0.77	1.75	2.59
	Total	**8.46**	**9.47**	**23.16**
B	**Expenditure**			
	a. Executive / Administrative	4.51	5.25	6.52
	b. Depreciation	3.04	3.68	4.22
	c. Maintenance and repairs	2.34	1.63	1.62
	Total	**9.89**	**10.56**	**12.36**
	Surplus (+) /Deficit (-)	(-) 1.43	(-) 1.09	(+)10.80
	Prior period Adjustments (Dr.)	--	--	(-) 0.03
	Net surplus (+) / Deficit (-) after prior pe adjustment.	(-) 1.43	(-) 1.09	10.77
	Total interest charged to Income and Expenditure account.	--	--	--
	Accumulated surplus	4.98	3.89	14.66
	Return on capital employed[@]	(-) 1.43	(-) 1.08	10.77
	Percentage of return on capital employed	--	--	28.36

[@] Return on capital employed represents net surplus after prior period adjustments plus total interest charges to Income and Expenditure Account.

APPENDIX – 7.6

Statement showing the department wise outstanding Inspection Reports (IRs)

(Referred to in paragraph 7.1.23)

Sl. No.	Name of the Department	No. of PSUs	No. of outstanding Inspection reports	No. of outstanding paragraphs	Years from which paragraphs outstanding
1.	Industries	1	2	12	2002-04
2.	Agriculture	1	1	1	2004-06
3.	Social Welfare	1	1	4	2003-05
4.	Finance	5	7	36	2001-02
5.	Transport	1	1	3	2004-05
6.	Information Technology	1	1	4	2004-06
7.	Electricity	1*	12	74	2004-05
8.	River Navigation Department	1	1	5	2007-08
9.	Statutory Corporation	1	2	9	2003-04
	Total	13	28	148	

* Includes Inspection Reports and Paras in respect of 11 divisions

APPENDIX 7.7

Summarised financial results of Departmentally managed commercial undertakings as per their latest proforma accounts

(Referred to in Paragraph 7.1.24)

I. Electricity Department

Sl. No.	Particulars	Year of commencement: 1962-63		
		Period of accounts		
		2003-04	2004-05	2005-06
		(Rupees in lakh)		
1	Government capital	34788.65	43569.24	53696.88
2	Block assets at depreciated cost	16397.92	16136.00	17263.90
3	Cumulative 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
		(Rupees in lakh)		
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	38.83	39.91
6	Total returns (5 + 4)	(-) 966.84	(-) 866.88	(-) 897.09
7	Percentage of returns on mean capital	Nil	Nil	Nil

APPENDIX 7.8

Financial Position of Goa Industrial Development Corporation

(Referred to in Paragraph 7.2.24)

(Rupees in crore)

	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08*
	LIABILITIES					
A	Amount payable to Government	27.64	28.02	28.02	28.02	28.02
B	Reserves and Surplus	6.41	4.98	3.89	14.66	37.90
C	Deposits					
i	From Govt. for Schemes undertaken and/or on behalf of Govt. and others	0.01	0.01	0.01	0.01	0.01
ii	From private parties (for lease of plots etc)	5.86	5.83	6.75	8.80	8.94
D	Current Liabilities, provisions and refunds	116.38	128.28	157.76	318.87	335.37
	TOTAL	**156.30**	**167.12**	**196.43**	**370.36**	**410.24**
	ASSETS					
A	Fixed Assets	4.25	4.83	5.51	5.76	7.22
	Less : Depreciation (Cumulative)	3.35	3.60	3.96	4.37	4.77
	Net Fixed Assets	0.90	1.23	1.55	1.39	2.45
B	Work in progress	10.71	12.18	12.35	7.28	11.09
C	Development of Industrial areas/Estates	91.06	97.72	104.54	114.02	136.53
	Less : Depreciation	21.02	23.74	26.84	30.65	34.80
	Net development of Industrial areas/ Estates	70.04	73.98	77.70	83.37	101.73
D	Investments	3.33	3.87	4.24	4.71	6.55
E	Cash at Bank / in hand	51.32	56.94	73.07	150.26	196.63
F	Other current assets, loans and advances	20.00	18.92	27.52	123.35	91.79
	TOTAL	**156.30**	**167.12**	**196.43**	**370.36**	**410.24**
	Capital employed*	30.72	29.13	27.67	37.96	59.38
	Net worth^	34.05	33.00	31.91	42.68	65.92

*** Provisional**

* Capital employed represents Net Fixed Assets plus capital work-in progress plus net development cost of industrial areas plus working capital.

^ Net worth represents share capital (Amount payable to Government is treated as share capital) plus reserves and surplus.

APPENDIX 7.9

Working Results of Goa Industrial Development Corporation

(Referred to in Paragraph 7.2.25)

(Rupees in crore)

	Particulars	2003-04	2004-05	2005-06	2006-07	2007-08*
A	**INCOME**					
	a. Rent	2.04	2.19	3.06	4.59	4.40
	b. Interest	5.12	5.50	4.66	15.98	29.74
	c. Other charges	1.38	0.77	1.75	2.59	2.31
	Total	**8.54**	**8.46**	**9.47**	**23.16**	**36.45**
B	**EXPENDITURE**					
	a. Executive/Administrative	6.00	4.51	5.25	6.52	6.60
	b. Depreciation	2.66	3.04	3.68	4.22	4.54
	c. Maintenance and repairs	0.20	0.22	0.26	0.41	0.70
	d. Water Supply & Electricity charges	2.41	2.12	1.37	1.21	1.27
	Total	**11.27**	**9.89**	**10.56**	**12.36**	**13.11**
	Surplus / Deficit (-)	**-2.73**	**-1.43**	**-1.09**	**10.80**	**23.34**
	Net Surplus / Deficit (-) after prior period adjustment	-2.73	-1.43	-1.09	10.77	23.24
	Accumulated Surplus	6.41	4.98	3.89	14.66	37.90

* Provisional

APPENDIX 7.10

Instances of other items discussed with permission of Chairman without circulating agenda notes in advance (Goa Industrial Development Corporation)

(Referred to in Paragraph 7.2.33)

Board Meeting No	Date	Addl. Item No.	Resolution no.	Subject
282	01/08/05	3	60/2005	Allotment of land to GCCI at concessional rate
284	22/11/05	1	96/2005	To surrender 50,000 sqm land in favour of Village Panchayat Verna
284	22/11/05	3	98/2005	To allot 40,000 sqm land to Goa Formulation Limited at reduced rate.
285	07/02/06	6	18/2006	To allot 75,475 sqm land to CIPLA as per formula for fixing rate for special acquisition
286	28/03/06	10	43/2006	Allotment of fourth floor of the office building to GSIA at concessional rate
290	28/09/06	3		Deferment of revision of lease rent
292	06/12/06	6	151/2006	To accept rate of interest at rate of six *per cent* instead of 15 *per cent* from communidade of Nagao on the excess payment made to them
295	09/03/07	4	58/2007	To allot open area and area provided for road to four SEZs at Rs 100 per sqm
297	04/10/07	1	102/2007	Decided for inter corporate deposit of Rs 20 crore with GSIDC
301	25/04/08	8	77/2008	To make available Rs 10 crore to KTC by hypothecating FD receipt