सत्यमेव जयते

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

FOR THE YEAR ENDED 31 MARCH 2007

GOVERNMENT OF GOA

TABLE OF CONTENTS

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 respectively contain Audit observations on matters arising from examination of Finance Accounts and Appropriation Accounts of the State Government for the year ended 31 March 2007.

3. The remaining chapters deal with the findings of performance audit and audit of transactions in the various departments including the Housing Department, Social Welfare Department, Information and Publicity Department, Finance Department, Education Department, Public Works Department, Tourism Department and Town and Country Planning Department and also Evaluation of Internal Control in General Education 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 2006-07 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 2006-07 have also been included wherever necessary.

Money value of Audit Report 2006-07

Civil

Para No	Money value (Rs in crore)	
3.1.7.1	51.44	
3.1.7.2	0.70	
3.1.7.3	0.17	
3.1.7.4	0.19	52.50
3.2.6.3	0.44	
3.2.7.8	0.36	
3.2.11	1.82	2.62
4.1.1	6.70	
4.1.2	0.22	
4.1.3	2.23	
4.2.1	1.83	
4.2.2	1.45	
4.2.3	1.22	
4.2.4	0.70	
4.2.5	0.39	
4.3.1	2.46	
4.3.2	1.94	19.14
5.1.7.1	0.20	
5.1.7.3	0.03	
5.1.7.6	1.39	1.62
		75.88

Receipts

Para No	**Money value (Rs in Lakh)**	
6.15	45.55	
6.16	23.34	
6.17	6.71	
6.18	16.46	
6.19	12.57	
6.14.12	3287.00	
	3391.63	

Sr. Audit Officer/Report

PTO

Civil

Reviews Target. 4 (TIDC, WCD, GAD, 1 Tamil)

Achievement. 4.

DPs. Target. 10   DPs sent. 14.

DPs approved. 10.

Receipts.

Review. Target 1 (Water tax).

Achievement. 1

DPs. Target 4.

Long Para 1 (Ent. tax)

DPs sent. 6   DPs approved. 3

Long Para was subsequently converted into 5 Paras and H 2. approved. 4 Paras - 4.

Hence total Paras. 7.

OVERVIEW

OVERVIEW

This Audit Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Government of Goa for the year 2006-07 and five others comprising six reviews and 25 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 Corporation.

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

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

1. Financial position of the State Government

The revenue receipts of the State Government during 2006-07 were Rs 2,610 crore, registering an increase of 20 *per cent* over 2005-06. The revenue expenditure during the year was Rs 2,469 crore, an increase of 13 *per cent* over 2005-06. The mobilization of revenue from own resources increased from Rs 1,857.65 crore in 2005-06 to Rs 2,209.16 crore in 2006-07. The State registered a revenue surplus of Rs 141 crore during 2006-07. Fiscal deficit reduced from Rs 603 crore in 2005-06 to Rs 487 crore in 2006-07 and fiscal liabilities grew from Rs 5,018 crore in 2005-06 to Rs 5,694 crore in 2006-07.

(Paragraphs 1.1 to 1.12)

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 2006-07, expenditure of Rs 3,225.02 crore was incurred against the total grants and appropriations of Rs 4,365.40 crore resulting in a savings of Rs 1,140.38 crore. Supplementary provision of Rs 129.94 crore made in 18 cases was excessive, resulting in savings of Rs 19.12 crore. In two cases (1 – Legislature Secretariat and 21 – Public Works), there was an excess of Rs 9.07 lakh which requires regularisation.

(Paragraphs 2.1 to 2.6)

3. Performance Audit of Tillari Irrigation Project

The Project commenced in 1986 for creating potential to irrigate 16,978 ha in Goa by 1995-96 had not been completed even after 21 years and incurring expenditure of Rs 509.31 crore. The delay is mainly due to inadequate funding by Government of Goa and delay in decision making on mid term assessment of the project.

The Project cost estimated at Rs 217.22 crore in 1987-88 in which Goa's share was Rs 161.18 crore was revised to Rs 952.54 crore in 2003 (Goa's share Rs 698.97 crore) showing a cost overrun of Rs 537.79 crore. Against the envisaged irrigation command of

16,978 ha the command area actually available for irrigation was 14,521 ha. Construction of conduit canal at a cost of Rs 51.44 crore was uneconomical due to reduction in command area to 1,695 ha which is further likely to go down due to increased habitation in Calangute.

(Paragraph 3.1)

4. Working of Women and Child Development Department

The Women and Child Development Department failed to utilize 66 *per cent* of the budgeted capital expenditure resulting in non-creation of infrastructure facilities for the beneficiaries. There was overall shortfall in providing supplementary nutrition to the extent of 27 *per cent* to pregnant and lactating women and 65 *per cent* to children.

Anganwadis were not established in 17 village panchayats, depriving nine *per cent* of the panchayats the benefits. Due to delay in preparation of action plan of activities by more than two years, State Commission for Children constituted in 2004 did not carry out any major activities. Out of 1,215 cases registered between July 1997 and March 2007 with the State Commission for Women, only 120 cases were disposed of.

(Paragraph 3.2)

5. Computerisation of Land Records and Cadastral Maps

In the absence of individual maps of sub-divisions/surveys and interface between Dharani and Cadastral Maps, copies of maps could not be issued to public instantaneously and public had to approach Director of Settlement and Land Records (DSLR) for maps and Mahiti Ghars or Mamlatdar offices for Records of Rights (RoR) copy separately.

Partitioning of a sub-division into two sub-divisions with larger area than the original area was possible due to faulty system design.

Lack of input control and validation checks resulted in incomplete and incorrect data base leading to pendency of mutation requests and mutation of properties having other rights like mortgage, general power of attorney etc.

(Paragraph 3.3)

6. Internal Control in General Education Department

During 2002-07, periodic academic inspections prescribed under the school Education Rules 1986 were not conducted as per norms. No internal audit was conducted in respect of 1,100 Government Schools since their inception. The cash books of DDOs were not properly maintained. The stock records of receipt books issued to DDOs /village libraries were not maintained properly. There was no uniformity in fees and security deposits being charged from students across schools.

(Paragraph 5.1)

7. 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 loss to Government/ avoidable/unfruitful expenditure, idle investment/establishment/blocking of funds involving Rs 19.14 crore as mentioned below:

Loss of Rs 6.70 crore in disposal of land by Housing Department in addition to this was also against the Forest Conservation Act, loss of Rs 22.40 lakh due to non-adoption of appropriate rate of land, loss of interest and blocking of funds (Rs 2.23 crore) in a non banking finance company by the Social Welfare Department were noticed.

Avoidable expenditure of Rs 1.83 crore on advertisements for International Film Festival of India, unfruitful expenditure of Rs 1.45 crore on construction of a Jetty at Kala Academy, avoidable expenditure of Rs 1.22 crore on printing of test books, Nugatory expenditure of Rs 69.84 lakh of staff, avoidable payment of interest (Rs 38.66 lakh) on acquisition of land and Idle investment of Rs 4.40 crore in Mala Lake Project and construction of Mala Market Complex were noticed.

(Paragraph 4.1 to 4.3)

8. Audit of Revenue Receipts

1. General

The revenue receipts of the State Government during the year 2006-07 were Rs 2,609.76 crore. The revenue receipts increased by Rs 440.89 crore registering an increase of 20.32 *per cent.*

(Paragraph 6.1)

2. Public Works Department

A review of Receipt from Water Supply and Sanitation revealed the following:

Lack of a tariff policy on the periodicity of revision of rates and basis for revision and method to be adopted for fixing of water rates. In the meanwhile, the receipts as a percentage of expenditure has been steadily going down over the years.

(Paragraph 6.14.7)

Lack of prescribed norms for ascertaining the loss between water released and actually billed for, resulted in loss of Rs 87.63 crore during 2002-07.

(Paragraph 6.14.9)

Lack of prescription of time limit under the WSBL for replacement of faulty meters resulted in 25 *per cent* water meters not working as of March 2007.

(Paragraph 6.14.10)

Non-fixation of minimum contract demand in some cases and billing for amounts less than this demand in other cases resulted in loss of revenue of Rs 32.87 crore.

(Paragraph 6.14.12)

Non-recovery of water charges from Panchayats/Municipalities for public taps amounted to Rs 90.58 lakh.

(Paragraph 6.14.14)

The target of household connections under the Sewerage Scheme fell short by 24 to 77 *per cent.*

(Paragraph 6.14.15)

Revenue of Rs 29.43 crore was in arrears mainly due to slackness in action against defaulters.

(Paragraph 6.14.16)

3. Finance Department

Failure to levy of interest by the department for delayed payment of sales tax led to short levy of interest of Rs 45.55 lakh.

(Paragraph 6.15)

Failure of the department to register the cable operators resulted in non-realisation of revenue of Rs 23.34 lakh.

(Paragraph 6.16)

Incorrect computation of admission fee by the department resulted in short levy of entertainment tax of Rs 16.46 lakh.

(Paragraph 6.18)

Failure of the department to register 75 cyber café operators resulted in non-realisation of revenue of Rs 12.57 lakh.

(Paragraph 6.19)

4. Public Health Department

Failure of the GMC to collect charges for CT Scan and MRI services resulted in non-realisation of Rs 27.10 lakh.

(Paragraph 6.21)

9. Commercial activities of Government companies and corporation

There were 16 Public Sector Undertakings (PSUs) comprising 15 Government companies and one Statutory corporation (all working) as on 31 March 2007 as against 17 PSUs (16 Government companies and one Statutory corporation) as on 31 March 2006. The total investment (including loans) in working PSUs decreased from Rs 568.76 crore as on 31 March 2006 to Rs 476.29 crore as on 31 March 2007.

(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 decreased from Rs 124.76 crore in 2005-06 to Rs 103.39 crore in 2006-07. The total amount of outstanding loans guaranteed by the State Government to working PSUs as on 31 March 2007 was Rs 286.91 crore.

(Paragraph 7.1.5)

Of the 16 PSUs, 14 (13 Government companies and one Statutory corporation) had not finalised their accounts for the year 2006-07 within the stipulated time and accounts of these PSUs were in arrears for periods ranging from one to six years.

(Paragraph 7.1.6)

According to latest finalised accounts, 10 PSUs (nine Government companies and one Statutory corporation) had incurred an aggregate loss of Rs 12.80 crore.

(Paragraph 7.1.7)

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

(Paragraph 7.1.25)

Performance Reviews

Review of operational performance of Goa Tourism Development Corporation Limited

The average annual occupancy in Company's hotels was below the state average of hotel occupancy. The poor occupancy performance was due to deficient planning and monitoring, deficiency in services and lack of marketing strategy. The Company's four 'eco' hotels incurred loss consistently and the loss for five years ended 2006-07 was Rs 4.10 crore.

(Paragraphs 7.2.10 to 7.2.14)

Poor contract management and non-observance of financial propriety resulted in payment of Rs 4.66 crore in respect of renovation/upgradation of six hotels without ensuring quantity/quality of works executed and without establishing necessity for high quantity of extra items of works.

(Paragraphs 7.2.15 to 7.2.17)

The Company's tour and cruise operations resulted in loss of Rs 4.24 crore during 2002-07 due to operational inefficiencies.

(Paragraphs 7.2.20 and 7.2.21)

Management of leases of hotels and restaurants suffered from irregularities due to unfair tender practices and defective tender evaluation which resulted in potential revenue loss of Rs 39.99 lakh.

(Paragraphs 7.2.22 to 7.2.27)

Transaction Audit Observations

Failure in measuring the land before taking its possession resulted in shortage of area and consequent loss of Rs 1.04 crore to Info Tech Corporation of Goa Limited.

(Paragraph 7.3)

Disbursal of loans to two software development companies, without ensuring viability of the projects, and acceptance of software as security resulted in loss of principal and interest amounting to Rs 10.27 crore to EDC Limited.

(Paragraph 7.5)

Release of loan by EDC Limited without fulfillment of conditions and subsequent irregular sanction of further loans resulted in non-recovery of Rs 8.60 crore for over eight years and loss of interest of Rs 10.12 crore.

(Paragraph 7.6)

Failure of the Goa Electricity Department to establish the incentive claim under APDRP scheme resulted in rejection of the claim by the Ministry of Power and consequent loss of Rs 8.91 crore.

(Paragraph 7.9)

Delay on the part of Goa Electricity Department in accepting the lowest offer within the validity period resulted in re-tendering and consequent extra expenditure of Rs 1.12 crore on the work of renovation of LT lines.

(Paragraph 7.10)

CHAPTER – I

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 2006-07 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 2006-07

(*Rupees in crore*)

2005-06	Receipts	2006-07	2005-06	Disbursements	2006-07		
				Section-A: Revenue	**Non Plan**	**Plan**	**Total**
2168.87	**Revenue receipts**	**2609.76**	**2190.72**	**Revenue expenditure**	**1984.50**	**483.81**	**2468.31**
1096.49	Tax revenue	1291.54	742.95	General Services	779.18	6.34	785.52
761.16	Non-tax revenue	917.62	480.71	Social Services	298.74	269.78	568.52
244.70	Share of Union Taxes/Duties	312.11	670.96	Economic Services	692.01	113.09	805.10
66.52	Grants from Government of India	88.49	296.10	Grant-in-aid and Contributions	214.57	94.60	309.17
				Section-B: Capital and others			
-	**Misc Capital Receipts**	-	**580.35**	**Capital Outlay**	**4.45**	**621.89**	**626.34**
6.33	**Recoveries of Loans and Advances**	**5.78**	**7.05**	**Loans and Advances Disbursed**	**3.30**	**4.84**	**8.14**
698.39	**Public Debt Receipts***	**639.48**	**70.60**	**Repayment of Public Debt***	-	**73.28**	**73.28**
0.22	**Contingency Fund**	-	-	**Contingency Fund**	-	-	-
3285.19	**Public Account Receipts**	**3611.39**	**3134.22**	**Public Account Disbursements**	-	**3519.36**	**3519.36**
148.74	**Opening Cash Balance**	**324.80**	**324.80**	**Closing Cash Balance**	-	**495.78**	**495.78**
6307.74	**Total**	**7191.21**	**6307.74**	**Total**	**1992.25**	**5198.96**	**7191.21**

* *Excluding Ways and Means Advances and Overdraft*

- The revenue receipts grew by Rs 441 crore over previous year. The increase was mainly contributed by tax revenue (Rs 196 crore), non-tax revenue (Rs 157 crore), and state's share of union taxes and duties (Rs 67 crore).

- Revenue Expenditure and Capital Expenditure increased by Rs 278 crore and Rs 46 crore respectively.
- Public debt receipts have decreased by Rs 59 crore over previous year while repayments increased by Rs 12 crore in 2006-07 over the previous year.
- Public Accounts receipts have increased by Rs 326 crore while disbursement increased by Rs 385 crore over previous year resulting net outflow of Rs 59 crore during the year.
- Cash balances at the close of 2006-07 as a result of cash flows listed above increased by Rs 171 crore 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)

2005-06	Sr. No	Major Aggregates	2006-07
2169	**1.**	**Revenue Receipts (2+3+4)**	**2610**
1096	2.	Tax Revenue (Net)	1292
761	3.	Non-Tax Revenue	918
312	4.	Other Receipts	400
6	**5.**	**Non-Debt Capital Receipts**	**6**
6	6.	*Of which* Recovery of Loans & Advances	6
2175	**7.**	**Total Receipts (1+5)**	**2616**
1781	**8.**	**Non-Plan Expenditure**	**1992**
1776	9.	On Revenue Account	1985
400	10.	*Of which* Interest Payments	427
1	11.	On Capital Account	4
4	12.	On Loans disbursed	3
997	**13.**	**Plan Expenditure**	**1111**
415	14.	On Revenue Account	484
579	15.	On Capital Account	622
3	16.	On Loans disbursed	5
2778	**17.**	**Total Expenditure (13+8)**	**3103**
(-) 22	18.	Revenue Deficit (-)/Surplus (+) (9+14-1)	(+) 141
(-)603	19.	Fiscal Deficit (17-1-5)	(-) 487
(-)203	20.	Primary Deficit (19-10)	(-) 60

During the current year revenue receipts increased by Rs 441 crore (20 *per cent)*, Revenue Expenditure increased by Rs 278 crore (13 *per cent*) over previous year resulting in a surplus of Rs 163 crore in revenue account as compared to the deficit of Rs 22 crore in 2005-06. The surplus in revenue account, alongwith an increase of Rs 47 crore in Capital Expenditure including disbursement of loans and advances led to a decline of Rs 116 crore in fiscal deficit during 2006-07 from Rs 603 crore in the previous year. The decline in fiscal deficit alongwith an increase of Rs 27 crore in interest payments resulted in a decline of Rs 38 crore in primary deficit in 2006-07 from Rs 203 crore in 2005-06.

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 (2005-06 to 2009-10) so that fiscal position of State could be improved as committed in their respective FR Acts/Rules during 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 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

	2002-03	2003-04	2004-05	2005-06	2006-07
Gross State Domestic Product (GSDP) (Rupees in crore)	9947	9290	10219	11685	12854
Growth rate of GSDP	11.45	(-) 6.60	10.00	14.36	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 as to whether the mobilization of resources, pattern of expenditure etc., are keeping pace with the change in the base or these fiscal aggregates are also 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 (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 not yet 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.

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 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 2002-07.

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

(Rupees in crore)

Sources of State's Receipts	2002-03	2003-04	2004-05	2005-06	2006-07
I Revenue Receipts	**1833.00**	**1623.00**	**1820.00**	**2168.87**	**2609.76**
II Capital Receipts	**504.00**	**799.00**	**708.00**	**704.72**	**645.26**
Recovery of Loans and Advances	7.00	7.00	6.00	6.33	5.78
Public Debt Receipts	497.00	792.00	702.00	698.39	639.48
Miscellaneous Capital Receipts	-	-	-	-	-
III Contingency Fund	**14.00**	**-**	**1.00**	**0.22**	**-**
IV Public Account Receipts	**2755.00**	**3239.00**	**3157.00**	**3285.19**	**3611.39**
a. Small Savings, Provident Fund *etc.*	106.00	111.00	118.00	126.16	135.82
b. Reserve Fund	8.00	20.00	28.00	29.54	32.94
c. Deposits and Advances	94.00	119.00	93.00	86.34	113.08
d. Suspense and Miscellaneous	1176.00	1537.00	1430.00	1521.83	1567.22
e. Remittances	1371.00	1452.00	1488.00	1521.32	1762.33
Total Receipts	**5106.00**	**5661.00**	**5686.00**	**6159.00**	**6866.41**

The revenue and capital receipts constituted 38 and 62 *per cent* of total receipts respectively. The total receipts of the state increased from Rs 5,106 crore in 2002-03 to Rs 6,866 crore in 2006-07. The Debt Capital Receipts which creates future repayment obligation has increased from Rs 497 crore in 2002-03 to Rs 639 crore in 2006-07.

1.3.1 Revenue Receipts

Statement-11 of the Finance Accounts details the revenue receipts of the Government. The revenue receipts consist of its 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	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Receipts (RR) ***(Rupees in crore)***	1833	1623	1820	2169	2610
Own Taxes ***(Rupees in crore)*** (*Percentage share in RR*)	602 (32.84)	710 (43.75)	857 (47.09)	1096 (50.53)	1292 (49.50)
Non-Tax Revenue ***(Rupees in crore)*** (*Percentage share in RR*)	1039 (56.68)	725 (44.67)	729 (40.05)	761 (35.09)	918 (35.17)
Central Tax Transfers ***(Rupees in crore)*** (*Percentage share in RR*)	115 (6.27)	136 (8.38)	162 (8.90)	245 (11.30)	312 (11.96)
Grants-in-aid ***(Rupees in crore)*** (*Percentage share in RR*)	77 (4.20)	52 (3.20)	72 (3.96)	67 (3.09)	88 (3.37)

Rates of growth					
Revenue Receipts *(per cent)*	(-)2.14	(-) 11.46	12.14	19.18	20.33
State's own taxes	5.80	17.94	20.70	27.89	17.88
Non-Tax Revenue	(-)8.54	(-) 30.22	0.55	4.39	20.63
RR/GSDP *(per cent)*	18.43	17.47	17.81	18.56	20.30
Buoyancy Ratios					
Revenue Receipts with GSDP	≠	≠	1.21	1.92	2.03
State's own taxes with GSDP (ratio)	0.51	≠	2.07	2.79	1.79
Revenue buoyancy with reference to State's own taxes	≠	≠	0.59	0.69	1.14
GSDP Growth *(per cent)*	11.45	* (-) 6.61	10.00	14.35	10.00

General Trends: Revenue receipts of the State increased from Rs 1,833 crore in 2002-03 to Rs 2,610 crore in 2006-07 with a marginal dip in 2003-04 as the lottery business was stopped in the State with effect from August 2002. The trends in relative share of the composition of revenue receipts indicate a significant improvement in the share of tax revenue while relative share of non tax revenue has sharply declined over the period 2002-07. The share of central tax transfers has gradually improved while the grants-in-aid exhibited relative stability in its share during the period. This increase was mainly under Value Added Tax (Rs 111.45 crore), Power (Rs 86.76 crore) and Stamps and Registration fees (Rs 55.43 crore).

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 and Luxury Tax have increased from Rs 602 crore in 2002-03 to Rs 1,292 crore in 2006-07. In absolute terms, there was an increase of Rs 111.45 crore in Sales Tax/VAT and Rs 55.43 crore in Stamps and Registration fees in 2006-07 compared to the previous year.

Non-Tax Revenue: The non-tax revenue of the State has gradually decreased from Rs 1,039 crore in 2002-03 to Rs 729 crore in 2004-05 due to stoppage of lottery business with effect from August 2002. Non-Tax Revenue has exhibited increasing trend thereafter as it increased from Rs 761 crore in 2005-06 to Rs 918 crore in 2006-07. A sharp increase of 21 *per cent* in 2006-07 (Rs 157 crore) was mainly due to an increase of Rs 86.76 crore in Power and Rs 57.16 crore under other Administrative Services compared to the previous year.

Central Tax Transfers: The Central Tax Transfers have increased from Rs 115 crore in 2002-03 to Rs 312 crore in 2006-07. The increase was due to higher realisation of Central Tax revenue by the Central Government.

≠ Growth in revenue receipts during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04.

* GSDP figures for 2005-06 have been revised by the State Government as Rs 11,685 crore.

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 2002-03 to 2006-07 is as follows:

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Non Plan grants	7.08	5.19	1.48	6.84	20.21
State Plan Schemes	50.30	30.97	55.03	29.95	49.18
Central Plan Scheme	3.55	2.97	4.05	4.95	4.53
Centrally sponsored scheme	16.09	13.42	11.60	24.78	14.57
Special Plan scheme	-	-	-	-	-
Total	**77.02**	**52.55**	**72.16**	**66.52**	**88.49**

- **Non Plan Grant:** There was a decrease in the flow of Non Plan Grants from Rs 7.08 crore in 2002-03 to Rs 1.48 crore in 2004-05 whereas during the year 2005-06 and 2006-07 the state received Rs 6.84 crore and Rs 20.21 crore respectively towards Non Plan Grant. The increase in Non Plan Grant during 2006-07 was mainly due to more receipt of Rs 1.61 crore towards contribution to Calamity Relief Fund and Rs 13.56 crore under other Grants.

- **State Plan Scheme:** There was a decrease in receipt of grants pertaining to State Plan Scheme from Rs 50.30 crore in 2002-03 to Rs 29.95 crore during 2005-06 which again increased to Rs 49.18 crore in 2006-07 due to increase of Rs 6.71 crore under Block Grants and Rs 11.91 crore in other Grants compared to previous year.

- **Centrally Sponsored Schemes:** The receipt of grants-in-aid decreased from Rs 16.09 crore in 2002-03 to Rs 11.60 crore in 2004-05 and widely fluctuated thereafter as they peaked to Rs 24.78 crore in 2005-06 and reduced sharply to Rs 14.57 crore in 2006-07.

Revenue arrears

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs 532.31 crore as detailed below.

(Rupees in crore)

Head of Revenue	Amount of arrears as on 31 March 2007	Arrears more than three years old	Cases pending in court		Amount involved in Cases pending due to other reasons
			No.	Amount	
Commercial Tax	285.12	68.57	118 8	27.72	257.40
Excise	0.37	0.10	-	-	0.37
Taxes on vehicles	6.90	3.68	-	-	6.90

Chief Engineer - Public works Department i) Rent of Building / Shops ii) Water charges, meter rent and sewerage charges	 0.43 29.43	 0.20 12.61	 1 1867	 0.02 4.85	 0.41 24.58
Chief Engineer - Water Resources Department (i) Water Charges (ii) Rent on building/shops (iii) Hire charges of machinery	 14.72 1.16 0.36	 0.45 0.48 0.24	 147 22 --	 0.03 0.07 --	 14.69 1.09 0.36
Chief Electrical Engineer Energy charges	190.40	Not furnished	3689	55.56	134.84
Director General of Police	0.33	0.17	10	0.04	0.29
Agriculture	3.09	2.84	4	--	3.09
Total	**532.31**	**89.34**	**6928**	**88.29**	**444.02**

The arrears of revenue increased by 79.83 *per cent* in five years from Rs 296 crore in 2002-03 to Rs 532.31 crore at the end of 2006-07. In 2006-07 arrears were 24.10 *per cent* of state's own resources. Of this, Rs 89.34 crore were outstanding for a period of more than three years. Of Rs 532.31 crore, Rs 88.29 crore were pending in Revenue Recovery courts. The increasing arrears of revenue showed a slackening of the revenue realizing efforts of the State Government.

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 2,292 crore in 2001-02 to Rs 3,103 crore in 2006-07. 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-1.6.**

Table-1.6: Total Expenditure – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Total expenditure (TE)[♠] (Rupees in crore)	2218	2075	2376	2778	3103
Rate of Growth (*per cent*)	- 3.23	- 6.45	14.51	16.92	11.70
TE/GSDP Ratio (*per cent*)	22.30	22.34	23.25	23.77	24.14
RR /TE Ratio (*per cent*)	82.64	78.22	76.60	78.08	84.11
Buoyancy of Total Expenditure with reference to:					
GSDP (ratio)	♥	♥	1.45	1.18	1.17
RR (ratio)	♥	♥	1.20	0.88	0.58

The Total Expenditure during the current year was Rs 3,103 crore of which Revenue Expenditure was Rs 2,469 crore, Capital Expenditure contributed Rs 626 crore and repayment of Loans and Advances Rs eight crore. Out of Rs 3,103 crore, the non plan expenditure stood at Rs 1,992 crore and plan expenditure at Rs 1,111 crore.

The ratio of revenue receipts to total expenditure reflecting State's reliance on borrowed funds indicated a decreasing trend during 2002-03 to 2004-05, however, it indicated an increasing trend during 2005-07. Ratio indicated that 84 *per cent* of State's total expenditure during 2006-07 was met from its current revenues and the balance financed mostly from borrowings. The buoyancy of total expenditure to GSDP stood at 1.17 in 2006-07.

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-1.7.**

Table-1.7: Components of Expenditure – Relative Share

(In per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07
General Services	41.75	29.40	29.59	30.17	28.01
Of which Interest payments	12.17	13.17	12.61	14.39	13.77
Social Services	27.28	31.47	31.94	29.99	30.72
Economic Services	30.43	38.65	38.18	39.60	41.04
Grants-in-aid	10.19	11.28	9.22	10.66	9.96
Loans and Advances	0.54	0.48	0.29	0.25	0.26

[♠] Total expenditure includes revenue expenditure, capital expenditure and loans and advances.
[♥] Growth of TE was negative during 2002-03 and 2003-04.

The expenditure sharply declined in 2003-06 due to stoppage of lottery business in the state. There was a gradual increase of expenditure under Economic Services from 30.43 *per cent* in 2002-03 to 41.04 *per cent* in 2006-07, whereas under Social Services the percentage of expenditure decreased to 29.99 during 2005-06 and again increased to 30.72 *per cent* in 2006-07.

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 States 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-1.8.**

Table-1.8: Revenue Expenditure: Basic Parameters

(*Rupees in crore*)

	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue Expenditure (RE) Of which	2000	1764	1943	2191	2469
Non-Plan Revenue Expenditure (NPRE)	1782	1480	1578	1776	1985
Plan Revenue Expenditure (PRE)	218	284	365	415	484
Rate of Growth (*per cent*)					
Revenue Expenditure	(-) 2.08	(-)11.46	12.14	19.18	20.33
NPRE	(-) 7.09	(-)16.95	6.62	12.55	11.77
PRE	19.78	30.28	28.52	13.70	16.63
Ratios					
RE as *per cent* of TE	90.17	85.01	81.78	78.87	79.57
NPRE as *per cent* of TE	80.34	71.33	66.41	63.93	63.97
NPRE as *per cent* of RR	97.22	91.19	86.70	81.88	76.05
Buoyancy Ratio of RE with reference to					
GSDP	∝	∝	1.01	0.89	1.27
Revenue Receipts	2.31	1.03	0.84	0.67	0.62

∝ Growth in Revenue Expenditure during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04.

The revenue expenditure indicated an increasing trend during 2002-07 with a dip in 2003-04 due to stoppage of lottery business. It showed an increasing trend under Plan from 2004-07 due to more expenditure under Urban & Rural Water Supply Scheme, Advertising & Visual Publicity, General Education and Urban & Rural Health Programme. The NPRE has shown a consistent increase at average rate of 12 *per cent* during 2005-07 and continued to share the dominant proportion consisting 80 *per cent* of Revenue Expenditure. The increase in NPRE during the current year was mainly due to more expenditure on power (Rs 107 crore) and interest payments (Rs 27 crore). The NPRE at

Rs 1,985 crore was significantly higher than the normatively assessed level of Rs 1,321 crore by the TFC for the State for the current year.

1.4.3 Committed Expenditure

1.4.3.1 Expenditure on Salaries and Wages

Table 1.9: Expenditure on Salaries

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Salaries Of which	333.35	381.04	422.05	440.22	471.50
Non-Plan Head	280.33	319.93	352.79	367.76	391.87
Plan Head	53.02	61.11	69.26	72.46	79.63
As *per cent* of GSDP	**3.35**	**4.10**	**4.13**	**3.77**	**3.67**
As *per cent* of RR	**18.19**	**23.48**	**23.19**	**20.30**	**18.07**

There was an increasing trend on expenditure on salaries during the period 2002-2007, which grew by 11.72 *per cent* during 2006-07 over the previous year. The salary expenditure at 25 *per cent* of revenue expenditure net of interest and pension payment during 2006-07 which was well within the norm of 35 *per cent* recommended by the TFC.

1.4.3.2 Pension Payments

Table 1.10: Expenditure on Pensions

(Rupees in crore)

Heads	2002-03	2003-04	2004-05	2005-06	2006-07
Expenditure on Pensions	140.54	113.33	140.34	158.86	150.28
As *per cent* of GSDP	1.41	1.22	1.37	1.36	1.17
As *per cent* of RR	7.67	6.98	7.71	7.32	5.76

Pension payments increased from Rs 140.54 crore in 2002-03 to Rs 158.86 crore in 2005-06 and declined to Rs 150.28 crore in 2006-07.

1.4.3.3 Interest payments

Table-1.11: Interest payments

Interest payments	2002-03	2003-04	2004-05	2005-06	2006-07
Interest payments (Rupees in crore)	292	321	323	400	427
Interest payments as *per cent* to					
Revenue Receipts	16	20	18	18	16
Revenue Expenditure	15	18	17	18	17

In absolute terms, interest payment increased by Rs 135 crore from Rs 292 crore in 2002-03 to Rs 427 crore in 2006-07 primarily due to continued reliance on borrowings for financing the fiscal deficit. The rate of interest on open market borrowings/outstanding at the end of 2006-07, varied from 13.85 *per cent* to 5.60 *per cent.* The ratio of interest payments to revenue receipts fluctuated within the range of 16 to 20 *per cent* during the period 2002-07 and was at the lower limit of the range both in 2002-03 and the current year. The State could maintain it at reasonable level especially if it is assessed in view of the TFC recommendation to gradually reduce it to 15 *per cent* by 2009-10.

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 1.12.**

Table-1.12: Subsidies

Year	2002-03	2003-04	2004-05	2005-06	2006-07
Total Subsidies (Rupees in crore)	30.66	29.21	30.44	43.70	39.72
Percentage change over the previous year	13.09	(-) 4.73	4.21	43.56	(-) 9.11
Total subsidies as *per cent* of					
Revenue Expenditure	1.53	1.66	1.57	1.99	1.61
Total Expenditure	1.38	1.41	1.28	1.57	1.28

In absolute terms the disbursement of subsidy increased from Rs 30.66 crore in 2002-03 to Rs 43.70 crore in 2005-06 and then decreased to Rs 39.72 crore in 2006-07. Though the subsidies are a drain on State finance, the Government is extending subsidies keeping in view the welfare of the State. The share of subsidy in total expenditure varied within a range of 1.28 to 1.57 *per cent* during the period 2002-07. The sharp decline in disbursement of subsidy during 2006-07 (9.11 *per cent*) over the previous year was mainly due to less subsidies given under General and Social services. The areas which received major chunk of subsidies are Transport (Rs 11.68 crore), Fisheries (Rs 11.42 crore), Crop Husbandry (Rs 5.11 crore) and Dairy Development (Rs 3.51 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 1.13** gives these ratios during 2002-07.

Table 1.13 – Indicators of Quality of Expenditure

(Rupees in crore)

Components of Expenditure	2002-03	2003-04	2004-05	2005-06	2006-07
Capital Expenditure	206	301	426	580	626
Revenue Expenditure	2000	1764	1943	2191	2469
Revenue Expenditure on Social and Economic Services, of which					
(i) Salary Component	- Not available -			319	341
(ii) Non-Salary Component	♠1280	♠1455	♠1666	1129	1342
As *per cent* of Total Expenditure					
Capital Expenditure	9.29	14.51	17.93	20.88	20.17
Revenue Expenditure	90.17	85.01	81.78	78.87	79.57
As *per cent* of GSDP					
Capital Expenditure	2.07	3.24	4.17	∂4.96	4.87
Revenue Expenditure	20.11	18.99	19.01	∂18.75	19.21

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

The ratio of capital expenditure to total expenditure increased from 9.29 *per cent* in 2002-03 to 20.17 *per cent* in 2006-07. Similarly, the ratio of capital expenditure to GSDP increased from 2.07 *per cent* in 2002-03 to 4.87 *per cent* in 2006-07. Roads and Bridges (Rs 115 crore), Power Projects (Rs 103 crore) and Major and Medium Irrigation (Rs 126 crore) were the major beneficiary sectors. The share of non-salary component in the revenue expenditure incurred on social and economic services was not only significantly higher (80 *per cent*) relative to its salary component but it increased sharply (19 *per cent*) during 2006-07 over the previous year. The progressive increase in capital expenditure during the last five years along with relatively higher share of non-salary component of revenue expenditure indicate 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 would be prudent to make an assessment with regard to the expansion and efficient provision of these services in the State. **Table 1.14** summarises the expenditure incurred by the State Government in expanding and strengthening of social services in the State during 2002-07.

Table 1.14: Expenditure on Social Services

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
General Education					
Revenue Expenditure	277.60	280.62	336.51	333.08	405.14
Of which					
(a) Salary Component	-	-	-	85.07	90.87
(b) Non-Salary Component	-	-	-	248.01	314.27

∂ change in GSDP figure

Capital Expenditure	8.72	11.72	17.87	16.47	28.94
Health and Family Welfare					
Revenue Expenditure	92.08	101.98	112.39	124.06	135.48
Of which					
(a) Salary Component	-	-	-	81.61	88.69
(b) Non-Salary Component	-	-	-	42.45	46.79
Capital Expenditure	4.56	6.93	7.10	15.17	9.90
Water Supply, Sanitation, Housing and Urban Development					
Revenue Expenditure	97.33	80.03	96.02	149.21	155.01
Of which					
(a) Salary Component	-	-	-	10.98	12.06
(b) Non-Salary Component	-	-	-	138.23	142.95
Capital Expenditure	39.35	68.15	65.49	63.14	82.10
Other Social Services					
Revenue Expenditure	82.83	101.62	122.80	130.76	135.72
Of which					
(a) Salary Component	-	-	-	22.19	23.39
(b) Non-Salary Component	-	-	-	108.57	112.33
Capital Expenditure	2.65	1.88	0.38	1.10	1.00
Total (Social Services)	**605.12**	**652.93**	**758.56**	**832.99**	**953.29**
Revenue Expenditure	**549.84**	**564.25**	**667.72**	**737.11**	**831.35**
Of which					
(a) Salary Component	-	-	-	**199.85**	**215.01**
(b) Non-Salary Component	-	-	-	**537.26**	**616.34**
Capital Expenditure	**55.28**	**88.68**	**90.84**	**95.88**	**121.94**

- Not available

Although the overall percentage of increase in Revenue and Capital Expenditure under Social Services during the period 2002-03 to 2006-07 was 51.20 and 120.59 respectively but the share of Revenue Expenditure remained on an average around 88 *per cent* during the period. In respect of Water Supply, Sanitation, Housing and Urban Development, Revenue Expenditure increased by 59.26 *per cent* and Capital Expenditure by 108.64 *per cent* during the period 2002-03 to 2006-07.

Recognizing the need to improve the quality of education and health services, TFC recommended that the non-plan salary expenditure under Education and 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 seven *per cent*. The increase in non-salary component on the other hand under Education Sector was 27 *per cent* and in Health and Family Welfare sector 10 *per cent*. The expenditure pattern both in education and health services needs correction in the ensuing 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 1,272.64 crore in 2006-07) accounted for 41.01 *per cent* of the total expenditure (**Table 1.15**). Of this, Agriculture and Allied activities, Irrigation and Flood Control, Energy and Transport constituted nearly 89.24 *per cent* of the expenditure.

Table-1.15: Expenditure on Economic Sector

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Agriculture, Allied Activities					
Revenue Expenditure	36.44	44.41	47.26	66.37	69.81
Of which					
(a) Salary Component	-	-	-	28.97	30.45
(b) Non-Salary Component	-	-	-	37.40	39.36
Capital Expenditure	3.31	7.89	12.72	13.98	12.76
Irrigation and Flood Control					
Revenue Expenditure	15.55	15.33	17.43	22.34	26.06
Of which					
(a) Salary Component	-	-	-	10.53	10.85
(b) Non-Salary Component	-	-	-	11.81	15.21
Capital Expenditure	28.54	38.74	56.77	158.69	157.95
Power & Energy					
Revenue Expenditure	370.24	421.48	419.89	429.55	536.99
Of which					
(a) Salary Component	-	-	-	46.71	50.23
(b) Non-Salary Component	-	-	-	382.84	486.76
Capital Expenditure	50.06	51.34	88.14	102.28	102.95
Transport					
Revenue Expenditure	50.08	57.51	66.27	95.62	105.95
Of which					
(a) Salary Component	-	-	-	16.75	18.28
(b) Non-Salary Component	-	-	-	78.87	87.67
Capital Expenditure	49.98	73.53	96.77	102.78	123.29
Other Economic Services					
Revenue Expenditure	66.38	78.95	91.81	96.78	112.63
Of which					
(a) Salary Component	-	-	-	16.08	16.55
(b) Non-Salary Component	-	-	-	80.70	96.08
Capital Expenditure	4.09	13.46	11.10	11.59	24.25
Total(Economic Services)	**674.67**	**802.64**	**908.16**	**1099.98**	**1272.64**
Revenue Expenditure	**538.69**	**617.68**	**642.66**	**710.66**	**851.44**
Of which					
(a) Salary Component	-	-	-	**119.04**	**126.36**
(b) Non-Salary Component	-	-	-	**591.62**	**725.08**
Capital Expenditure	**135.98**	**184.96**	**265.50**	**389.32**	**421.20**

- Not available

The Revenue as well as the Capital Expenditure on Economic services consistently increased during the period 2002-07. In relative terms the overall increase in Revenue Expenditure pertaining to the Economic services was 58.06 *per cent* while in Capital Expenditure it was 209.75 *per cent* during the period 2002-03 to 2006-07. However, during 2006-07, the increases in Revenue Expenditure were relatively more as compared to the corresponding increase in Capital Expenditure in almost all the economic services except in case of transport. For instance, in respect of Irrigation and Flood Control, the

Revenue Expenditure during 2006-07 increased by 16.65 *per cent* whereas the Capital Expenditure decreased by 0.47 *per cent*, over the previous year. Similarly, there was an increase of 25.01 *per cent* in Revenue Expenditure during the year on Power and Energy over the previous year 2005-06, whereas the Capital Expenditure increased by 0.65 *per cent* over the previous year 2005-06. In respect of Transport Sector, the Revenue Expenditure on the other hand increased by 10.80 *per cent* during the year 2006-07 over the previous year whereas Capital Expenditure increased by 19.96 *per cent* during the same period.

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 2002-07 is presented in **Table 1.16.**

Table-1.16: Financial Assistance

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Educational Institutions (Aided Schools, Aided Colleges, Universities, etc.)	170.67	162.36	153.60	196.47	206.82
Municipal Corporations and Municipalities	21.29	17.72	16.96	35.96	40.39
Zilla Parishads and Other Panchayati Raj Institutions	24.44	24.87	32.75	39.70	41.98
Development Agencies	-	-	-	-	-
Other Institutions	9.48	9.54	15.02	23.99	24.81
Total	**225.88**	**214.49**	**218.53**	**296.12**	**314.00**
Assistance as per percentage of RE	11.29	12.16	11.25	13.52	12.72

The financial assistance to local bodies and other institutions has increased by 6.04 *per cent* during the year 2006-07 over the previous year due to delegation of more power to Urban Local Bodies, more grants to social security welfare, rural employment etc.

1.5.5 Delay in furnishing utilisation certificates

Of the 3,646 utilisation certificates (UCs) due in respect of grants and loans aggregating Rs 207.13 crore paid upto 2005-06, 3,494 UCs for an aggregate amount of Rs 201.08 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 2007, seven departments of the Government had not furnished details for the year 2005-06 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 whom 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 16 cases of misappropriation, losses, etc., involving Government money amounting to Rs 150.20 lakh up to the period June 2007 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 2006-07, losses amounting to Rs 1.60 lakh in 73 cases were written off by competent authorities. The losses mainly pertained to unserviceable articles (Rs 1.01 lakh of the health department). 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 capture the financial liabilities of the Government and the assets created out of the expenditure incurred. **Appendix 1.7** gives an abstract of such liabilities and the assets as on 31 March 2007, compared with the corresponding position on 31 March 2006. While the liabilities in this Appendix consist mainly of internal borrowings, loans and advances from the GoI, receipts from the Public Account and Reserve Funds, the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances. **Appendix 1.8** depicts the time series data on State Government finances for the period 2002-2007.

1.7.2 *Financial Analysis of Government Investments*

1.7.2.1 *Financial Results of Irrigation Works*

Irrigation works have not been declared as Commercial Undertakings in the State of Goa, hence the financial results in respect of Irrigation works have not been worked out.

1.7.2.2 *Incomplete projects*

The department-wise information pertaining to incomplete projects as on 31 March 2007 is given in **Table 1.17.**

Table 1.17: Department-wise Profile of Incomplete Projects

(Rupees in crore)

Department	Number of Incomplete Projects	Initial Budgeted Cost	Revised Total Cost of Projects	Cost Over Runs	Cumulative Actual Expenditure as on 31.3.2007
Public Works Department	6	73.85	-	-	54.25
Directorate of Fisheries	1	0.45	-	-	0.35
Directorate of Settlement & Land records	1	3.94	-	-	3.18
State Directorate of craftsmen training	2	0.29	-	-	0.93
Water Resources Department (i) Tillari Irrigation Project	1	161.18	♠ 698.17	536.99	509.31
Total	**11**	**239.71**	**698.17**	**536.99**	**568.02**

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

1.7.2.3 *Departmental Commercial Undertakings*

Activities of *quasi*-commercial nature are performed by departmental undertakings of certain Government departments. These undertakings are required to prepare annually Proforma accounts in prescribed format showing the results of financial operations so that Government can assess the results of their working. The department-wise position of arrears in preparation of *proforma* accounts and the investment made by the Government are given in **Appendix 1.9.** The summarized financial statement of these undertakings is given in **Appendix 7.6.**

1.7.2.4 *Investments and returns*

As of 31 March 2007, Government had invested Rs 266.06 crore in Statutory Corporations, Rural Banks, Joint Stock Companies and Co-operatives (**Table 1.18**). The return on this investment ranged between 0.15 and 0.01 *per*

♠ *Indicates the share of the Government of Goa in revised total cost of the project (Rs 952.44 crore) as per the last revision by the State Government in 2000-01.*

cent in the last five years while the Government paid interest at an average rate of 7.89 to 9.25 *per cent* on its borrowings during 2002-2007.

Table-1.18: Return on Investment

	2002-03	2003-04	2004-05	2005-06	2006-07
Investment at the end of the year (Rupees in crore)	189.81	202.93	220.93	235.84	266.06
Return (Rupees in crore)	0.19	0.03	0.27	0.18	0.40
Return *(per cent)*	0.10	0.01	0.12	0.07	0.15
Average rate of interest on Government borrowing *(per cent)*	9.25	8.95	7.89	8.54	7.97
Difference between interest rate and return *(per cent)*	9.15	8.94	7.77	8.47	7.82

The State Government has invested Rs 18.02 crore in two statutory corporations for more than five years. However, Government has not received any returns on this investment. Similarly, Government has invested Rs 208.42 crore in 17 Government Companies and Dividend/interest received during the year 2006-07 was only Rs 0.30 crore. Of these, 11 Government Companies with Capital employed amounting to Rs 306.71 crore up to 2006-07 were incurring losses and their accumulated losses amounted to Rs 233.56 crore as per the latest accounts furnished by these companies.

1.7.2.5 Loans and advances by State Government

In addition to investments in Co-operative societies, Corporation and Companies, Government has also been providing loans and advances to many of these institutions/organizations. Total outstanding loans and advances as on 31 March 2007, was Rs 52.74 crore (**Table 1.19**). Interest received as *per cent* to average outstanding loans during the year remained on an average around four *per cent* during 2002-07 as against average interest rate varying between 7.8 and 9.25 *per cent* paid by the Government on its borrowings during 2002-07.

Table-1.19: Average Interest Received on Loans Advanced by the State Government

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Opening Balance	38.90	44.50	47.78	49.66	50.38
Amount advanced during the year	12.20	9.83	7.46	7.05	8.14
Amount repaid during the year	6.60	6.55	5.58	6.33	5.78
Closing Balance	44.50	47.78	49.66	50.38	52.74
Net addition	(+)5.60	(+)3.28	(+)1.88	(+) 0.72	(+) 2.36
Interest Receipts	1.70	1.65	2.44	2.10	2.03
Interest receipts as *per cent* to average outstanding Loans and advances	3.98	3.58	5.01	4.20	3.94

Interest payments as *per cent* to outstanding Fiscal liabilities of the State Government	8.76	8.46	7.43	7.97	7.50
Difference between interest payments and interest receipts (*per cent*)	(-) 5.27	(-) 5.37	(-) 2.88	(-) 4.28	(-) 4.03

Out of Loans and Advances of Rs 8.14 crore advanced during the year, 58 *per cent* were advanced to Social Sector, 1.5 *per cent* to Economic services and 40.54 *per cent* to Government servants. Out of Rs 52.74 crore outstanding loans, 49.05 *per cent* of loans pertained to Social Sector, 23.45 *per cent* pertained to Economic Sector and 27.50 *per cent* to Government Servants. Out of Rs 2.03 crore of interest received, 84.63 *per cent* of interest was received from Government Servants and 13.38 *per cent* from Social and 1.99 *per cent* from Economic Services.

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 is detailed in **Table 1.20.**

Table-1.20: Ways and Means Advances and Overdrafts of the State

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Ways and Means Advances					
Availed in the Year	619.21	536.74	498.60		
Number of Occasions	- Not available -			Nil	Nil
Outstanding WMAs, if any	53.41	53.61	-		
Interest Paid	2.18	1.34	1.13		
Overdraft					
Number of Days	259	249	221		
Availed in the year	137.80	112.92	37.30		
Number of Occasions	8	21	7	Nil	Nil
Number of Days	34	21	12		
Interest Paid	0.19	0.23	0.05		

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-1.21 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-1.21: Fiscal Liabilities – Basic Parameters

	2002-03	2003-04	2004-05	2005-06	2006-07
Fiscal Liabilities *(Rs in crore)*	3335	3838	4350	5018	5694
Rate of Growth *(per cent)*	11.95	15.08	13.34	15.36	13.47
Ratio of Fiscal Liabilities to					
GSDP *(per cent)*	33.53	41.31	42.57	42.94	44.30
Revenue Receipts *(per cent)*	181.90	236.48	239.01	231.35	218.16
Own Resources *(per cent)*	203.23	267.46	274.27	270.22	257.65
Buoyancy of Fiscal Liabilities to					
GSDP (ratio)	1.04	≠	1.33	1.07	1.35
Revenue Receipts (ratio)	≠	≠	1.10	0.80	0.66
Own Resources (ratio)	≠	≠	1.27	0.90	0.71

Overall fiscal liabilities of the State increased from Rs 3,335 crore in 2002-03 to Rs 5,694 crore in 2006-07. 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 13.47 *per cent* during 2006-07 over the previous year. The ratio of fiscal liabilities to GSDP also increased from 33.53 *per cent* in 2002-03 to 44.30 *per cent* in 2006-07. This ratio seems to be on the higher side keeping in view the target of 30 *per cent* to be achieved by 31 March 2009

≠ Growth of Revenue Receipts and Own Resources during 2002-03 and 2003-04 was negative as also GSDP growth during 2003-04.

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 1.35 indicating that for each one *per cent* increase in GSDP, fiscal liabilities grew by 1.35 *per cent*. Fiscal Liabilities constituted Market Loans comprising of Rs 1,107.68 crore, Loans and Advances from Central Government of Rs 3,465.52 crore, Loans from Financial Institutions to the extent of Rs 116.81 crore and Public Account liabilities of Rs 1,004.12 crore. Government has constituted a sinking fund for amortization of loans raised in the open market during 2006-07; Rs 10 crore was contributed towards the fund as on 31 March 2007. The outstanding balance in the sinking fund was Rs 86.80 crore.

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 2002-03 are given in **Table 1.22.**

Table-1.22: Guarantees given by the Government of Goa

(Rupees in crore)

Guarantees	2002-03	2003-04	2004-05	2005-06	2006-07
Maximum amount guaranteed	534.83	612.20	719.32	709.32	714.62
Outstanding amount of guarantees	215.69	513.76	621.05	631.33	623.99
Percentage of maximum amount guaranteed to total revenue receipt	29.17	37.72	39.52	32.70	27.38

There was an increasing trend in giving the guarantees upto the year 2004-05. Thereafter it decreased in 2005-06 and again increased in 2006-07. The percentage of maximum amount guaranteed to Revenue Receipts stood at 39.52 *per cent* in 2004-05. The same declined to 32.70 *per cent* and 27.38 *per cent* in 2005-06 and 2006-07 respectively.

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 for the purpose in March 2005. The outstanding guarantees at Rs 624 crore during 2006-07 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 2007 was Rs 39.52 crore.

1.8.3 *Off-Budget Borrowings*

For financing loan cum grant scheme to aided educational institutions, Government availed a loan of Rs 30 crore from Goa State Infrastructure Development Corporation between 2001 and 2007. However, this was not routed through the Consolidated Fund. This resulted in understatement of expenditure and fiscal deficit of the Government, thereby giving an incorrect picture of financial position of the State.

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-1.23: Debt Stabilisation: Indicators and Trends

(In per cent)

	2002-03	2003-04	2004-05	2005-06	2006-07
Weighted Interest Rate ***(per cent)***	9.25	8.95	7.89	8.54	7.97
GSDP Growth ***(per cent)***	11.45	(-) 6.61	10.00	♥14.35	10.00
Interest spread ***(per cent)***	2.20	(-) 15.56	2.11	5.81	2.03
Outstanding Debt ***(Rupees in crore)***	2979	3335	3838	4350	5018
Quantum Spread ***(Rupees in crore)***	65.54	-518.93	80.98	252.74	101.87
Primary Deficit ***(Rupees in crore)***	(-) 86	(-) 124	(-) 227	(-) 203	(-) 60

Table 1.23 reveals that quantum spread together with primary deficit has been negative from 2002-03 and 2004-05 indicating rising trend in debt-GSDP ratio during the period. In fact due to a huge negative value of primary deficit together with quantum spread, debt-GSDP ratio increased steeply in 2003-04 by almost eight percentage points over the previous year. The primary deficit

♥ GSDP figures for 2005-06 have been revised by the State Government, hence change in growth rate.

continued to persist even thereafter mitigating the favorable impact of positive quantum spread resulting in increasing debt-GSDP ratio although at a lesser pace during 2005-06 and 2006-07. Therefore State need to reduce the primary deficit to zero or negligible in ensuing years for debt stabilization.

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. **Table 1.24** indicates the resource gap as defined for the period 2002-07.

Table 1.24: Incremental revenue receipts and Revenue Expenditure

(Rupees in crore)

Period	Incremental				Resource Gap
	Non-Debt Receipts	Primary Expenditure	Interest Payments	Total Expenditure	
2002-03	(-) 39	(-) 105	31	(-) 74	(+) 35
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

The positive resource gap strengthens the capacity of the State to sustain the debt in the medium to long run. **Table 1.24** however reveals persistence of negative resource gap during the period 2002-06 resulting in deteriorating debt sustainability position of the State. It was only in 2006-07 the resource gap turned into positive indicating sufficiency of incremental non debt receipts relative to the expenditure requirements of the State. For debt stability and enhancing the capacity of the State to sustain the debt, resource gap need to be maintained in positive 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 1.25 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-1.25: Net Availability of Borrowed Funds

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Internal Debt					
Receipt	181	273	151	86	100
Repayment (Principal + Interest)	197	202	246	324	352
Net Fund Available	(-) 16	71	(-) 95	(-) 239	(-) 252
Net Fund Available (*per cent*)	-	26	-	-	-
Loans and Advances from GoI					
Receipt	269	519	551	613	539
Repayment (Principal + Interest)	226	409	191	89	86
Net Fund Available	43	110	360	524	453
Net Fund Available (*per cent*)	16	21	65	85	84
Other obligation					
Receipt	197	226	207	208	245
Repayment (Principal + Interest)	202	250	217	226	196
Net Fund Available	(-) 5	(-) 24	(-) 10	(-) 18	49
Net Fund Available (*per cent*)	-	-	-	-	20
Total liabilities					
Receipt	647	1018	909	907	884
Repayment (Principal + Interest)	625	861	654	639	634
Net Fund Available	22	157	255	268	250
Net Fund Available (*per cent*)	3	15	28	29	28

The State Government raised market loans of Rs 100.00 crore during 2006-07 with rate of interest of 7.99 *per cent*. As on 31 March 2007, 31 *per cent* of the existing market loans of the State Government carried the interest rate exceeding 10 *per cent*. The maturity profile of the State Government market loans indicate that nearly 46 *per cent* of the total market loans are repayable within the next five years while the remaining 54 *per cent* of the loans are required to be repaid after 5 to 10 years.

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 Deficits/Surplus

The revenue deficit of the State which indicates the excess of its revenue expenditure over revenue receipts, decreased from Rs 167 crore in 2002-03 to Rs 22 crore in 2005-06. The State registered a revenue surplus of Rs 141 crore in 2006-07. The fiscal deficit, which represents the total borrowing of the Government and its total resource gap, increased from Rs 378 crore in 2002-03 to Rs 487 crore in 2006-07. The State also had a primary deficit of

Rs 86 crore in 2002-03 which decreased to Rs 60 crore in 2006-07 as indicated in **Table-1.26.**

Table-1.26: Fiscal Imbalances: Basic Parameters

(Rupees in crore)

Parameters	2002-03	2003-04	2004-05	2005-06	2006-07
Revenue deficit (-)/Surplus (+)	(-) 167	(-) 141	(-) 123	(-) 22	(+) 141
Fiscal deficit (-)/Surplus (+)	(-) 378	(-) 445	(-) 550	(-) 603	(-) 487
Primary deficit *(Rupees in crore)*	(-) 86	(-) 124	(-) 227	(-) 203	(-) 60
RD/GSDP *(per cent)*	1.68	1.52	1.20	0.19	∝
FD/GSDP *(per cent)*	3.80	4.79	5.38	5.16	3.79
PD/GSDP *(per cent)*	0.86	1.33	2.22	1.74	0.47
RD/FD *(per cent)*	44.18	31.69	22.36	3.65	∝

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 167 crore in 2002-03 to a revenue surplus of Rs 141crore in 2006-07. During the year the revenue deficit was decreased by Rs 163 crore over the previous year due to mobilization of tax revenue by switching over to VAT system, more receipts from sale of stamps and fees for registering documents, more receipts under Power Sector, from luxury tax and under Other Administrative Services being Sale of land. Revenue Deficit (RD) would have been Rs 3.68 crore during 2006-07 had the receipts (Rs 681.67 crore) and expenditure (Rs 536.99 crore) of Power Department which is declared a quasi commercial activity were kept out of Government accounts. The percentage of Revenue surplus to Revenue Receipts during the year 2006-07 was 5.40. The percentage of Fiscal Deficit to total receipts was 18.58 during the year 2006-07 as against 28 *per cent* during the year 2005-06. 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. The ratio of FD to GSDP was reduced by 1.38 *per cent* during the year 2006-07 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 2002-03 to 2005-06 and the revenue deficit was completely wiped out during the current year. This trajectory indicates significant improvement in the quality of the deficit over the period 2002-07. The bifurcation of the primary deficit would indicate the extent to which the deficit has been on

∝ There was no revenue deficit during 2006-07.

account of enhancement in capital expenditure which may be desirable to improve the productive capacity of the State's economy.

Table 1.27: Primary deficit/Surplus – Bifurcation of factors

(Rupees in crore)

Year	Non-debt receipts	Primary Revenue Expenditure	Capital Expenditure	Loans and Advances	Primary Expenditure	Primary revenue deficit (-) /surplus (+)	Primary deficit (-) /surplus (+)
1	2	3	4	5	6 (3+4+5)	7 (2-3)	8 (2-6)
2002-03	1840	1708	206	12	1926	132	(-) 86
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

The bifurcation of factors resulting into primary deficit or surplus of the State during the period 2002-03 to 2006-07 reveals that the deficit was mainly on account of capital expenditure incurred 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 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-1.28** below presents a summarized position of Government finances over 2002-2007, with reference to certain key indicators classified in five groups: (i) Resource Mobilisation, (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-1.28: Indicators of Fiscal Health (in *per cent*)

Fiscal Indicators	2002-03	2003-04	2004-05	2005-06	2006-07
1	2	3	4	5	6
I Resource Mobilisation					
Own Tax Revenue/GSDP	6.05	7.64	8.39	9.38	10.05
Own Non Tax Revenue/GSDP	10.45	7.80	7.13	6.51	7.14
Central Transfers/GSDP	1.16	1.46	1.59	2.10	2.43
II Expenditure Management					
Total Expenditure/GSDP	22.30	22.34	23.25	23.77	24.14

Total Expenditure/Revenue Receipts	82.64	78.22	76.60	78.08	84.11
Revenue Expenditure/Total Expenditure	90.17	85.01	81.78	78.87	79.57
Revenue Expenditure on Social Services/Total Expenditure	24.30	27.18	28.11	26.53	26.78
Revenue Expenditure on Economic Services/Total Expenditure	24.80	29.78	27.02	25.59	27.46
Capital Expenditure/Total Expenditure	9.34	14.58	17.98	20.93	20.17
Capital Expenditure on Social and Economic Services/Total Expenditure	8.61	13.16	14.98	17.46	17.50
III Management of Fiscal Imbalances					
Revenue deficit(Surplus)/GSDP	-1.68	-1.52	-1.20	-0.19	1.10
Fiscal deficit/GSDP	-3.80	-4.79	-5.38	-5.16	-3.79
Primary Deficit (Surplus)/GSDP	-0.86	-1.33	-2.22	-1.74	-0.47
Revenue Deficit/Fiscal Deficit	44.18	31.69	22.36	3.65	NA
IV Management of Fiscal Liabilities					
Fiscal Liabilities/GSDP	33.53	41.31	42.57	42.94	44.30
Fiscal Liabilities/RR	181.94	236.48	239.01	231.35	218.16
Primary deficit vis-à-vis quantum spread	86/ 73.43	124/ 88.76	227/ 89.91	203/ 73.33	60/ 115.70
Debt redemption (Principal + Interest)/Total Debt Receipts	125.62	108.75	93.21	91.50	99.14
V Other Fiscal Health Indicators					
Return on Investment	0.10	0.01	0.12	0.07	0.15
Balance from Current Revenue (Rs in crore)	(-) 88.24	(-) 18.48	109.65	191.33	353.15
Financial Assets/Liabilities	0.63	0.74	0.73	0.74	0.78

During 2002-2007, the ratio of own tax revenue to GSDP showed a continued improvement whereas the ratio of non tax revenue to GSDP showed a mixed trend during the above period. During 2003-06 it showed a declining trend whereas in 2006-07 it showed a slight increase.

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. The Revenue Expenditure as a percentage to total expenditure reduced to 78.87 *per cent* in 2005-06 from 90.17 *per cent* in 2002-03. The increasing proportion of Capital Expenditure in the total expenditure indicates improvement in developmental and quality of expenditure. Increasing reliance on revenue receipts to finance the total expenditure during the last three years (2004-07), which amounts to 84 *per cent* during 2006-07, indicates decreasing dependence on borrowed funds. This is also reflected by the decreasing ratio of financial liabilities to revenue receipts during this period.

Revenue surplus and significant decline in fiscal deficit during 2006-07 indicates an improvement in fiscal position of the State. The Balance from Current Revenue (Rs 353.15 crore) increased by 85 *per cent* over previous year indicating availability of funds for creation of assets.

1.12 Conclusion

Management of state finances calls for a delicate balance between debt position on one hand and expenditure on services and creation of infrastructure on the other. The quality of expenditure, i.e. expenditure on social and economic services, is influenced by resource mobilization efforts and debt level. The Goa FRBM Act 2006 envisaged bringing revenue deficit to nil by March 2009. The target stands achieved two years ahead of schedule. Further, the target of reducing fiscal deficit to 3 *per cent* of GSDP by March 2009 is well within sight as the fiscal deficit stood at 3.78 *per cent* in 2006-07. The State has succeeded in improving its fiscal health during 2006-07 relative to the previous year due to realization of more tax revenue under Value Added Tax System and more receipts under Power Sector, from Luxury Tax and on account of Sale of Land. The expenditure pattern of the State on the other hand reveals that the Revenue Expenditure as a percentage to total expenditure although exhibited a declining trend but it still constituted around 80 *per cent* during the current year leaving inadequate resources for expansion of services and creation of assets. Within Revenue Expenditure, NPRE at Rs 1,985 crore in 2006-07 constituted around 80 *per cent* and remained significantly higher than the normatively assessed level of Rs 1,321 crore by TFC for the year. Further, the salaries and wages, pensions, interest payments and subsidies continued to consume a major share of NPRE which was around 55 *per cent* during 2006-07. The continued prevalence of fiscal as well as primary deficits in the finance accounts of the State indicates the increasing reliance on the borrowed funds resulting in increasing fiscal liabilities of the State over this period which stood at 44 *per cent* of the GSDP in 2006-07 and appears 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. Achieving the FRBM target within two years appears ambitious and would require containing the expenditure. 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 2006-2007 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	2757.34	158.74	2916.08	2046.49	(-) 869.59
	II. Capital	751.14	42.71	793.85	644.73	(-) 149.12
	III. Loans & Advances	7.46	1.22	8.68	8.14	(-) 0.54
Total Voted		**3515.94**	**202.67**	**3718.61**	**2699.36**	**(-) 1019.25**
Charged	IV. Revenue	455.38	0.52	455.90	450.51	(-) 5.39
	V. Capital	0.49	1.59	2.08	1.87	(-) 0.21
	VI. Public Debt	188.81	0	188.81	73.28	(-) 115.53
Total Charged		**644.68**	**2.11**	**646.79**	**525.66**	**(-) 121.13**
Grand Total		**4160.62**	**204.78**	**4365.40**	**3225.02**	**(-) 1140.38**

***Note:-** The expenditure includes the recoveries of revenue expenditure amounting to Rs 28.69 crore and capital expenditure amounting to Rs 20.26 crore adjusted as reduction of expenditure.*

The overall savings of Rs 1,140.38 crore as mentioned above were net result of savings of Rs 1,140.47 crore in 82 grants and appropriations offset by excess of Rupees nine lakh in two appropriations.

2.3 Fulfillment of Allocative Priorities

2.3.1 *Appropriation by Allocative Priorities*

Out of savings of Rs. 1,019.25 crore under voted grants, major savings of Rs 864.75 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	177.17	0.20	177.37	157.87	19.50
2.	INDUSTRIES, TRADE AND COMMERCE (REVENUE VOTED)					
	19	24.84	0.10	24.94	9.77	15.17
3.	PUBLIC WORKS (CAPITAL VOTED)					
	21	264.35	15.91	280.26	202.32	77.94
4.	SMALL SAVINGS AND LOTTERIES (REVENUE VOTED)					
	30	688.64	0.00	688.64	5.37	683.27
5.	MUNICIPAL ADMINISTRATION (REVENUE VOTED)					
	55	100.33	5.80	106.13	37.26	68.87
Total		**1255.33**	**22.01**	**1277.34**	**412.59**	**864.75**

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 than anticipated in respect of Aided Institutions.

- **Industries, Trade and Commerce:** Savings were mainly on account of non receipt/less receipts of claims from beneficiaries under various schemes.

- **Public Works Department:** Savings were mainly due to coverage being done to meet expenditure on specific schemes under separate units, non taking up of works under Accelerated Urban Water Supply Programme, External Assistance for Water Supply and Sanitation on technical ground.

- **Lotteries:** Savings were mainly on account of stoppage of lottery business in August 2002. However, Budget Provision continued in 2006-07 also.

- **Municipal Administration:** The anticipated savings were mainly due to non-receipt of proposal from GSUDA for implementation of Acc Marg Technology, non receipt of proposals for utilisation of funds under VAMBAY and non receipt of grants from GoI.

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

In 14 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 161.99 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 1,860.89 crore for the years 1998-1999 to 2005-2006 was yet to be regularised. Details are given in *Appendix 2.3*.

Excess over provisions during 2006-07 requiring regularisation

The excess of Rs 9.07 lakh under two grants during the year requires regularisation under Article 205 of the Constitution. Details are given below:

Sr. No.	No. and name of Grant/appropriation	Total Grant/ appropriation	Actual expenditure	Excess
				Amount in Rupees
Revenue (Charged)				
1.	1 - Legislature Secretariat	41,00,000	41,41,733	41,733
Capital (Charged)				
2.	21 – Public Works	1,16,92,000	1,25,57,695	8,65,695
	TOTAL	**1,57,92,000**	**1,66,99,428**	**9,07,428**

The reasons for excess are awaited.

2.3.3 Original budget and supplementary provisions

Supplementary provisions (Rs 204.78 crore) made during this year constituted 4.92 *per cent* of the original provision (Rs 4,160.62 crore) as against 5.38 *per cent* in the previous year.

2.3.4 Unnecessary/excessive/inadequate supplementary provisions

Supplementary provisions of Rs 8.08 crore made in 11 cases during the year proved unnecessary in view of aggregate savings of Rs 21.59 crore as detailed in *Appendix 2.4*.

In 18 cases, against additional requirement of only Rs 110.82 crore, supplementary provision of Rs 129.94 crore was obtained, resulting in savings in each case exceeding Rs 10.00 lakh, aggregating to Rs 19.12 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 2006-07, savings of Rs 10 lakh and above in each case aggregating to Rs 11.12 crore in five cases had not been surrendered. In nine cases, even after partial surrender, savings of Rs 10 lakh and above in each case aggregating Rs 2.68 crore occured. Details are given in ***Appendix 2.6*** and ***2.7*** respectively.

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

In three cases, the amount surrendered was in excess by Rs 10 lakh and above in each case of actual savings, indicating inadequate budgetary control. The surrender orders were issued by the Budget Controlling Authorities for Rs 12.54 crore as against the actual saving of Rs 10.87 crore resulting in excess surrender of Rs 1.67 crore. Details are given in ***Appendix 2.8.***

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 2006-07, out of 86 Budget Controlling Authorities (BCAs), 34 BCAs had not carried out such reconciliation for the entire year in respect of 80 units under their control involving Rs 346.23 crore and 14 BCAs had not carried out such reconciliation for part of the year in respect of 35 units under their control involving Rs 367.30 crore. The unreconciled period in case of the partially reconciled units ranges from one to ten months. The details of the major BCAs, who did not reconcile the expenditure were as follows:

Sr.No.	Budget Controlling Authority who did not reconcile their figures	Amounts not reconciled (*Rupees in crore*)
1.	Under Secretary (G.A.)	18.47
2.	Directorate of Transport	25.37
3.	Under Secretary Finance (Bud)	86.48
4.	Directorate of Higher Education	50.95
5.	Directorate of Municipal Administration	40.74
6.	Directorate of Animal Husbandry & Veterinary Services	17.54
7.	Directorate of Sports & Youth Affairs	28.94
8.	Director General of Police	44.26
9.	Directorate of Education	264.99
10.	Directorate of Agriculture	14.93
11.	Secretary, State Election Commission	15.12
12.	Directorate of Information & Technology	10.94
	TOTAL	**618.73**

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 authorisation by the Legislature would not be desirable.

The fund was in the nature of an imprest with legislative approval with corpus of Rs 30.00 crore. As on 1 April 2006, the balance in the fund was Rs 30.00 crore. During the year advances of Rs 17.19 crore were withdrawn from the Fund by issuing 68 orders and the same were recouped. The balance in the fund as on 31 March 2007 was Rs 30.00 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, 158 AC Bills involving an amount of Rs 6.99 crore drawn by various Departments up to March 2007, were pending adjustment as on 30 June 2007.

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

Year	No. of AC Bills Pending	Amount (*Rupees in crore*)
Upto 2002-2003	20	0.27
2003-2004	4	0.06
2004-2005	22	1.44
2005-2006	58	4.08
2006-2007	54	1.14
TOTAL	**158**	**6.99**

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.	Directorate of Health Services	9	2.29	2001-02
2.	Tourism Department	3	1.24	2004-05
3.	Information and Publicity	8	1.10	1999-00
4.	General Administration Department	14	0.59	1994-95
5.	Directorate of Art & Culture	3	0.30	2004-05

2.6.2 Outstanding advances to Government servants

Scrutiny revealed that Rs 3.35 crore being advances made up to March 2007 to Government servants on account of Traveling Allowances, Leave Travel Concessions etc., were pending adjustment as of June 2007. 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.	Director General of Police	139	0.29	1987-88
2.	Public Works Department	27	0.20	1993-94
3.	Directorate of Health Services	33	0.40	2003-04
4.	Electricity Department	42	0.25	2004-05
5.	Directorate of Sports & Youth Affairs	13	0.82	2004-05
6.	General Administration Department	34	0.21	1998-99

CHAPTER – III

Performance Audit

CHAPTER-III

PERFORMANCE AUDIT

WATER RESOURCES DEPARTMENT

3.1 Performance Audit of Tillari Irrigation Project

The Tillari Irrigation Project is a joint venture of Government of Maharashtra and Government of Goa, across Tillari river in Sindudurg District of Maharashtra. It was taken up in 1986 to provide irrigation to 23,654 hectares of land (16,978 ha in Goa and 6,676 ha in Maharashtra). A review of its implementation disclosed that the project scheduled for completion in 1995-96 had not been completed and is now scheduled to be completed only in 2009. Meanwhile the project cost has increased from Rs 217.22 crore in 1987-88 to Rs 952.54 crore in 2003 coupled with decrease in command area in Goa from 16,978 to 14,521 ha. An irrigation potential of only 860 ha had been created, out of which 253 ha only has so far been utilized. Some of the significant points noticed are as below:-

Highlights

> The project commenced in 1986 for creating potential to irrigate 16,978 ha in Goa by 1995-96 had not been completed even after 21 years and incurring expenditure of Rs 509.31 crore. The delay is attributable to inadequate funding by Government of Goa and delay in decision making on mid term assessment of the project.

(Paragraph 3.1.6)

> The project cost estimated at Rs 217.22 crore in 1987-88 in which Goa's share was Rs 161.18 crore, was revised to Rs 952.54 crore in 2003 in which Goa's share cost was Rs 698.97 crore implying a cost over run of Rs 537.79 crore (334 *per cent*).

(Paragraph 3.1.6.2)

> There was delay in payment of Goa's share of expenditure, to Government of Maharashtra leading to delay in completion of the project.

(Paragraph 3.1.6.3)

> Against the envisaged irrigation command of 16,978 ha, the command area actually available for irrigation was only 14,521 ha.

(Paragraph 3.1.6.4)

> Construction of conduit canal at a cost of Rs 51.44 crore was uneconomical due to reduction in command area to 1,695 ha which is further likely to go down due to increased habitation in Calangute.

(Paragraph 3.1.7.1)

3.1.1 Introduction

The Tillari Irrigation Project (Project) is an Inter-State Project of Maharashtra and Goa Governments across Tillari river. The project envisages to irrigate 23,654 hectares (ha) out of which 6,676 ha is in Maharashtra and 16,978 ha in Goa, covering 33 villages in Sawantwadi taluka of Maharashtra and 73 villages in Pernem, Bardez and Bicholim Talukas of Goa. In addition to irrigation water, the project is also to provide (41.90 Mcum) water for industries and (15.40 Mcum) for drinking purposes per year, to be utilized in Pernem, Bicholim and Bardez Talukas of Goa.

The main components of the projects are:-

I (a) Main earthern dam of 1,035 metres in length and 72.55 metres height to impound 462.17 Mcum water

(b) A gated pick up weir having length of 265 metres, at Terwanmedhe village

(c) Saddle spillway Masonry dam with a length of 278.50 metres

(d) Irrigation cum Power Outlet tunnel

II Canal systems in Maharashtra and Goa State

(a) Left Bank Main Canal (LBMC) having a length of 18.799 kms in Maharashtra and 37.425 kms in Goa with a command area of 1,698 and 11,971 ha respectively.

(b) Right Bank Main Canal (RBMC) having a length of 24.692 kms in Maharashtra and 23.755 kms in Goa with a command area of 4,978 and 5,007 ha respectively.

(c) A link canal of 3.53 kms to link LBMC with RBMC for augmenting the discharge of RBMC.

3.1.2 Organizational structure

The Chief Engineer, Irrigation Department, was in charge of the project up to April 2000. He was assisted by a Superintending Engineer in the Circle Office, besides Executive Engineers of three works divisions. The Goa Tillari Irrigation Development Corporation (GTIDC) formed in May 2000, to make a special provision for mobilization of resources for speedy completion of the project, is now responsible for execution of the project. The GTIDC is headed by a Managing Director in the rank of Chief Engineer and is assisted by a Superintending Engineer, three Executive Engineers and a Special Land Acquisition Officer.

3.1.3 Audit Objectives

The review was conducted with a view to assess whether:

- the project works were properly planned, for fulfillment of the objectives;
- the financial resources were available as per requirement and were used for intended purposes;
- execution of works was economical and efficient and
- proper and effective internal controls were in place.

3.1.4 Scope of Audit and Methodology

The review covered the works executed and expenditure incurred on the project by Government of Goa (GoG) for a period of seven years from 2000-01 to 2006-07. The review was conducted during April to June 2007 by test check of records maintained by the Chief Engineer (Water Resources Department), Managing Director, GTIDC, Circle Office, all three divisions ∞ of the Corporation and Special Land Acquisition Officer for the project.

An entry conference was held in April 2007 with the Managing Director, GTIDC alongwith other officers of the Corporation to brief them about audit objectives. The audit findings were discussed with Secretary, Water Resources Department in July 2007. The views of the Department have been taken into account while finalising the review.

Audit Findings

3.1.5 Financial Management

3.1.5.1 The project consists of headworks and main canal works in Maharashtra and canal networks in Goa. While the canal networks in Goa are to be executed and financed by Goa State, the headworks in Maharashtra are to be executed by Government of Maharashtra (GoM) with Government of Goa contributing 73.3 *per cent* of the cost.

The cost of common portion of canal is to be shared by both the States on the basis of actual quantum of water to be utilized by the respective States.

The Project was funded by the Government through its budget outlay. The Government had incurred expenditure of Rs 183.47 crore on the project up to 1999-2000. In order to mobilize resources for speedy completion of the project, the Government established the GTIDC in May 2000. The financial requirements of the Corporation were met from the funds received from Central Loan Assistance (CLA) under Accelerated Irrigation Benefit Programme (AIBP), issue of GTIDC Bonds, term loan from other Government

∞ Division VI, VII and VIII

Corporations and contribution from Water Resources Department from its Annual Budget outlay. The project was delayed due to inadequate funding as described at para 3.1.6 below.

Budget provision vis-a-vis expenditure incurred on the project by the Corporation during 2000-07 was as under:-

(Rupees in crore)

Year	Funds received /raised				Expenditure on			Excess (+) Savings (-)
	Contributions From GoG/CLA Released By GoG	Bonds raised	Loans	Total	Canal works in Goa	Amount advanced to GoM	Total	
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
2000-01	35.47	50.00	-	85.47	17.47	54.50	71.97	(-) 13.50
2001-02	33.30	-	20.00	53.30	19.11	43.00	62.11	(+) 8.81
2002-03	8.50	-	-	8.50	14.46	-	14.46	(+) 5.96
2003-04	5.24	-	-	5.24	6.17	-	6.17	(+) 0.93
2004-05	12.00	-	-	12.00	8.80	-	8.80	(-) 3.20
2005-06	65.00	-	-	65.00	17.57	50.00	67.57	(+) 2.57
2006-07	131.91	-	-	131.91	44.69	50.07	94.76	(-) 37.15
Total	**291.42**	**50.00**	**20.00**	**361.42**	**128.27**	**197.57**	**325.84**	**(-) 35.58**

As against Rs 361.42 crore available with GTIDC during 2000-01 to 2006-07, expenditure incurred was Rs 325.84 crore leaving an unspent balance of Rs 35.58 crore as of March 2007.

3.1.6 Planning

Though the construction of the main dam of the Project started in March 1986 and canal work in Goa started in 1988, the formal agreement between the two States for implementation of the project was signed only in April 1990. The project clearance from Central Water Commission was received in March 1990. The investment clearance from the Planning Commission and environmental clearance from Ministry of Environment and Forest for the project was received in March 2000. The project initially scheduled to be completed by 1995-96 is now proposed to be completed only in 2009. The initial cost estimate of Rs 217.22 crore has now risen to Rs 952.54 crore after two revisions (1996 and 2003), in which the share of expenditure by GoG is Rs 698.97 crore. The Government spent Rs 509.31 crore on this project as of March 2007.

3.1.6.1 Time overrun

The head works in Maharashtra started in March 1986 and canal works in Goa in 1988. The project was expected to be completed by 1995-96. As of June 2007, the earthwork of main earthern dam is fully completed and 70 *per cent* of pitching work is completed. The pick-up weir, the non over-flow section of the saddle spillway and the canal works in Maharashtra have also been completed. In Goa, out of 37.425 kms, LBMC has been completed up to

21.440 kms and against 23.755 kms RBMC has been completed up to 21.138 kms as of June 2007.

In order to complete the project by 1995-96, as envisaged, the Technical Advisory Committee of the Planning Commission had suggested that funding level between Rs 25 crore and Rs 35 crore per year should be maintained by the State Government for seven years up to 1995-96. However funds provided by the Government for this period during 1989-90 to 1995-96 ranged between Rs 6.39 crore and Rs 22.90 crore only (total Rs 112.06 crore in seven years), resulting in slowing down the progress of work. Further, the funds spent for the project during 1996-97 to 1999-2000 were Rs 49.67 crore only, whereas Rs 59.25 crore available under Irrigation were surrendered during this period.

Due to inadequate provision of funds and consequent slow progress of works, the project is likely to be completed by 2009, leading to a time overrun of more than a decade

Due to the Government decision (July 2002) to stop the canal works in Goa pending mid term rapid survey and assessment of the project, no payments were released to Maharashtra during 2002-05 and expenditure of Rs 29.43 crore only was incurred on canal works in Goa during this period and therefore, the project was further delayed. The rapid survey report submitted (December 2002) by the Consultant Centre for Development, Planning and Research (CDPR) indicated considerable reduction in command area (6,407 ha) due to factors such as fragmented and scattered land parcels, area proposed for deletion/deferment on account of technical and social factors etc. The total water requirement of Goa was assessed at 245.63 Mcum against 455 Mcum as earlier determined. Consultant also suggested construction of canal and distribution network upto 26 kms of LBMC and up to 19 kms of RBMC. The Government did not accept the report and decided (December 2002) to have an actual visual survey of the command area available under each canal, distributory and branch canal, by the officials of the Corporation. The actual command area available as reported by the officials after survey was 14,521 ha. Further the Government also felt that the project in Bardez was not worth taking up considering the cost involved and directed (February 2003) the Chief Engineer (WRD) to work out the correct figures. This was not complied with and the Government neither pursued the issue further nor took any decision till September 2005. Delay in taking decision on the report for three years also led to the delay in execution of project. The project is scheduled to be completed by 2009. Thus, there would be delay of 13 years.

The Department stated (September 2007) that adequate funds could not be provided as suggested by the Planning Commission taking into account the overall position of the State Budget outlay for irrigation sector. The reply is not tenable as the Water Resources Department had surrendered Rs 105.86 crore during 2001-07. The Department also accepted that all works had stopped/slowed down between July 2002 and September 2005.

3.1.6.2 Cost overrun

The cost overrun amounted to Rs 537.79 crore (334 per cent)

The estimate of the project (Rs 217.22 crore) approved by Central Water Commission in March 1990, was further revised in 1996 to Rs 525.59 crore and in January 2003 to Rs 952.54 crore. The share cost of Goa was Rs 698.97 crore. Since there is considerable cost escalation, the Project authorities decided (April 2007) to revise the cost further, based on 2006-07 rates. The revised estimate was under preparation (September 2007). The table below shows the details of revision in cost of the project.

Approval date	Base Year/ RSR/GSR	Total project cost	Goa's share	Cost overrun
		(Rupees in crore)		
1990	1987-88	217.22	161.18	-
1996	1993-94	525.59	376.66	215.48
2003	2000-01	952.54	698.97	537.79

The cost overrun of the project would be Rs 537.79 crore (334 *per cent*), taking into account Goa's share of Rs 161.18 crore in the estimated cost of Rs 217.22 crore in 1990. Further, the cost may go up in view of further revision under preparation.

3.1.6.3 Delay in payment of share cost to Maharashtra

Delay in payment of Goa's share of expenditure to GoM resulted in delay in completion of the project

The agreement (April 1990) entered into between the GoM and GoG envisages sharing of cost of the project headworks based on the projected gross utilization of water in both the States, which was worked out in the ratio of 26.70 : 73.30, subject to final adjustments. The cost of the common portion of the main canals is also to be shared on the basis of cumec (cubic meter per second) kilometers apportionable for the requirement of each state. Cost of rest of the main canal, branches and distributaries serving exclusively one State was to be met by that State alone.

The agreement also provides that both the States shall provide adequate funds yearly as per their respective shares for the project to ensure that the project is executed as per time schedule and completed within the stipulated period.

The total expenditure incurred on common works on which share is to be paid was Rs 552.69 crore, as of March 2007. Against the share cost of Rs 405.12 crore the GTIDC has paid Rs 309.55* crore only and Rs 95.57 crore was outstanding as of March 2007. The Government of Goa did not release any funds during 2002-05, consequent to the decision of the Government to review the project to determine the exact command area, resulting in backlog in payment to Maharashtra.

While accepting the above statement, the Department stated (September 2007) that agreed funds were not released to GoM as adequate funds were not available with GoG. The reply of the Department is not tenable as Rs 28.83 crore were surrendered by Water Resources Department during 2002-05.

3.1.6.4 Reduction in command area

Against the envisaged irrigation command of 16,978 ha, the command area actually available for irrigation was only 14,521 ha

The project envisaged to irrigate an area of 16,978 ha in Goa and 6,676 ha in Maharashtra, and also provided for an annual supply of 57.3 Mcum of drinking and industrial water to North Goa. However, on a proposal from

* includes cost of cement supplied-Rs 4.02 crore

GTIDC, the Government approved (September 2005) the revised command area of 14,521 ha as surveyed by the GTIDC. Due to increased tourism activities in the coastal areas the command area is likely to get further reduced and therefore taking up of the last stretch of LBMC was uneconomical as pointed out in para 3.1.7.1 below. The Department stated (September 2007) that the excess water due to reduction in command area can be utilized for non-irrigation purpose. Thus the intended purpose of irrigation of more area is not being fully achieved.

3.1.7 Implementation

3.1.7.1 Uneconomical expenditure on tail end of LBMC

There was a reduction in command area leading to uneconomical expenditure on tail end of LBMC

The Left Bank Main Canal of the Project in Goa takes off at Dodamarg and runs for a length of 37.425 kms, with its tail end at Calangute. This canal originally envisaged to irrigate 11,971 ha area in Bardez and Bicholim Talukas. On a review survey conducted (December 2002) by the Corporation, the actual command area was re-assessed to 10,268 ha. The earthwork of canal was completed up to 27.700 kms and balance work was scheduled to be completed by May 2007.

The Managing Director of the Corporation technically sanctioned (May 2006) construction of an RCC Conduit canal from Chainage 28.970 kms to 37.425 kms (tail end).

The work estimated to cost Rs 36.87 crore based on GSR 2004 cost, was awarded (January 2007) to M/s Ketan Constructions for Rs 51.44 crore (13.58 *per cent* above the justified cost of Rs 45.29 crore based on prevailing market rates) to be completed by April 2008. An amount of Rs 10.04 crore has been paid for this work so far (October 2007).

It was noticed that the conduit had been designed for a discharge of 3.00 cumecs to cater to a command area of 1980 ha in Moira, Guirim, Bastora and Calangute villages, through Bastora and Calangute distributaries, which take off at the end of the conduit. As per the survey conducted by the Corporation (December 2002), the command area actually available under Calangute and Bastora distributaries was only 1,695 ha (831 ha under Bastora distributory and 864 ha under Calangute distributory). Based on the tendered cost of the conduit canal (Rs 51.44 crore), the cost per ha command would be Rs 3.00 lakh (approximately) which is very high compared to Rs 19,110 per ha estimated as per the original project cost. Taking up of this canal stretch at an exhorbitant cost of Rs 51.44 crore, to serve a reduced command area of 1,695 ha, which may get further reduced due to increased habitation in this coastal area, was not economical. The CDPR in their mid term rapid survey had also recommended to defer the construction of the LBMC beyond 26.32 kms, as the command area to be served by this canal stretch was coastal belt where conversion of agricultural land to non-agricultural use was taking place, due to concentration of local population and on account of tourism related activities. Thus, this uneconomical expenditure liability was avoidable.

The Department stated (September 2007) that as it was originally planned to cover the villages of Anjuna, Calangute and Bastora, it was not advisable to delete any of this area available and the tail end pressure conduit could not be avoided. Thus, the purpose of taking up the mid term review was not served as the Government planned to execute the project as per original plan. The fact remains that the uneconomical expenditure liability was avoidable.

3.1.7.2 Deviation in quantities involving huge expenditure

Huge expenditure was incurred due to deviation in quantities

The Executive Engineer, Division VII, invited (January 2001) tenders for construction of acquaduct from Chainage 11.910 kms to Chainage 12.390 kms of Right Bank Main Canal at Casarvanem, estimated to cost Rs 2.44 crore at 1997 GSR. Only one agency M/s Aditya Constructions Company quoted Rs 3.81 crore. After negotiations by the Managing Director of the Corporation, the negotiated offer of Rs 3.44 crore was accepted and work order was issued (April 2001). The work was completed (May 2003) at a cost of Rs 4.11 crore.

It was noticed that there was huge deviation in quantities on earthwork in excavation, RCC in foundation, columns, bracing, brackets, high yield strength re-inforcement which were high quoted items (except the item earthwork in excavation) as detailed below:-

Item	Unit	Estimated quantity	Quantity executed	Excess quantity	Excess amount *(Rupees in lakh)*
Earthwork in excavation	Cubic metre	17,940	32,904	14,964	20.95
RCC in foundation	Cubic metre	2,213	2,532	319	11.16
RCC work for columns, bracing, brackets	Cubic metre	732	963	231	11.55
High Yield strength reinforcement	Kg	3,25,500	4,21,230	95,730	26.80
TOTAL					**70.46**

The huge variations in quantities occurred mainly due to increase in depth of foundation of piers and change in structural design of the acquaduct. The deviations in quantities were approved and the expenditure involved on execution of these deviated quantities amounted to Rs 70.46 lakh. The Department stated (September 2007) that the change in design resulting in deviation in quantities was to be adopted during execution to avoid any failure in future. The fact remains that inadequate design planning in the initial stage resulted in execution of excess quantities at a cost of Rs 70.46 lakh.

3.1.7.3 Extra liability due to delay in land acquisition

Non acquiring the land well in advance of tendering resulted in retendering and consequent extra liability of Rs 16.93 lakh

In order to take up the command area development network of Sal distributory, to bring part of the area under irrigation, the Corporation invited (June 2005) tenders for the work of "Construction of Direct Water Course 1L, 2L, 3R and 4L at Latambarcem and Sal village", at an estimated cost of Rs 57.57 lakh. In response a single tender for Rs 62.13 lakh was received

(August 2005). After negotiations, the negotiated offer of Rs 60.43 lakh was approved (23 September 2005) by the Managing Director. The Corporation did not issue the work order even within the extended period of validity of tender (18 August 2006) as the same was to be issued only when land required for execution of the work was available.

As there was no response for tenders re-invited in December 2006 and January 2007 from the eligible class of contractors, the Corporation invited tenders again in February 2007 from the next lower category. Of the two tenders received (March 2007), the lowest negotiated offer of M/s Sunrise Constructions for Rs 77.36 lakh was accepted and the agency was asked (April 2007) to take possession of the site and commence the work. The work was in progress (October 2007).

Audit scrutiny revealed that the proposal for acquisition of the land required for this work was submitted to the Deputy Collector, Panaji only in July 2005, and the possession of land was taken only in July 2007. Thus, the failure of the Corporation, in acquiring the land well in advance of tendering, resulted in re-tendering and acceptance of tender at a higher cost and consequent extra liability of Rs 16.93 lakh. The Department did not specify the reasons for delay in acquiring the land well in advance of tendering.

3.1.7.4 Avoidable expenditure of Rs 19.29 lakh due to retendering

The Executive Engineer, Works Division VIII, tendered (October 2005) the work of "providing and laying cement concrete lining from Chainage 21.160 kms to 24.030 kms of LBMC" estimated to cost Rs 1.48 crore. Since there was no response, the work was tendered again in November 2005. A single tender for Rs 1.85 crore was received (December 2005). Though negotiations were held and the tenderer brought down his offer to Rs 1.60 crore, the tender was rejected (March 2006) by the tender committee as the agency refused to reduce the rates further and the Corporation retendered (April 2006) the work. Of the two offers received, the lowest offer of Rs 1.81 crore of the same agency was negotiated (May 2006) and the negotiated offer of Rs 1.79 crore was accepted (July 2006) and work order was issued (August 2006). The work was yet to be completed and expenditure incurred so far was Rs 1.25 crore (October 2007).

Thus non acceptance of previous offer for Rs 1.60 crore, and retendering and acceptance of the offer of Rs 1.79 crore, resulted in avoidable expenditure of Rs 19 lakh, as also delay in taking up the work.

The Department stated (September 2007) that it was a normal practice not to accept single tender except in emergent cases/high quoted tender and the rejection of this tender was made to protect the interest of the Government and the decision was taken collectively. The reply is not tenable as single offers had been accepted earlier and also there was no offer during call of tender on first occasion.

3.1.7.5 Benefit cost ratio

As per the initial project report, the benefit cost ratio of the project was 2.50. Due to time and cost overrun and revision of the project cost at Rs 952.54 crore in 2003 the benefit cost ratio has come down to 1.55. In view of further revision under preparation coupled with reduction in command area, the benefit cost ratio would go down further below the norm of 1.50. The Department contended that revised benefit cost ratio would be around 2.00. Even then it would be less than the initial project benefit ratio of 2.50.

3.1.7.6 Irrigation potential underutilized

Irrigation potential was underutilized due to delay in taking up command area development works

The project was taken up in March 1986 for creating irrigation potential to irrigate 16,978 ha of land in Goa by 1995-96. The command area has since been reduced to 14,521 ha. Though the project was yet to be completed fully (June 2007), water was released for the first time in the RBMC in December 2001 from the tail race release at Terwanmedhe pickup weir. The canal work of LBMC up to 13.240 kms was completed and water was also released through LBMC in February 2006. Irrigation potential of only 860 ha had been created of which only 253 ha (29 *per cent* of created irrigation potential) could be utilized so far (June 2007). The under utilization was mainly on account of delay in taking up Command Area Development (CAD) works in the irrigation command area as a result of the project work coming to a standstill for three years due to review of the project. It was noticed that survey works for five micro distribution networks were awarded only in July to December 2006 and the final reports in respect of these works were yet to be submitted. Delay in submission of reports will lead to further delay in taking up CAD works and consequent utilization of command area, where water is already available for irrigation. The CAD works are now scheduled to be completed by 2009.

The Department stated (September 2007) that various activities related to CAD were in full swing and all efforts would be made to create the potential as planned and brought under utilisation.

3.1.7.7 Drinking water

The first stage of gorge filling of the main dam was completed in May 2003 and 84.08 Mcum water was impounded in the reservoir during 2003-05. After completion of second stage of gorge filling up to River Level (RL) 118.55 meter in April 2006, the storage of 126.29 Mcum was achieved. Though the project envisaged supply of 57.3 Mcum water per year for drinking and industrial purposes in Goa, the water drawn and utilized for drinking purpose in Goa was 5.00 Mcum only during 2003-07, despite availability of water. Audit scrutiny showed that this was because the canal for carrying the water to the treatment plant were not fully completed till December 2005. Even after completion of canals, full utilization could not be done as the Assonora water treatment plant's capacity augmentation has not been completed (August 2007). The Department stated (September 2007) that full quantum of water would be utilized in future.

3.1.8 Internal control

3.1.8.1 Internal inspection of subordinate offices

The GTIDC comprised of the office of the Managing Director, Superintending Engineers' office, three Works Divisions, Special Land Acquisition Officer and Deputy Director of Agriculture. The Accounts Section of the Managing Director's office is headed by the Chief Accounts and Finance Officer (CA&FO). Though the internal inspection of the subordinate offices was required to be conducted by the CA&FO, internal inspection of the Divisions/sub-ordinate offices was not conducted at all.

The Department agreed to carry out the internal inspection from 2007-08 onwards without furnishing any reasons for non compliance up to 2006-07.

3.1.8.2 Delay in conducting bank reconciliation

Bank reconciliation was not carried out regularly at the end of each month in respect of Divisional offices

It was noticed that monthly bank reconciliation of balances in the bank as per the cash book and the bank pass books was not being done regularly at the end of each month in respect of Divisional offices. The reconciliation for the year was however done at the time of finalization of the accounts. As a result there was unreconciled amount of Rs 4.65 lakh (Rs 3.80 lakh-Division VIII and Rs 0.85 lakh-Division VII) as at the end of 31 March 2005. Further reconciliation for the years 2005-06 and 2006-07 could not be verified pending finalization of account. The Department did not furnish any reasons for failure in conducting the bank reconciliation so far but agreed to carry out the same regularly in future.

3.1.9 Monitoring

In pursuance of the Inter-state agreement finalized (April 1990) between the Governments of Goa and Maharashtra, a Standing Committee for co-ordinating execution of the project and its operation and maintenance and a Control Board for overall supervision, detailed investigation, design and construction of the project and operation and maintenance thereof were constituted in September 1990. The Standing Committee and the Control Board were required to meet not less than once in three months and atleast once in a year respectively. During the last 16 years, the Committee has met only eleven times and the Board met only twice (in 1995 and 2000). Though the Control Board was set up to sort out the problems concerning various aspects of the project, no meeting of the Board has been held after 2000 and issues such as rate of Establishment Tools and Plants charges, employment of Project Affected Persons of the project were pending.

The Department replied (September 2007) that efforts would be made to hold regular meetings.

3.1.10 Conclusion

The initial cost of the project amounting to Rs 217.22 crore at 1987-88 rate, has gone up to Rs 952.54 crore in 2003 due to delay in execution of the project for 11 years. The delay was mainly due to non-funding of the project by GoG as required from time to time since commencement of the project. The cost overrun of the project amounted to Rs 537.79 crore. Construction of the tail end of left bank main canal in a length of 8.4 kms at a high cost of Rs 51.44 crore was uneconomical and avoidable. Irrigation potential created could not be utilized fully as command area works were delayed. As against 57.3 Mcum per year drinking water envisaged in the project, water drawn and utilized for drinking in Goa was 5.00 Mcum during 2003-07 (9 *per cent*) despite availability of water.

3.1.11 Recommendations

- Government should ensure financial commitment and its timely release for completion of the project by 2009 as envisaged.
- Command area development works should be completed in a time bound manner to avail full benefit of the project.
- Government should ensure optimum utilization of available drinking water.

WOMEN AND CHILD DEVELOPMENT DEPARTMENT

3.2 Working of Women and Child Development Department

Women and Child Development Department was established for overall development of Children through Integrated Child Development Services (ICDS), providing better facilities to women and children in difficult circumstances, providing care, protection, shelter and security to destitute, orphans and children in conflict with law and overall development of adolescent girls. The achievement of these objectives was hampered due to inadequate infrastructural facilities, inadequate visits to Anganwadis by supervisory and health staff and failure to create the desired level of awareness among public.

Highlights

- The Department failed to utilize 66 *per cent* of the budgeted capital expenditure resulting in non-creation of infrastructure facilities.

(Paragraph 3.2.6.1)

- There was overall shortfall in providing supplementary nutrition to the extent of 27 *per cent* to pregnant and lactating women and 65 *per cent* to children. Further the calorie and protein levels of the food stuffs distributed were below the standard prescribed by the Central Government in majority of Anganwadis checked by Food and Nutrition Board.

(Paragraph 3.2.7.1)

- Anganwadis were not established in 17 village panchayats depriving around nine *per cent* of the Village Panchayats of the benefits of the scheme.

(Paragraph 3.2.7.7)

- Of the total 1,012 Anganwadis, only nine are functioning in own buildings. In respect of 901 Anganwadis, toilets and drinking water facilities were not available.

(Paragraph 3.2.7.8)

- The shortfall in visits by CDPOs to Anganwadis ranged from 83 *per cent* to 88 *per cent*.

(Paragraph 3.2.7.6)

- Due to delay in preparation of action plan of activities by more than two years, State Commission for Children constituted in July 2004, did not carry out any major activities.

(Paragraph 3.2.8)

- Only 120 cases were disposed of out of 1,215 cases registered between July 1997 and March 2007 with the State Commission for Women.

(Paragraph 3.2.10)

- Yashasvini scheme is yet to take off as intended even though five years have passed since its introduction.

(Paragraph 3.2.11)

3.2.1 Introduction

The Women and Child Development Department (W&CDD) was created in 1997 and is responsible for (i) Overall development of children (0-6 years) through Integrated Child Development Services (ICDS), (ii) Providing better facilities to women and children in difficult circumstances, (iii) Providing care, protection, shelter and security to destitute, orphans and children in conflict with law and (iv) Overall development of adolescent girls. To achieve these objectives the Department implemented a number of schemes for children and women during the period 2002-03 to 2006-07.

3.2.2 Organizational Set-up

The Secretary, Women & Child Development Department is the administrative head of the Department. The day-to-day functioning is looked after by the Director of W&CDD who is responsible for budgeting and implementation of various schemes and programmes of the Department. The Secretary is assisted by:-

- Programme Officer (ICDS programme)
- Superintendent -cum-Probation Officer for Apna Ghar
- Superintendent (Protective Home) for women and
- Social Welfare Officer for sanction of grants.

The strength of the regular employees as on 31 March 2007 was 135.

There are also two independent Commissions: (a) State Commission for Women and (b) State Commission for Children, headed by Member Secretaries. Their expenditure is financed through grants from the Department.

3.2.3 Audit objectives

Audit objectives were to assess whether:

- The Department has implemented all the schemes related to women and child development launched by Central/State Governments and covered all eligible beneficiaries of the State;
- The schemes were implemented economically, efficiently, effectively;
- The manpower conformed to norms and whether shortages in manpower, if any, had affected the performance adversely, and
- The internal audit existed and functioned effectively.

3.2.4 Scope of Audit and Methodology

Audit covered a period of five years from 2002-03 to 2006-07. Records maintained by the Director of Women & Child Development Department, Five Project Officers (out of 11) situated in Pernem, Bicholim, Bardez, Salcete and Quepem, Superintendent-cum-Probation Officer, Apna Ghar at Merces, Superintendent of Protection Home-cum-Reception Centre at Merces, State Commission for Children, Panaji and State Commission for Women, Panaji were test checked in Audit during March 2007 to June 2007.

The audit objectives were discussed in the entry conference with the senior officers of the Department. The audit process included discussion with the officers of the department, collection of data through examination of records and their analysis. The exit conference was held in July 2007 with the Secretary (W&CDD) to discuss the audit findings.

3.2.5 Audit findings

The Department implemented the developmental programmes/schemes for children and women. Audit findings covering financial management and the programmes/schemes are stated below.

3.2.6 Financial Management

3.2.6.1 The Budget Provision and Expenditure incurred by the Department

The budget provision and expenditure incurred by the Department during 2002-03 to 2006-07 were as shown below.

(Rupees in crore)

Year	Revenue			Capital			Loans		
	B.P.	Exp.	(+) Ex (-) Sav	B.P.	Exp.	(+) Ex (-) Sav	B.P.	Exp.	(+) Ex (-) Sav
2002-03	14.78	12.48	(-) 2.30	0.39	0.36	(-) 0.03	-	-	-
2003-04	17.59	13.13	(-) 4.46	0.30	0.25	(-) 0.05	0.22	-	(-) 0.22
2004-05	19.74	14.05	(-) 5.69	0.30	0.09	(-) 0.21	0.30	-	(-) 0.30
2005-06	19.63	15.20	(-) 4.43	0.75	0.00	(-) 0.75	0.02	-	(-) 0.02
2006-07	18.23	16.01	(-) 2.22	1.50	0.41	(-) 1.09	0.02	-	(-) 0.02
Total	**89.97**	**70.87**	**(-) 19.10**	**3.24**	**1.11**	**(-) 2.13**	**0.56**	**-**	**(-) 0.56**

B.P. - Budget Provision, Exp-Expenditure, Ex-Excess, Sav-Savings

The savings of Rs 19.10 crore under Revenue Head occurred due to non-filling up of vacant posts, over projection of medical and LTC requirement, non-conducting of regular training programmes and non-implementation/partial implementation of certain schemes by the Department. The savings of Rs 2.13 crore under Capital Head was due to non-taking up of construction of Anganwadi Centres and other works as proposed in the budget. The savings under loans was due to non-implementation of "Yashasvini" scheme.

High percentage of savings under Revenue (21 *per cent*), Capital (66 *per cent*) and loans (100 *per cent*) during 2002-07 indicated poor planning and monitoring by the Department. The Department agreed that they did not utilise 66 *per cent* of capital budget resulting in non creation of infrastructure.

3.2.6.2 Reimbursement of Expenditure by Government of India (GoI)

Out of revenue expenditure of Rs 70.87 crore incurred during 2002-07 on ICDS and other Departmental Schemes by W&CDD, GoI reimbursed Rs 26.80 crore as per prescribed norms.

3.2.6.3 Delay in receipt of Utilization Certificates from Grantees

- The State Social Welfare Board (SSWB), established in Goa in 1963, is a central autonomous body under the Ministry of Social Welfare, which provides grants to registered institutions/self help groups in the State of Goa for women and child related schemes. The Department sanctions 50 *per cent* maintenance grants to the SSWB every year as per the pattern of assistance approved by the Government. During 2002-03 to 2006-07, the State Government released grants of Rs 48.44 lakh to the SSWB. The SSWB has not furnished the utilization certificates for the entire amount to the Director of Accounts (August 2007); despite this, the Department continued to release grants to the SSWB every year.

- The Department had sanctioned maintenance grant of Rs 40 lakh to the State Commission for Women during 2004-05, utilization certificates for Rs 33.97 lakh only have been furnished leaving a balance of Rs 6.03 lakh (August 2007).

- The Department sanctioned grant of Rs 20 lakh (in two installments of Rs 10 lakh each) to State Commission for Children during 2006-07. The Commission has not furnished the utilization certificates for Rs 13.22 lakh (June 2007).

3.2.7 Implementation of ICDS

The Integrated Child Development Services (ICDS), started in 1975-76, is a centrally sponsored scheme to improve maternal and child health.

ICDS has six components viz. (i) Supplementary Nutrition Programme (ii) Immunization (iii) Health Check up (iv) Referral Services (v) Nutrition and Health Education and (vi) Non-formal pre-school Education. Beneficiaries under the scheme include expectant and nursing mothers, women in the age group of 15 to 45 years (for nutrition and health education) and children up to the age of six years.

The Programme Officer (ICDS) heads the ICDS scheme in the State of Goa. The programme is implemented through 11 Child Development Project Officers (CDPOs) who were assisted by Mukhyasevikas (47), Anganwadi workers (AWs) (1,010), Anganwadi helpers (AHs) (999) and support staff. The expenditure incurred on the above scheme during 2002-03 to 2006-07 was Rs 63.02 crore which was 87 *per cent* of total expenditure of the Department. The salary of AWs and AHs to the extent of Rs 1,000 and Rs 500 per month respectively is reimbursed by the Central Government. The State Government additionally contributed Rs 2,000 and Rs 1,000 per month respectively (September 2003). Hence the enhanced salaries of AWs/AHs from September 2003 were Rs 3,000 and Rs 1,500 per month respectively. There were 1,012 Anganwadis in the State as of March 2007.

3.2.7.1 Supplementary Nutrition Programme (SNP)
Shortfall in achievement of Targets in the State of Goa

The objective of the SNP is to bridge the protein energy gap between recommended dietary allowance and average dietary intake of children and women by providing supplementary feeding for 300 days in a year. The Department supplies cooked food✦ of 100 gms for children (3-6 age group) per day, having 300 calories and 8-10 gms of proteins six days in a week and packed food * (2 kgs per month) for pregnant and lactating women and children up to the age of 3 years.

The food packets are delivered to the beneficiaries through 1,012 Anganwadi Centres. The details of distribution of foodstuff to pregnant and lactating mothers and children in the age group of 0-6 years during 2002-03 to 2006-07 are as under:

Supplementary Nutrition was not availed by 27 per cent of pregnant, lactating mothers and 65 per cent of children

Distribution of foodstuff to Pregnant and Lactating Women

Year	Total Population of Pregnant /Lactating Women within the Projects in Goa	No. of Beneficiaries to whom food packets supplied	Shortfall	Percentage of Shortfall
2002-03	11,753	8,393	3,360	29
2003-04	11,013	7,893	3,120	28
2004-05	12,476	8,950	3,526	28
2005-06	12,733	9,075	3,658	29
2006-07	12,985	9,952	3,033	23
Total	**60,960**	**44,263**	**16,697**	**27**

✦ Such as khichdi, rava shira, usal, ladu consisting of wheat, rice, dal, moong, rava, ghee, sugar, jaggery etc.

* Consisting of rice, wheat, moong, green peas, rava, etc.

Children 0–6 years

Year	Total Population of Children (0-6 yrs) within the Projects in Goa	No. of Beneficiaries			Short-fall	Percentage of Shortfall
		0-3 years	3-6 years	Total		
2002-03	1,02,608	20,644	16,294	36,938	65,670	64
2003-04	1,05,074	19,889	16,981	36,870	68,204	65
2004-05	1,05,970	20,384	17,003	37,387	68,583	65
2005-06	1,07,145	20,517	16,629	37,146	69,999	65
2006-07	1,09,045	22,372	16,766	39,138	69,907	64
Total	**5,29,842**	**1,03,806**	**83,673**	**1,87,479**	**3,42,363**	**65**

The Department stated that though the scheme was universalized, the high and middle class income group families did not avail the benefit of the scheme.

The Department does not have any record to substantiate this claim or the data to show that all needy families were being covered.

As per GoI guidelines food stuff supplied to pregnant and lactating mothers, children of 0-6 years under SNP should contain 300-500 calories and protein of 8-25 gm per day. The details are as under:-

Beneficiaries	Calories (cal)	Protein (gm)
Children below 3 years	300	8-10
Children 3-6 years	300	8-10
Severely malnourished children on medical advice after health check-up	Double of above	
Pregnant and lactating mothers	500	20-25

Calorie and Protein contents of food stuff provided to beneficiaries were below the prescribed norms

Monthly reports submitted by the demonstration officer, Food and Nutrition Board (F&NB) Porvorim, Ministry of W&CDD, GoI after inspecting the foodstuff supplied by CDPOs to AWs under SNP showed that out of 71 samples checked by the board in 71 AWs of eight* talukas during October 2005 to February 2007 the calorie content in 49 samples was found to be below 300. Similarly, in 24 samples protein content was found to be below 8 gm. This shows that the department was not maintaining required calorie/protein content in the food supplied to the beneficiaries at all the times. The Department stated (September 2007) that the protein and calorie content could not be met on account of the limited cost per beneficiary and further stated that on enhancement of the cost of SNP for children and women, the protein and calorie content is now maintained as per the norms of the scheme.

* Tiswadi, Bardez, Pernem, Ponda, Bicholim, Quepem, Salcete, Marmugao

3.2.7.2 *Immunization*

Immunization of pregnant women and infants protects children from six vaccine preventable diseases - poliomyelitis, diphtheria, pertusis, tetanus, tuberculosis and measles. These are major preventable causes of child mortality, disability and morbidity. Immunization of pregnant women against tetanus also reduces maternal and neonatal mortality. This service is delivered by the Ministry of Health and Family Welfare under its Reproductive Child Health (RCH) programme. In addition, the Iron and Vitamin 'A' supplementation to children and pregnant women is done under the RCH programme.

According to the statistics available in the Directorate of Health Services, all the children, including pregnant/lactating mothers in Goa were covered under the above scheme during the period 1998-99 to 2006-07 and showing cent *per cent* achievement under the programme.

Audit scrutiny revealed that 32,109 beneficiaries of five test checked CDPOs were not given Vitamin A dose, Iron and Folic acid tablets during April 2006 to June 2007 as Directorate of Health Services had not supplied vitamin A doses/tablets during above period due to shortage. The Department agreed that the shortfall was due to non-receipt of the material.

3.2.7.3 *Health check up Programme neglected*

This component includes health check-up of children less than six years of age, antenatal care of expectant mothers and postnatal care of nursing mothers. These services are provided by the auxiliary nursing mid-wife (ANM), medical officers incharge of health sub-centres and primary health centres. Health services include regular health checkup, immunization, management of malnutrition, treatment of diarrhoea, deworming and distribution of simple medicines, etc.

The details of health check-up carried out on the expectant women, nursing mothers and children of 0–6 years of age in Anganwadis under five CDPOs during 2002-07 are given below:-

Expectant Women and Nursing Women

Year	Population of expectant and nursing mothers	Beneficiaries under-taken health check-up	Percentage of Beneficiaries
2002-03	5,941	314	5
2003-04	6,065	224	4
2004-05	6,806	866	13
2005-06	6,857	281	4
2006-07	7,158	164	2
Total	**32,827**	**1,849**	**6**

Children 0-6 years

Year	Total population of children (0-6 years) within five projects in Goa	Beneficiaries	Percentage of Beneficiaries
2002-03	30,735	3,125	10
2003-04	33,152	2,550	8
2004-05	32,021	9,074	28
2005-06	33,113	9,689	29
2006-07	33,463	7,128	21
Total	1,62,484	31,566	19

Audit scrutiny revealed that the Doctors were not visiting the Anganwadis regularly, i.e., out of 506 Anganwadis in five test checked CDPOs, doctors visits per year ranged from 155 to 383 Anganwadis during 2002-07 due to which the health check up programme was neglected. The Department attributed the reason to non-availability of doctors in Health Centres and also stated that due to sound financial position, expectant women, nursing mothers and children preferred to go to private practitioners. But the fact remains that the Department did not have the consolidated record of the number of such expectant women, nursing mothers and children who did not need these benefits to substantiate that those left out were of high income group.

3.2.7.4 Nutrition and Health Education

Nutrition and Health Education (NHE) is a key element forming part of Behaviour Change Communication (BCC) strategy. This helps the long term goal of capacity-building of women especially in the age group of 15-45 years so that they can look after their own health nutrition and development needs as well as that of their children and families. As per GoI guidelines each Anganwadi worker has to organize one demonstration programme in each Anganwadi in a month and one exhibition or seminar in a year so that women members of age group 15-45 years could avail the benefits of the programme. The details (the consolidated figures) such as number of nutrition programmes held and number of women participated during 2002-03 to 2006-07 were not available with the Department. However audit scrutiny of records in five test checked CDPOs revealed the following details of programmes/exhibitions held during 2002-07.

Year	No. of Anganwadis in operation	No. of NHEs programme required @ 12 per year	No. of programmes held	Shortfall	Percentage of shortfall	No. of seminars/ exhibitions held	Excess (+) Shortfall (-)	Percentage of shortfall	No. of Women participated
2002-03	506	6,072	3,138	(-) 2,934	48	165	(-) 341	67	64,044
2003-04	506	6,072	3,468	(-) 2,604	43	2	(-) 504	100	68,500
2004-05	506	6,072	3,804	(-) 2,268	37	78	(-) 428	85	67,152
2005-06	506	6,072	3,416	(-) 2,656	44	37	(-) 469	93	67,445
2006-07	506	6,072	3,427	(-) 2,645	44	64	(-) 442	87	56,828

There was a shortfall in achievement of programmes during 2002-07 ranging from 37 to 48 *per cent* and seminar from 67 to 100 *per cent* in the five test checked CDPOs. As a result of this the required degree of awareness was not created amongst beneficiaries.

3.2.7.5 Non-formal Pre-School Education

This component in the Anganwadi is directed towards providing and ensuring a natural, joyful and stimulating environment with emphasis on necessary input for optimal growth and development for 3-6 years old children. It also contributes to the universalisation of primary education by providing necessary preparation for primary schooling and offering substitute care to younger siblings thus freeing the older ones especially girls to attend the schools. Audit scrutiny revealed that the Department did not have consolidated figures of targeted population of children of 3-6 years for the period 2002-03 to 2006-07. The beneficiaries who availed the benefits reported to GoI is given below:

Year	Beneficiaries
2002-03	16,386
2003-04	17,074
2004-05	17,065
2005-06	16,952
2006-07	15,598
Total	**83,075**

In the absence of the target beneficiaries, the achievement of the scheme during 2002-03 to 2006-07 could not be ascertained in audit. Also the figures of beneficiaries under SNP for the same age group is lower than figure reported for beneficiaries attending in the pre school education which indicates that data available with the Department may not be very reliable. However only 27 *per cent* children actually attended Anganwadis during 2002-03 to 2006-07 in the five test checked CDPOs.

The Department stated that parents preferred to send their children to Shishu Vatikas and private schools operating in those areas. However, the Department did not have the consolidated records of the number of such children who did not need these benefits.

3.2.7.6 Inadequate visits by the CDPOs to Anganwadis

As per GoI guidelines each CDPO has to visit Anganwadis for 18 days in a month to ensure proper functioning of the AWs. The position of AWs visited/not visited by the five test checked CDPOs during 2003-07 is given below:

Name of CDPO	No. of AWs functioning	2002-03		2003-04		2004-05		2005-06		2006-07	
		Visited	Not visited	Visited	Not visited	Visited	Not visited	Visited	Not visited	Visited	Not visited
Bardez	132	10	122	15	117	16	116	15	117	17	115
Bicholim	87	23	64	27	60	28	59	9	78	21	66
Pernem	64	9	55	11	53	11	53	16	48	11	53
Salcete	157	6	151	12	145	12	145	10	147	15	142
Quepem	66	13	53	17	49	19	47	12	54	10	56
Total	506	61	445	82	424	86	420	62	444	74	432

It would be evident from the above table that 420 (83 *per cent*) to 445 (88 *per cent*) of AWs were not visited by the CDPOs even once in a year during 2003-07. CDPOs stated (June 2007) that the shortfall of the visits was due to workload in CDPOs. The reply is not tenable as the visit to AWs is a core function of CDPOs and therefore, the guideline must have been fixed taking into account the workload. Further no reports are prepared by the CDPOs for their visits made to Anganwadis, as a result audit could not ascertain instructions/suggestions made to Anganwadis to improve the performance of the schemes. The Department stated (September 2007) that apart from the work of visiting children homes, orphanages, etc., CDPOs were entrusted with the additional works of attending hospital management committee, beggars committee, etc., and hence there was shortfall. The reply is not tenable as the CDPOs are provided with the vehicles and could have covered those AWs which were not visited even once in a year as stated above.

83 to 88 per cent AWs were not visited by CDPOs even once during 2003-07

3.2.7.7 Shortfall in establishment of Anganwadis

The ICDS envisaged establishment of one Rural/Urban Project for every one lakh of people and one tribal project for every 0.35 lakh tribal population under each project. An Anganwadi was to be formed for area covering 700 to 1,000 population depending on whether the area was Tribal (700) or Non-Tribal (1,000). The Population of Goa as per 2001 Census was 13.47 lakh, out of which as per GoI Notification (2003), 11.85 lakh was non-tribal population and 1.62 lakh tribal population. Hence, Goa should have 11 projects for non tribal population and five projects for tribal population against which only 11 CDPOs are functioning. Similarly 231 and 1,185 Anganwadis were required for tribal and non tribal population respectively against which 1,012 are functioning. Thus, there was a shortfall of 404 Anganwadis. However the sanctioned strength of Anganwadis in Goa is only 1,216 against which 1,012 Anganwadis are functioning.

Against 16 CDPOs required as per the norms, only 11 are functioning

Out of 189 Village Panchayats (VPs) in the State of Goa (June 2007), 17 VPs, i.e. eleven in North Goa and six in South Goa districts, covering around nine *per cent* of VPs, are not having Anganwadis. Non-availability of Anganwadis in these VPs have deprived, the population in these VPs of the benefits of

17 Village Panchayats did not have Anganwadis

ICDS. The Department stated (September 2007) that care was taken to cover all the areas but some of the Anganwadis had to be closed down due to shortage of beneficiaries and low attendance of children on account of frequent mushrooming of private KGs and pre-primary schools. The reply is not tenable as the Department did not provide the details of number of AWs closed down in the State as well as in the limits of uncovered 17 VPs. The fact remains that services of Anganwadis are not available for nine *per cent* of VPs in the State.

Manpower

As on 30 June 2007, under the ICDS the total sanctioned strength of the staff was 2,144, out of which 2,119 posts were filled in and 25 posts were vacant. The vacant posts included two key posts of CDPOs.

3.2.7.8 Infrastructure

Inadequate infrastructure facilities

According to the standards fixed by the National Institute of Public Co-operation and Child Development (NIPCCD), for efficient and smooth delivery of quality services, the Anganwadis should fulfill minimum requirements like (i) adequate space for services with no health hazards to children, (ii) space for storage, cooking and washing facilities, (iii) adequate ventilation, drainage and arrangement for disposal of garbage, and (iv) availability of toilet and drinking water facilities.

Out of 1,012 AWs, 901 are in rented buildings (without basic facilities) and 102 in other public places

It was noticed that out of 1,012 Anganwadis, only nine were running in Government buildings and remaining in rented buildings (901) and other public places (102). In rented buildings of 901 Anganwadis, basic facilities like toilets and drinking water were not available. Further it was noticed that most of the Anganwadis in Goa were housed in small rooms and there were no separate rooms for cooking and storing of food stuff. Since all the activities were carried out in the same room, safety in the Anganwadis was compromised. The Department stated (September 2007) that the rent paid by the Government was not sufficient to get better accommodation and as such the Anganwadi was housed in whatever accommodation was available within the amount. The reply is not tenable as the Department could have fully utilized the allotted funds of Rs 3.24 crore during 2002-03 to 2006-07 for construction of some more Anganwadis.

Buildings

The Department has no long term plan to construct pucca Anganwadi Buildings

The Department has not prepared any long term plan to have Pucca Anganwadi Buildings with proper facilities. Only during 2006-07, Government accorded administrative approval and expenditure sanction for the construction of eight Anganwadis in three talukas, i.e. Ponda (five), Tiswadi (two) and Bicholim (one) at a cost of Rs 36.40 lakh. Funds to the tune of Rs 14.55 lakh and Rs 21.85 lakh were placed at the disposal of PWD between December 2006 and February 2007. Construction of above works had started (June 2007).

3.2.8 State Commission for Children

In order to create a child friendly society and to attend to child rights, child abuse etc., the State Government had enacted Goa Children Act 2003. Subsequently, Goa State Commission for Children was constituted vide Notification in July 2004 which came into existence in November 2004. The Commission consists of Chairman, three members and one member secretary looking after the day-to-day activities of the Commission. The staff is appointed by the Government. The main objectives of the Commission are as under:

- To create a child friendly society
- Spreading awareness among different groups, mobilization and dialogue with civil society on child rights
- Develop a strategy for the progressive implementation of child rights
- To ensure that children become fit citizens
- Set up mechanism to hear complaints from child victims
- Establish norms for good parenting and evolve a strategy for achieving this and
- Prepare disaggregated data on all children in Goa in terms of age, category, sex, etc.

No major activities were carried out by the SCC during 2002-07, even after three years of existence

For implementation of the above activities the Commission was required to prepare an action plan. It was noticed that even after two years of setting up of the Commission, no action plan was prepared to carry out these activities (May 2007). No major activities were carried out by the Commission, except registration of six cases (2006-07) and conducting two children's exhibitions. The Department stated (September 2007) that during the period from November 2004 to April 2006 there was no accommodation and staff as required and also financial assistance was not made available and hence it was extremely difficult to carry out action plan in absence of basic facilities required for functioning of the Children's Commission. The Department further stated that financial assistance was provided from April 2006 and action plan was drawn to commence various activities such as adoption bill, setting up of victim assistance unit, protection of the interest of children in villages, 50 *per cent* concession for bus fare, etc., which were awaiting approval from the Government.

3.2.9 Protective Home-cum-reception centre

Girls and women rescued from prostitution are lodged in Protective Home-cum-reception centre. Food, shelter, care and protection are provided to them.

The capacity of the protective home is 40 and average duration depends upon the individual case which ranges from 15 days to 60 days. Total 150 inmates were admitted during 2002-03 to 2006-07 in the Protective Home. There is no rehabilitation package in the scheme and the parents carry them back. The Department incurred expenditure of Rs 63.11 lakh during above period out of which Rs 45.56 lakh was on pay and allowances, Rs 3.31 lakh on diet and the balance on contingencies. The Department stated (September 2007) that the expenditure on the diet was just average because inmates stayed in the Protective Home for very short period.

3.2.10 State Commission for Women

The Commission was set up in September 1996 to improve the status of women and to help them in their personal domestic life. The Commission consists of Chairman and not more than six members. The Member Secretary is in charge of the Commission and the staff is appointed by the Government. The objectives of the Commission are as under:

- Investigate, examine and recommend course of action on all matters relating to the provisions for women under the Constitution and other laws
- Present annual report to the State Government about functioning of the Commission, make reports, recommendation for improving the condition of women
- Take cases of violations relating to women with the State Government
- Review laws affecting women and give recommendations thereto
- Entertain suo moto notice on matters relating to
  a) deprivation of women rights
  b) protection to women
  c) non-compliance of policy decisions aimed at mitigating hardships and ensuring welfare to women etc.

During the period 1997 to 2007, the Commission registered 1,215 cases but disposed of only 120 cases (39 cases during 2002-07). Balance 1,095 cases were still pending as on 31 March 2007. The Department attributed the slow progress in settlement of cases to non-appearance of parties. The fact remains that the purpose of establishing the Commission partly remained unfulfilled.

3.2.11 Yashasvini Scheme

The State Government launched "Yashasvini" Scheme in March 2002 for the empowerment of women through socio economic programme of self help groups. The scheme provides assistance to women for starting and managing small business to gain economic independence and supplement family income.

The scheme consists of six components viz,

- To promote Self Help Groups (SHGs) for self employment by giving financial assistance of Rs one lakh to each group.
- To provide financial assistance to widows, who are not having an earning member in the family, to start business or any other self-employment activity.
- To start self defence training programmes for women and adolescent girls at Taluka level.
- Set up a halfway home in each taluka. This will comprise homes of two to three rooms with arrangements for providing immediate and temporary shelter to four women at a time.
- A telephone hotline with toll free three digit number. A team of trained counsellers will be available round the clock to speak with the women and to offer support and guidance.
- Shelter home in Panaji.

Under the first component each SHG was entitled to a maximum interest free loan of Rs one lakh per group and Rs 5,000 per member of each group. The SHG was to arrange 10 *per cent* of their own as seed capital and 90 *per cent* to be provided as loan amount. The first component of the scheme was to be implemented by State Social Welfare Board (SSWB) and the second component of scheme by State Commission for Women (SCW). Accordingly, the Department earmarked funds of Rs 213.75 lakh under the above scheme during 2002-03 to 2006-07, out of which Rs 11.57 lakh was spent by the Board and further Rs 20 lakh sanctioned in March 2007 was not released to the beneficiaries (July 2007).

Funds to the extent of Rs 182.18 lakh were surrendered due to non-implementation of the five out of six components of the Yashasvini Scheme during 2002-2007

The Department has not prepared the database of SHGs so far. Further the SCW has not prepared the modalities for the second component even after completing three years of its formation. The other four components were also not started by the Government yet (June 2007). No new posts were sanctioned for the scheme and the existing staff of SSWB and SCW was to be utilized for the implementation of the scheme. Pending preparation of modalities by SCW the Department could not release the funds to SCW during 2003-04 to 2006-07 which resulted in surrender of funds of Rs 182.18 lakh. This also deprived the benefit of the scheme to the widows of weaker sections of society thereby defeating the very purpose of the scheme. The Department stated (September 2007) that the scheme was still in progress and SCW was in the process of preparing the modality to provide financial assistance to deserving widows. The reply is not tenable as the Department could have implemented the first component with the availability of funds from 2003-04 onwards and also prepared the guidelines for five other components just after the commencement of the scheme in March 2002 which would have speeded up the progress in successful implementation of this scheme.

3.2.12 Internal Audit

Department did not conduct internal audit for the major period

As per Finance Department Circular of August 1996, the responsibility for conducting Internal Audit of the Department rests with the Director of Accounts. The Internal Audit of the Department for the period from 01 May 2004 to 31 March 2007 was not carried out by the Director of Accounts (May 2007). The Department stated (September 2007) that the Directorate of Accounts was being informed to conduct the audit.

3.2.13 Impact Evaluation and Conclusion

Impact of ICDS programme is seen in statistics of the State. Goa has shown increase in literacy from 75.51 *per cent* in 1991 to 82.01 *per cent* in 2001. The immunisation, according to Department, is 100 *per cent*. The birth rate has fallen from 17.55 in 2000 to 15.84* in 2005. However, the infant mortality rate has shown a slight increase from 12.46 in 2000 to 14.12* in 2005. Thus, though the overall impact has been positive, there are certain areas needing improvement. About nine *per cent* villages still do not have Anganwadis. Nearly 89 *per cent* buildings do not have water and toilet facilities. The institutional framework in the form of Commissions for Women and Children is yet to establish fully. There is scope for increase in number of beneficiaries under SNP. The Department noted (September 2007) the Impact Evaluation and Conclusion drawn by audit, for compliance.

3.2.14 Recommendations

- Seventeen uncovered Village Panchayats should be provided with Anganwadis.
- A long term plan to construct independent Anganwadi buildings with toilet and drinking water facilities be prepared and implemented.
- Department should take adequate steps to ensure that the pending cases before State Commission for Women are settled expeditiously.
- Modalities for implementation of all components under Yashasvini scheme should be prepared to ensure that the scheme implementation is not further delayed and benefits reach the targeted groups.

* Provisional

REVENUE DEPARTMENT

3.3 Computerization of Land Records and Cadastral Maps

Highlights

> In the absence of individual maps of sub-divisions/surveys and interface between Dharani and Cadastral Maps, copies of maps could not be issued to public instantaneously and public had to approach Director of Settlement and Land Records (DSLR) for maps and Mahiti Ghars or Mamlatdar offices for Records of Rights (RoR) copy separately.

(Paragraph 3.3.5.3)

> Partitioning of a sub-division into two sub-divisions with larger area than the original area was possible due to faulty system design.

(Paragraph 3.3.6.5)

> Lack of input controls and validation checks resulted in incomplete and incorrect data base leading to pendency of mutation requests and mutation of properties having other rights like mortgage, general power of attorney etc.

(Paragraphs 3.3.7.1 to 3.3.7.3)

3.3.1 Introduction

The Government of Goa took up two schemes viz. Computerisation of Land Records (Dharani Project) and Digitisation of Cadastral Maps for automation of land records.

a) Dharani Project

Computerisation of Land Records, named *'Dharani'*, was taken up in April 1999 and completed by November 2001 at a cost of Rs 78.90 lakh. The entire cost of the scheme was met through financial assistance from Government of India under Computerisation of Land Records scheme. The programme was developed by National Informatics Centre (NIC) with SQL[1] Server 2000 as the back end tool, Visual Basic 6.00 as the front end tool and Crystal Report-7 as the Reporting tool. It was designed to work on Windows platform. Two personal computers and one printer were procured for each Mamlatdar[2] office for implementation of the scheme. The data for the State was stored on a central server and updated from local servers installed in Mamlatdar offices.

The scope of work envisaged data entry of Form I and XIV[3] into the system to create a central database, linking of all Mamlatdar offices to the central server so that Records of Rights (RoR) could be issued from any office. The Mahiti

[1] Structured Query Language
[2] Head of Taluka Revenue office.
[3] Form I and XIV represent the basic Record of Right. Form I gives details about Owner, Tenant, Other Right Holders, Type and Area of Land, etc. Form XIV gives details about cultivators, crop, source of irrigation, etc.

Ghars[4] set up in January 2004 by a private agency for providing services such as issue of RoR, birth and death certificates, motor vehicle licenses, etc. to public were also to access data from central server for issue of RoR. It was also envisaged to automate mutation process.

The benefits envisaged from the computerisation were:

- Safe storage of records and space saving, better security of records by reducing the possibilities of tampering and manipulation;
- Maintenance of up-to date land records on computers accessible to land holders and administrators, including issue of RoR of any taluka at any office;
- Speeding up of the mutation process by providing required monitoring information on line;
- Promoting accuracy of records and minimizing errors;
- Availability of various statistical reports like Types of Land, Area and Ownership as and when required;

As on date (June 2007), the people are able to get the extracts of RoR of land situated in a taluka from the respective Mamlatdar office or from any of 13 Mahithi Ghars operating in Goa. The mutation process has been automated. However, the system suffers from deficient controls and the envisaged benefits are yet to be realised fully.

b) Digitisation of Cadastral Maps

Digitisation of cadastral maps of Tiswadi taluka was taken up in August 1999 and completed in October 2001 under Centrally Sponsored Scheme of Computerisation of Land Records. On successful completion of a pilot project in Tiswadi taluka, scheme was taken up in balance ten talukas and completed in 2005. The total cost of the scheme was Rs 5.34 crore of which Rs 75 lakh was received from Central Government and the balance cost was met by the State Government. The work of digitisation of cadastral maps was entrusted to M/s Vision Labs, Hyderabad (firm) and the software used was Vision Mapmaker (VMP) on Windows platform.

The scope of the project was to create village maps using VMP software and to integrate individual land holding and survey data with computerised cadastral maps so as to ensure availability of the maps of individual survey numbers to public on request.

3.3.2 Organizational Set-up

Director of Settlement and Land Records (DSLR) was the nodal Officer for implementation of both the schemes. Collectors at district level and

[4] Kiosks set up by e-Thinx Infocom Private Limited, a private agency

Mamlatdars at the taluka level were the implementing authorities. "Talathis[5]" were responsible for up to date maintenance of land records within their jurisdiction under both manual as well as computerised system. The Mamlatdars supervise the work of Talathis and are the main functionaries maintaining all types of land records pertaining to a taluka. The responsibility for maintenance of the systems installed at Mamlatdar offices vested with the concerned Mamlatdar/Collector. The NIC maintains the central server at the Secretariat. DSLR maintains the systems installed in DSLR office and its five sub-divisions for cadastral maps.

3.3.3 Audit objectives

Audit of the scheme was done to evaluate:

(i) Extent of Computerisation of land records and cadastral maps including their integration.

(ii) Efficacy and effectiveness of controls relating to:

- Planning and Organisation of computerization of land records
- Acquisition and implementation of IT facilities
- Delivery and support
- Monitoring.

3.3.4 Scope of Audit and Methodology

The IT Audit was conducted during June – July 2007 by review of records at DSLR, working of systems (both Dharani Project, i.e. Land Records Information System (LRIS) and Digitisation of Cadastral Maps) at five Mamlatdar's offices[6], Office of Director of Settlement and Land Records and three Sub-division offices[7] of DSLR. The audit process included:

- discussion with officials of DSLR, five Mamlatdar offices and representatives of National Informatics Centre (NIC) as well as Vision Labs (firm);
- review of files pertaining to receipt and utilisation of grants, procurement of hardware, software and related accessories.

Audit Findings

A review of files, working of the system, dummy data entry and analysis of data as regards systems implemented disclosed various shortcomings as detailed below:

[5] Official responsible for maintenance of basic data of village.
[6] Tiswadi, Canacona, Quepem, Pernem and Bardez
[7] Quepem, Margao and Bardez

3.3.5 Planning and organization

3.3.5.1 Non-involvement of users

The User requirements need to be clearly defined before development and implementation of any system. However, it was observed that no such requirements were finalized and properly documented. In the absence of proper documentation, the requirement could not be updated even after five years of implementation. As a result, the system designed by NIC either did not meet the requirements fully or did not help in optimization of the benefits of computerisation as detailed in paragraph 3.3.6.

3.3.5.2 No records were available with DSLR to indicate the testing and demonstration of working of Application software.

The Department replied (October 2007) that testing and demonstration of working of application software would be formally recorded for all subsequent projects.

3.3.5.3 Interface between Dharani and Cadastral Maps

It was envisaged to integrate the data of cadastral maps with that of RoR database. Each map had more than one survey and several sub-divisions while details of each sub-division have been captured separately under RoR database. As such there was no individual map available in respect of each sub-division. At present, the individual maps were being created at the DSLR with manual intervention each time. Therefore, public could not be issued the copies of maps through Mahiti Ghars and Mamlatdar Offices where RoR were issued. The integration could have provided single window public service in respect of RoR and maps. Thus, one of the envisaged objectives i.e., easy and instantaneous availability of correct record to the public was yet to be achieved as it was taking at least three days for issue of maps. Further, since the cadastral maps had to be edited manually to prepare extract of the concerned survey number and sub-division, the system was prone to errors and was time consuming.

The Department replied (October 2007) that efforts were being made to achieve integration.

3.3.6 System Design

Dharani Project

3.3.6.1 The system design provided four digits only in respect of data entry of survey number. The data entry was done by private parties and it was certified (June–July 2000) that data entry was complete in all respects. However, later (June 2005) it was noticed that some survey numbers were having five digits and there were some difficulty in entering such data. The fact that this system deficiency was noticed after almost three years of full implementation indicated lapse on the part of Department in communicating the user requirements and in checking the data entered into the system for completeness before certifying. Thus the data entered was also not reliable.

3.3.6.2 Absence of provision in the system to capture the prescribed fees[8] for issue of forms relating to RoR resulted in manual reconciliation between RoR issued and amount collected.

The Department replied (October 2007) that the web-enabled version (Dharani II) would have a full fledged accounting system with regards to issue of Form I & XIV by various agencies.

3.3.6.3 System did not provide for allotting unique number to identify the owner of the land so as to generate reports regarding total land held by a single person throughout the State.

3.3.6.4 Form XIV of RoR gives the details of cultivators, crop, source of irrigation, area irrigated, etc. On request, NIC had proposed uniform codification of season, crops, land type, etc. The same was not accepted in respect of Form XIV on the ground that the form manually was not uniform in all the villages. NIC opined that as data without standardization would be not amenable to analysis, it would be better to scan and store the source documents in electronic form instead of data entry of the same. But, the data entry regarding Form XIV has since been completed. This made the data in Form XIV totally unreliable.

3.3.6.5 System did not have provision to capture the balance area automatically after entering the area of the new sub-division created as a result of Partition and the same has been entered manually. The system even allowed entry of area more than the original area held. This indicated deficiency in system designing. The Department replied that this has been taken care in Dharani-II.

3.3.6.6 Mutations were being carried out in all the 11 Mamlatdar offices and corrections to mutations are carried out at DSLR as well as in sub-division offices. The data available in the local server at Mamlatdar offices were being uploaded to the Central server on an hourly basis. The changes made to the data in either sub-divisions or DSLR were being updated in DSLR or sub-divisions respectively through compact disks. Thus two parallel sets of data were being maintained. As Mahithi Ghars were accessing RoR data from central server and the updations were being carried out in the central server after a time gap, risk of issuing non updated RoR to the public persisted.

3.3.6.7 Though the User Manual prepared by NIC indicated about scanning facility in respect of documents such as applications, supporting documents like gift/sale deed, will, court order and proofs of serving notices, objections etc. for future verification purpose, the developed system did not contain such provision resulting in preservation of such information in manual hard copies.

[8] Rs 10 for the first sheet and Rs 5 for each additional sheet

Cadastral Maps Project

3.3.6.8 The cadastral maps were available in the form of plane table sheets. The extracts of cadastral maps of individual land holdings were issued by copying and modifying the relevant portion from the concerned plane table sheets. Necessary corrections are carried out in the plane table sheets in respect of approved mutations. The plane table sheet as modified by the data entry operator and further approved by the verifying officer and the certifying officer would replace the original plane table sheet in the data base. It was observed that the system had no provision for effecting corrections by verifying officer and certifying officer after the modification done by the data entry operator. In order to correct the errors, if any, the incorrect version had to be approved and then the whole exercise had to be repeated. Thus the system made approval of an incorrect version of cadastal map mandatory. This rendered the data on cadastral maps unreliable, since manual control in revising the incorrect version still existed.

The Department replied (October 2007) that instead of allowing corrections through the system, the verifying officer and certifying officer could instruct the operator to carry out the necessary corrections.

The reply is not acceptable as this would compromise the control through segregation of duties between the operator, verifying officer and certifying officer.

3.3.7 Input and Validation Controls

Input and validation controls over input are vital to the integrity of the system. These controls are important for preventing incorrect and fraudulent data from being fed. Adequate input and validation controls ensure that the data received for processing are genuine, complete, correct, not duplicate and properly authorised. The following deficiencies were noticed due to lack of input and validation controls:

Dharani Project

3.3.7.1 The survey number could not be left blank. Analysis revealed that three survey numbers in Pernem Mamlatdar office and 117 sub-divisions in four[9] talukas were indicated as '-'. As a result, mutation could not be effected in five cases received during the period from July 2003 to July 2006 as the system did not allow mutation without survey numbers.

Failure to ensure data validation through input controls resulted in merely entering the data as was in the manual system without analyzing the after effects. Thus, the mutation requests were pending as manual mutations were stopped after computerisation.

[9] Bicholim (1), Canacona (2), Ponda (3) and Pernem (111)

3.3.7.2 There was provision to enter the nature of rights like mortgage, general power of attorney etc. a particular person held over the property. Such properties should not be taken up for mutation like the land without rights. However, the system allowed mutation of those properties which had rights on them. Data analysis indicated that the nature of rights was not entered in 1,89,427 (98.25 *per cent*) out of 1,92,792 records.

It was noticed that

- The data relating to nature of rights in the balance cases was not uniformly codified.
- Irrelevant information was stored in the database thus reducing the usefulness of the data. For e.g., details of property such as hut, well etc. were entered in the field relating to Other Rights and Tenants.
- The names of the persons holding Other Rights were not entered in 1531 cases and the names of tenants were blank in 1078 cases thus making the data base unreliable.

The Department replied (October 2007) that necessary checks would be added in DHARANI-II.

3.3.7.3 The land was classified generally as private land, forest (Government), forest (Private), communidade land, government land, land belonging to religious institution, etc. It was observed that out of 7,94,066 records, land type was blank in 7,89,850 records (99.47 *per cent*). This resulted in non-availability of vital information useful for planning for various purposes such as land acquisition for Government purposes, restriction on transfer of ownership, land use, etc. For example, possibility of further mutation by the original owner in respect of land acquired by Government in July 2005 could not be ruled out since these lands were yet to be transferred in the name of the Government.

The Department replied (October 2007) that efforts would be made to update the data.

3.3.7.4 Though the system provided for entering the details of area of cultivable land, irrigated area, un-irrigated area, source of cultivation, details of assessment and tax collected etc., the same had not been updated. Earlier in the manual system, Talathis were responsible for collection of such information. Consequently, the Government was deprived of vital data useful in decision making.

The Department replied (October 2007) that periodical updation of the data would be taken up.

3.3.8 Logical and Physical access controls

3.3.8.1 Though the logical access to the data was restricted through biometric devices using finger prints and passwords, no review of the logs was made on a regular basis.

The Department replied (October 2007) that this would be taken care in Dharani-II.

3.3.8.2 Though the external devices viz. CD drive and floppy drives in the computers at Mamlatdar Offices were disabled, the users could enable them thus rendering the systems prone to risk of loss/corruption of critical data through virus and malicious software.

3.3.8.3 The entry to EDP room was not logged. The logged on systems left unattended were vulnerable to all kinds of risks like tampering of data.

3.3.9 Lack of business continuity planning

3.3.9.1 Though the software was developed by NIC and implemented in November 2001, the data and the source code were still under the custody of NIC. In the absence of qualified personnel, on line help in the system, the Department still depended on NIC. Further, no service level agreement with the NIC for confidentiality, security and availability of the data to the user has been made. Hence, the business continuity of LRIS was not ensured.

The Department replied (October 2007) that this would be taken care in Dharani-II.

3.3.9.2 No fire safety equipments, air conditioners were provided. Further, the systems were not covered under any maintenance contract so as to facilitate regular and preventive maintenance. The Uninterrupted Power Supply systems were also found not working in five Mamlatdar offices and three sub-divisions of DSLR test checked. Thus the business continuity of the LRIS was not ensured.

The Department replied (October 2007) that a proposal regarding replacement of UPS with online UPS was under consideration of the Government.

3.3.10 Assessment of performance and customer satisfaction

No periodical monitoring and evaluating mechanism in respect of Services delivered was available. It was observed that for issue of copies of cadastral maps, the computerised system did not reduce the time taken (three days in manual set up). No assessment of customer satisfaction was carried out. Therefore, the deficiencies in the system continued to exist.

3.3.11 Other points of interest

Awarding of contract at extra cost - Cadastral Maps Project

The pilot project of Digitisation of cadastral maps in Tiswadi Taluka was awarded (January 2001) at the rate of Rs 2,600 per plane table sheet. On successful completion of the project, balance work in respect of ten talukas was awarded (November 2001) to the same firm at the higher rate of Rs 3,700 per plane table sheet. Awarding of balance work without negotiating with reference to the old rate resulted in extra cost of Rs 1.36 crore (at Rs 1,100 per sheet for 12,353 sheets).

The Department replied (October 2007) that about two years had already passed since the original proposal of the pilot project when extended and inflation had to be taken into consideration. Further, software had to be modified to suit the requirements of the Department and to rectify the deficiencies faced during the pilot project.

The reply is not acceptable as the software remained the same and the issue of deficiencies should have been resolved in the pilot project itself.

3.3.12 Conclusion

The computerisation of land records was completed in November 2001. People can get the extracts of RoR of land situated in a taluka from the Mamlatdar office of that taluka or from any of Mahiti Ghars operating in Goa. However, the system suffers from a number of control weaknesses. The system has the risk of manipulation in mutation in the absence of details of persons holding rights on a property and allowing the mutation process to be completed even without receipt of documents. In the absence of integration between Dharani and Cadastal Maps and interlinking of data bases at root level, the benefits envisaged from computerisation (such as issue of RoR from any Mamlatdar office; issue of Maps from the Mamalatdar offices and availability of statistical reports) were yet to be realised fully and making the process of getting RoR and respective Maps a time consuming one.

3.3.13 Recommendations

Dharani Project:

- Necessary controls to be built in to disallow mutation in the absence of all required documents.
- Proper controls may be built in during modification of data during the partition such that the total of areas of new sub-divisions is equal to area of land before partition.
- Data for statistical reports such as details of cultivation, tax collected etc. should be entered and updated from time to time.

Cadastral Maps Project:

- Sub–division wise database facilitating interlinking of two databases should be created.
- Copies of maps should be made available instantaneously to people from any Mahiti Ghar or Mamlatdar office.

CHAPTER – IV

Audit of Transactions

CHAPTER – IV

AUDIT OF TRANSACTIONS

This chapter contains audit paragraphs on wasteful/nugatory expenditure, avoidable/excess expenditure, idle investment and blockage of funds 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 Loss to Government

HOUSING DEPARTMENT

4.1.1 Loss of Rs 6.70 crore in disposal of land at Reis Magos

Failure of the Board to adopt the market rate while disposing land at Reis Magos resulted in a loss of Rs 6.70 crore to the Board, in addition the sale was in contravention to the Forest Conservation Act, 1980.

A comment was made in Para 7.5 of the Audit Report for the year ended 31 March 2000 regarding idle investment of Rs 1.22 crore on land acquired at Reis Magos for housing projects, as the land could not be utilized pending clearance from the Forest and Environment Department of Government of India.

A further scrutiny (February 2007) revealed that the State Advisory Group of the Forest Department of the State Government had recommended (August 2005) diversion of this 67,090 square metres of private forest land at Reis Magos, for implementation of housing schemes of Goa Housing Board (Board). Thereupon, the Chief Conservator of Forest had referred (January 2006) the matter to the Regional Office of the Ministry of Environment and Forests, Government of India, Bangalore.

Meanwhile the Board decided (October 2005) to dispose of the land by calling tenders by giving wide publicity. The Board fixed (August 2006) the minimum offset price of Rs 450 per square metre for sale of this land. The Board invited (1 September 2006) tenders for the sale of this property and the tender notice was issued only in two local newspapers. A copy of the letter to Government of India for diversion of land was also incorporated in the detailed tender documents. In response four tenders were received as below:-

Sr. No.	Name of the tenderer	Quoted rate Per sq. metre (Rs)	Amount (Rupees in crore)
1.	M/s. Mahadev Homes, Ulhasnagar	501	3.36
2.	M/s. Oneline Multitrade Pvt. Ltd. Fort, Mumbai	453	3.04
3.	M/s. Paramount Buildwell Pvt. Ltd., Mumbai	471	3.16
4.	M/s. Pastina Holiday Home Pvt. Ltd., Dona Paula, Goa	399	2.68

The Board accepted (September 2006) the highest offer of Mahadev Homes for Rs 3.36 crore and directed (13 October 2006) the firm to pay the amount within 90 days. Full payment was effected within the stipulated period and the sale deed was also executed (March 2007).

Audit scrutiny revealed the following:

- As per Section 2(iii) of the Forest Conservation Act 1980, no forest land or any portion thereof may be assigned by way of lease or otherwise to any private person or authority or corporation or other organization not owned, managed or controlled by the Government without prior approval of the Central Government. The Goa Housing Board however, did not obtain the approval of the Central Government before selling this forest land to a private party. Thus, the sale of forest land was done in contravention of the provision contained in the Forest Conservation Act.

- The normal condition for eligibility to apply was "any person residing in Goa for the last 15 years or any registered firm or company registered in the state of Goa for the last 10 years". However in this particular case the same was modified to include all citizens of India. Even though all citizens of India were eligible to apply, the Board did not give wide publicity to the tender by publishing the tender notice in all India newspapers. The Board published the notice inviting tenders only in two local newspapers, restricting the publicity for the tender.

- All the four applications for the tender forms, three from Mumbai and one from Panaji were received on the last date (18 September 2006) of issue of tenders. Pastina Holiday Home, Dona Paula furnished the required Earnest Money Deposit of Rs 20.00 lakh, in the form of cheques though it was to be furnished by Demand Draft, the tender was not rejected, as required and was taken into account for comparison of bids.

- A scrutiny of the tender application forms and the tender forms submitted indicated that the person who had signed the request for tender form for Mahadev Homes and one who has quoted the rate and signed the tender form for Paramount Buildwell was one and the same. Further the person who had filed the tender forms for Pastina Holiday Home, and the person who signed for Mahadev Homes, as partner, forwarding (December 2006) part payment of Rs 50.00 lakh was also one and the same, indicating connection between the parties and possible collusive or cartel bidding.

- While fixing the minimum offset price of Rs 450 per square metre, the Board had assessed the cost of land at Rs 414 per square metre taking into account, the cost of acquisition of the land in March 1998 plus interest and establishment charges. According to the sale statistics in the Reis Magos village as per the records of Mamlatdar, Bardez, the transactions had taken place at the rates ranging from Rs 1,000 per square metre (September 2003) to Rs 1,500 per square metre (July 2006) showing increasing price trend. The sale of this land in October 2006 at Rs 501 per square metre at marginal increase from cost price without ascertaining the prevailing market rate was not in the financial interest of the Board. Taking into account the rate of Rs 1,500 per square metre the loss to the Board works out to Rs 6.70 crore, on this land deal.

The Department stated (August 2007) that the Board normally issues any advertisement in local newspapers only and the offer of Pastina Holiday Home was considered inadvertently. The reply is not tenable as the normal condition for eligibility to apply was modified, the tenders should have been published in all India newspapers as well.

The Department further stated that the land cost published by Government (June 2003) at Reis Magos was Rs 500 per square metre only and hence no loss was incurred by the Board. The reply is not tenable as the Board had not considered the increasing trend in land cost and the market rate while fixing the minimum offset price of Rs 450 per square metre.

HOUSING DEPARTMENT

4.1.2 Loss due to non-adoption of appropriate rate of land and undue favour to select applicants

Defective allotment procedure denied a fair and equal chance of allotment to all applicants. Failure of the Board to adopt appropriate rate of land while fixing the cost of 14 duplex bungalows resulted in short realisation of Rs 22.40 lakh to the Board.

The Goa Housing Board (Board) decided (August 2004) to take up a scheme of 16 duplex bungalows on the available area of 6 ha land at Porvorim, in two phases of eight bungalows each, at an estimated project cost of Rs 2.38 crore. The plot consisting of two bungalows was 400 square metres and the cost of land considered for the project was Rs 2,500 per square metre. Accordingly, cost of each duplex bungalow was provisionally fixed at Rs 14.99 lakh subject to variation after final settlement.

Though the Board invited (October 2004) tenders for construction of 16 duplex bungalows, eight in each phase, the work of 14 bungalows only was taken up (January 2005) due to an appeal pending in the Court against construction on one of the plots. The construction was completed in December 2006.

Meanwhile, the Board had invited (October 2004) applications for registration/ allotment of the proposed duplex bungalows, on outright purchase basis. Fourteen duplex bungalows were allotted (November 2004) to the applicants at Rs 14.99 lakh per bungalow on first come first served basis.

Undue favour to nine applicants

The Board had released the advertisement on 5 October 2004 to the press inviting applications from the public for registration/allotment of the proposed duplex bungalows. The advertisement was to be published on 6 October 2004 and registration also was to commence on 6 October 2004. The allotment was to be made on first come first served basis. The applicants had to initially deposit Rs 10,000 by way of Demand Draft in the name of the Executive Engineer (North) alongwith the application. The applications were to be made available for sale only from 6 October 2004. The registration was kept open from 6 to 21 October 2004. In response 26 applications were received and 14 bungalows were allotted (November 2004) on first come first served basis.

Scrutiny of applications received from intending purchasers revealed that the demand drafts of Rs 10,000 each towards initial deposit submitted by nine applicants/allottees were obtained on 4 and 5 October 2004, prior to publication of advertisement for registration in the local dailies on 6 October 2004. These applicants got the undue benefit of allotment, as they apparently had prior information and could obtain the demand draft in advance, and submit the applications before others. In view of this, their applications should have been treated invalid. However, contrary to this, the Board allotted duplex bungalows to these applicants.

The Regulations of the Board provided for the allotment through drawal of lots. Inspite of this, the Government approved in August 2004, the sale conditions proposed by the Board which, inter alia, provided for allotment on 'first come first served' basis. The allotment process was apparently vitiated by leakage of information in advance to select applicants.

The Department stated (August 2007) that the select applicants would have obtained advance information regarding schemes likely to be announced from the Board. The fact remains that the Board conducted the whole process in a non-transparent manner depriving a fair and equal chance of allotment to all applicants. The Board also extended undue favour to select applicants.

Fixation of lower cost

Audit scrutiny revealed that the Board had auctioned and sold in September 2002, a plot in the same 6 ha land at Porvorim, at the rate of Rs 3,300 per square metre. However the Board had not taken this land rate (market rate) into consideration while working out the land cost in October 2004.

Similarly there was an increasing trend in auction rates at about seven *per cent* per annum during May 2000 to March 2006 where land in the same 6 ha plot at Porvorim was auctioned at Rs 2,850 to Rs 4,400 per square metre respectively.

The Board had fixed a sale price of plot at Rs 2,500 per square metre in July 2001. Adoption of rate (fixed in July 2001) of Rs 2,500 per square metre in October 2004, instead of Rs 3,300 per square metre realized in September 2002, as cost of land for working out the cost of duplex bungalows resulted in a short realization of Rs 22.40 lakh to the Board. This has financially benefited the allottees of these bungalows to the extent of Rs 22.40 lakh.

The Department stated (August 2007) that the auction rate was never considered as the cost of land for housing schemes. The reply is not tenable as the Board should have considered the increasing trend in land cost as the rate of Rs 2,500 per square metre was fixed by the Board way back in July 2001, i.e., over three years prior to sale of duplex bungalows.

SOCIAL WELFARE DEPARTMENT

4.1.3 Loss of interest of Rs 53.03 lakh and Blocking of funds of Rs 1.48 crore

Injudicious decision of Provedoria of investing huge amount in a non banking finance company in contravention of Government decision resulted in blocking up of Rs 1.70 crore for over five years and loss of interest of Rs 53.03 lakh.

The Government of Goa allowed (January 1996) Institute of Public Assistance (Provedoria) to invest their funds in long term deposits in Nationalised Banks or Financial Institutions recognized by Reserve Bank of India (RBI). Contrary to this, the Provedoria decided in 1996 to invest (a part of) their money in Maha Rashtra Apex Corporation Ltd. (MRAC), a non-banking finance company, as it was offering higher rate of interest compared to other banks. Until 1996, the Provedoria invested funds in Nationalised and Co-operative Banks. The Provedoria continued to invest funds in banks but diverted a part of funds for investment in MRAC. The Provedoria invested Rs 10.20 crore in 33 instalments in MRAC between June 1997 and March 2002.

The financial position of MRAC deteriorated from a profit of Rs 60 lakh for the year ending March 2000 to a loss of Rs 16.89 crore for the year ending March 2001 and a further loss of Rs 88.96 crore for the year ending March 2002. Despite the deteriorating financial position of MRAC, the Provedoria continued to invest money in MRAC. The Provedoria invested Rs 1.70 crore in MRAC between June 2001 and March 2002 which were to mature between July 2002 and March 2003.

The MRAC appealed (April 2002) to their investors and bond holders that it was not in a position to meet obligations due to mismatch in its receipts and payments and that it had approached the court for a scheme of arrangement with all depositors and bond holders. The High Court, Bangalore approved (December 2004) their scheme of compromise and arrangement with the depositors and bond holders. Accordingly, the MRAC is required to repay to the Provedoria in five instalments[♣] alongwith interest accrued up to 31 March 2002. As against Rs 59.50 lakh receivable as on June 2006 under the arrangement, the amount received by April 2007 was only Rs 22.20 lakh. In view of this, the prospects of recovery of balance amount of Rs 1.48 crore appear bleak.

Thus, injudicious decision of Provedoria of investing huge amount in a non banking finance company in contravention of Government decision resulted in blocking up of funds of Rs 1.70 crore over five years and loss of interest of Rs 11.43 lakh up to 31 March 2002 and further loss of interest of Rs 41.60 lakh for the period April 2002 to May 2007 calculated at average rate of interest of five *per cent* offered by Nationalised Banks. Apart from this interest loss of Rs 53.03 lakh, a possibility of further loss in respect of principal amount of Rs 1.48 crore cannot be ruled out.

The matter was referred to the Government (June 2007). Their reply is awaited (November 2007).

4.2 *Avoidable/unfruitful expenditure*

INFORMATION AND PUBLICITY DEPARTMENT

4.2.1 *Unnecessary expenditure of Rs 1.83 crore on Advertisement for IFFI 2005 and IFFI 2006*

Though the ESG, entrusted with the work of organizing IFFI, was handling the media campaign for IFFI, the Department simultaneously incurred an expenditure of Rs 1.83 crore on advertisements for IFFI 2005 and IFFI 2006, which was unnecessary.

In order to organize and host the International Film Festival of India (IFFI) in Goa, the Government set up (May 2004) the Entertainment Society of Goa (ESG). The ESG has been conducting IFFI since 2004. Through its media plan and advertisements, the ESG has been trying to ensure wide publicity for maximum participation. In spite of this, the Information and Publicity Department also incurred expenditure of Rs 1.83 crore on advertisements for IFFI 2005 and IFFI 2006, which was unnecessary.

[♣] 15 *per cent* up to 15.06.2005, 20 *per cent* up to 15.06.2006, 25 *per cent* up to 15-06-2007, 20 *per cent* up to 15.06.2008 and 20 *per cent* by 15.06.2009 including interest accrued up to March 2002.

Expenditure on advertisements for IFFI 2005

The Department incurred an expenditure of Rs 60.92 lakh on three advertorials in Hindustan Times covering opening and closing ceremonies and interim happenings of IFFI 2005 and Rs 59.51 lakh for advertisements released in local newspapers.

The ESG had already engaged an Event Management Agency (EMA) for conducting IFFI 2005 and the media plan of EMA included advertisements in local as well as national dailies. In fact the EMA had tie ups with the Hindustan Times for sponsorship for giving four insertions of advertisements and editorial coverage so that the festival enjoys maximum visibility. Accordingly the Hindustan Times had given advertisements of three half pages and one full page in special supplements and two full pages in its magazines for IFFI 2005. In addition to these sponsorships, the ESG also spent Rs 61.40 lakh for publicity of IFFI 2005.

As the ESG was handling the entrusted task of organizing IFFI 2005, undertaking additional advertorials by the Department in Hindustan Times and local newspapers was unnecessary and put extra burden on public exchequer to the extent of Rs 1.20 crore. The Department also did not resort to tendering before engaging the advertising agencies.

The Department stated (August 2007) that the advertisements were carried out to showcase the development of Goa. The reply is not tenable as the advertisements worth Rs 60.92 lakh were relating to opening and closing ceremonies and interim happenings of IFFI 2005 and the EMA engaged by the ESG had carried out advertisements in local and national dailies.

Expenditure on advertisements for IFFI 2006

For IFFI 2006, two similar proposals were received for giving advertisements in local dailies for the curtain raiser and advertorials on daily basis till the completion of IFFI 2006. The proposal received from Advertising Associates at a cost of Rs 66.66 lakh was rejected (20 November 2006) by the Department on the ground that the advertorials do not bring any concrete results as the coverage is given by newspapers themselves. It was also stated that the advertisements released to newspapers for IFFI by ESG were voluminous and no further advertisements are necessary from Government exchequer. Whereas the proposal received from Magnum Intergrafiks for the total cost of Rs 64.11 lakh was accepted (21 November 2006) the very next day of rejecting the other proposal, on the ground that the advertorials are necessary because newspapers carry their own reports and on many occasions they highlight negative aspects rather than giving positive publicity to the efforts of the Government. Accordingly advertorials were given in local dailies and a total amount of Rs 62.66 lakh was paid to the agency.

While rejecting the proposal of Advertising Associates on 20 November 2006 the Department itself was convinced that the advertorials did not bring any concrete results and voluminous advertisements were being released by ESG for IFFI 2006. This being the situation, the Department in reversal of its earlier decision within one day, accepted a similar proposal of Magnum Intergrafiks and released advertisements costing Rs 62.66 lakh on the apprehension that the newspapers may highlight the negative aspects in their news reports. The right course of action in this case would have been to look into the negative aspects, if any and streamline activities appropriately. Instead, the Department resorted to release of advertisements resulting in unnecessary expenditure to the tune of Rs 62.66 lakh.

The advertisements were given on the basis of the proposals received from advertising agencies, without any request from the Department's end and without observing tendering procedures. This shows that the Department had no concrete media plan for releasing advertisements. Thus, the reasoning advanced by the Department at the time of accepting the proposal of Magnum Intergrafiks was an afterthought and amounted to extending an undue favour to the agency.

The Department stated that the advertisements for IFFI 2006 were entrusted to Magnum Intergrafiks, being an empanelled agency. The reply is not tenable as the offer of Advertising Associates was rejected on the plea that the advertorials did not bring any concrete results as the coverage was given by newspapers themselves and not due to its empanelment status. Further the advertisements were given on the basis of the proposals received from advertising agencies, without any request from the Department.

The Department also stated in reply that since ESG was to release advertisements in national newspapers, coverage of IFFI in local newspapers was necessary. The reason advanced now was not available on file notings seeking approval for the proposal of Magnum Intergraphiks and is only an afterthought. Further, the entry to the venues was restricted only to the delegates and, therefore, these advertisements served little purpose.

FINANCE DEPARTMENT

4.2.2 Unfruitful expenditure on construction of Jetty at Kala Academy

New jetty constructed at Kala Academy at a cost of Rs 1.45 crore could not be used due to reduction of length of the Jetty disregarding the depth requirement suggested by the Captain of Ports.

In order to bring the dignitaries from Taj Hotel at Sinquerim to Kala Academy through the shortest and unhindered route of sea during IFFI 2004, the Government had constructed (November 2004) a timber jetty at a cost of Rs 24.11 lakh at Kala Academy. The Government decided (August 2006) to repair the existing jetty and to explore the possibility of constructing a permanent jetty at Kala Academy which would have the capacity to anchor two boats of a larger draft (the size of Noah's Ark®). Accordingly, the tenders were called for (September 2006) and the lowest negotiated offer of M. Venkata Rao Infra Projects Pvt. Ltd. for Rs 2.24 crore was accepted (September 2006).

In reply to Goa State Infrastructure Development Corporation's (GSIDC) enquiry, the Captain of Ports stated (August 2006) that two meter depth was required for berthing vessels of the size of Noah's Ark and in the lowest tidal conditions such depth was available at 110 meters from the bank of the river at the location. Hence the length of the Jetty was originally proposed for 110 meters.

In October 2006, the Consultant, the Contractor and GSIDC conducted a joint inspection and found that two meter depth was available at 61 meters from the river bank. Hence GSIDC decided to confine the jetty up to 61 meters from the river bank. The frontage of jetty was also reduced from 62 meter to 38 meter according to the conditions of the Coastal Regulation Zone Committee's permission. This had the effect of facilitating berthing of only one vessel of the size of Noah's Ark instead of two vessels as envisaged earlier in the estimate. The work was finally completed in December 2006 at a cost of Rs 1.45 crore.

Scrutiny of records revealed the following:

- During IFFI 2006 no vessel of the size of Noah's Ark could be berthed at the Jetty. The dignitaries were brought in small vessels (which could have been berthed by the old jetty).
- As per the permanent scientific data prepared by the Captain of Ports, only 0.60 meter to 1.00 meter depth was available at 60 meters from the river bank. Two meter depth was available only at 110 meter from the river bank. Having prepared the estimate based on the requirements intimated by the Captain of Ports, conducting inspection later and reducing the length of jetty to 61 meters, without the expert advice of the Captain of Ports, resulted in revision of work based on unreliable data.

Thus, expenditure of Rs 1.45 crore incurred on construction of Jetty at 61 meters from the river bank, disregarding the expert advice of Captain of Ports, proved largely unfruitful.

GSIDC stated (July 2007) that during the joint inspection (October 2006), it was found that two meters depth was available at 61 meters from the river bank and hence the length was reduced. The reply is not tenable as the Captain of Ports maintained that the Hydrographic Surveyor had not agreed that the draft of 1.91 to 2.06 meters was available at 61 meters from the river bank. Further, the reduction of the length of Jetty was done disregarding the

® Noah's Ark is a wooden restaurant boat with a carrying capacity of 140 passengers and six crew having tonnage of 316 tons.

expert advice of the Captain of Ports, who is the conservator of ports under the Indian Ports Act 1908 and also responsible for supply of hydrographic charts.

EDUCATION DEPARTMENT

4.2.3 Avoidable expenditure of Rs 1.22 crore on printing of text books

The Board awarded the work of printing of text books for the year 2006-07 to the second lowest bidder by flouting the tendering procedures resulting in extra expenditure of Rs 57.38 lakh. It also issued the work order to the same firm for printing for the year 2007-08 without tenders resulting in similar extra liability of Rs 64.71 lakh.

In order to have better coordination in procurement/printing and distribution of school text books the Government entrusted (November 2005) the work of printing of books from Std I to XII to Goa Board of Secondary and Higher Secondary Education (Board) from the academic year 2006-07 onwards. Accordingly, the Board called for tenders in January 2006 and received (20 January 2006) three offers. The offer of M/s Goa Books and Allied Projects Manufacturers and Distributors Co-operative Society Ltd. (Goa Books) who quoted 11.75 paise per page for multi-colour and 9.75 paise per page for single colour was the first lowest and that of M/s Holy Faith International Pvt. Ltd. (Holy Faith) the second lowest with the rates of 18.50 paise per page for multi-colour and 16.50 paise for single colour. The offer of M/s Holy Faith was however, accepted by the Board after negotiations at the rates of 18.50 paise for four colour page, 16.00 paise for two colour page and 14.00 paise for single colour page and work order was issued on 24 April 2006 for printing.

As the text books for all students of Government and Aided schools from Standard I to VIII were to be distributed free of cost, the books were delivered by the agency to the Director, Sarva Shiksha Abhiyan who distributed these books to the students. Hence the bills submitted by the agency for the printing of books for Standard I to VIII were passed on by the Board to the Director, Sarva Shiksha Abhiyan for verification and payment. As against the bills totaling Rs 2.01 crore submitted by M/s Holy Faith the payment made by the Director so far was Rs 1.87 crore (June 2007).

Audit scrutiny revealed that:

- Both the firms had not submitted Earnest Money Deposit (EMD). Goa Books however stated that being a co-operative society they were exempted from submission of EMD. The Board obtained the EMD from Holy Faith subsequently, and their negotiated offer which was much higher than the rates offered by Goa Books, was accepted. There is nothing on record to show that the Board asked Goa Books to submit EMD subsequently as was done in the case of Holy Faith. The acceptance of higher offer of M/s Holy Faith in relaxation of the tender conditions vitiated the tendering process and was not in the financial interest of the Board. This resulted in extra expenditure of Rs 57.38[1] lakh on the total number of books ordered for academic year 2006-07.

- According to the tender notice the size of the paper was prescribed as 20"x30". This requirement was fulfilled only by Goa Books in the initial offer. Holy Faith quoted for different size of paper. Still M/s Holy Faith was called for negotiation and size of the paper was changed subsequently to 23"x36" according to the printer's requirement. In fact M/s Sheth publishers, a regular printer of the Board, who did not participate in the tender, represented (19 January 2006) that if the pre-condition of 20"x30" size of paper was waived, they also could participate in the tender. The changes in the tender conditions should have been communicated to all and fresh quotes obtained. Changing the conditions of the tender after submission of offers amounted to undue favour to Holy Faith and made tendering process non-transparent.

- None of the tenderers fulfilled all the conditions of the tender and initial offers of all the firms were not comparable. The Board could have re-tendered the printing work in January 2006 itself. Considering the time spent between the date of opening of tender (20 January 2006) and date of issue of work order (24 April 2006) there was enough time for re-tendering and obtaining fresh competitive rates. M/s Digantha Mudrana Ltd., the printing firm for State Institute of Education during the years from 2002 to 2005, had offered (18 January 2006) to do the work at 10.80 paise for multi colour and 9.00 paise for single colour after 50 *per cent* increase over their previous rates on account of increase in cost of paper and transportation. Considering that none of the tenderers have fulfilled the tender conditions on the date of opening the tender the Board could have considered their offer which would have reduced the printing cost to the extent of Rs 67.52 lakh.

1

		Multi-colour	Single colour	Total
A	Total Number of copies ordered	677000	493500	1170500
B	Number of pages considering average number of page per book as 100	67700000 pages (6.77 crore)	49350000 pages (4.935 crore)	117050000 (11.705 crore)
C	Cost at the rates of Holy Faith 18.50/16.00/14.00 paise per page	Rs 1,15,95,750*	Rs 69,09,000▲	Rs 1,85,04,750
D	Cost at the rates of Goa Books at 11.75 and 9.75 paise per page	Rs 79,54,750	Rs 48,11,625	Rs1,27,66,375
E	Cost at the rate of M/s Digantha Mudrana for the year 2005-06 by adding 50% escalation i.e. 7.20/6.00 plus 50% = 10.80/9.00 paise per page	Rs 73,11,600	Rs 44,41,500	Rs1,17,53,100
F	Extra expenditure over Goa books (C – D)			Rs 57,38,375
G	Extra expenditure over Digantha Mudrana (C – E)			Rs 67,51,650

* four colour = 305500 copies of 100 pages each @ 18.50 paise per page, two colour + 371500 copies of 100 pages each @ 16.00 paise per page.

▲ one colour = 595845 copies of 100 pages each @ 14.00 paise per page.

- It was also seen that the work order for printing of books for the academic year 2007-08 was also issued (24 October 2006) to the same firm (M/s Holy Faith) without tenders. As the Bank guarantee of Rs 20 lakh submitted by M/s Holy Faith on 21 January 2006 was discharged by the bank from 30 November 2006 no security was available with the Board. Considering the higher rates of M/s Holy Faith and absence of competitive offers in the year 2006-07, award of work without calling for fresh tenders for the academic year 2007-08 was not justified and would result in further extra expenditure to the tune of Rs 64.71 lakh on the books ordered when compared with the rates of Goa Books.

Hence acceptance of second lowest offer of M/s Holy Faith flouting the conditions of the tender and disregarding the lower rates available from M/s Goa Books and also from M/s Digantha Mudrana, resulted in avoidable extra expenditure to the tune of Rs 57.38 lakh on the printing of text books for the academic year 2006-07. By awarding the work to the same firm without tenders for the academic year 2007-08, the Board will have to bear the similar extra expenditure for Rs 64.71 lakh during the academic year 2007-08 as well. Thus, failure to adhere to transparent and competitive tendering process resulted in undue favour to M/s Holy Faith at the extra cost of Rs 1.22 crore to the exchequer.

The Board stated (August 2007) that the EMD was not specified in the tender notice and the change in the size of books was conveyed to the tenderers who had quoted the rates. The reply is not tenable as EMD as a percentage of total value was fixed in the tender notice and the change in size of books was not conveyed to the tenderers who had obtained the tender forms but not participated in the tendering due to the pre condition regarding the size of books.

The Board further stated that Digantha Mudrana Ltd. offer was not considered as no time was left for negotiation as finalisation of tender was a time bound work. The reply is not tenable as the Board was having sufficient time and the work order was issued only on 24 April 2006.

PUBLIC WORKS DEPARTMENT

4.2.4 Nugatory expenditure of Rs 69.84 lakh

Sub-divisions of Public Works Division X continued to operate without adequate work load resulting in nugatory expenditure of Rs 69.84 lakh.

The Public Works Division X (stores) was set up (1980) for procurement of various materials and stores for supply to other public works divisions in the State. The division has three sub-divisions (I Ponda, II Margao and III Tonca Miramar). The division was also entrusted (August 2002) with the work of auctioning of machines/vehicles for the entire Public Works Department (PWD).

Scrutiny of records revealed that the Principal Chief Engineer had issued (November 2003) an order permitting all divisions of PWD to hold stores valued up to Rs one crore and all sub-divisions up to Rs 10 lakh. The Department had also directed (November 2004) its divisions to place indents directly with the Government Printing Press for stationery required instead of routing through Division X. These orders had an effect of reduction in procurement of stores by Division X.

Sub–division I, Ponda which had the charge of procurement and distribution of bitumen, pipes, stationery and spares for hot mix plant, handled the last transaction of stores in May, 2003. This sub-division was left with the job of auctioning of vehicles for the past three years which could have been handled by other sub-divisions. The sub-division has only held merely 6 auctions between 2004-05 and 2006-07 for disposing 42 vehicles and 32 unserviceable items. For doing this work eight persons were posted. The pay and allowances of the personnel for these three years were Rs 31.33 lakh.

The work load of other two sub-divisions also decreased as the division stopped procuring pipes and stationery from 2003-04. The total value of materials procured by sub-division II in the year 2006-07 was only Rs 17.12 lakh and that of sub-division III Rs 25.78 lakh against which the pay and allowances of these sub divisions were Rs 23.54 lakh and Rs 14.97 lakh respectively. This work of procurement also could have been handled by respective divisions.

The ratio of establishment expenditure against the value of materials procured by Division X for the last three years was 58 *per cent* in 2004-05, 32 *per cent* in 2005-06 and 173 *per cent* in 2006-07. The sharp increase in the ratio (173 *per cent*) in the year 2006-07 was attributed to dwindling purchases of other two sub-divisions.

The continuation of sub-division I without adequate work load has resulted in nugatory expenditure of Rs 31.33 lakh on pay & allowances for the years 2004-05 to 2006-07. Further Rs 38.51 lakh incurred on pay and allowances of sub-division II & III in 2006-07 without adequate work resulted in nugatory expenditure. The continuation of three sub-divisions under Division X proved uneconomic in the light of reduction in the activities of all sub-divisions and sharp increase in the ratio of establishment expenses. The department could have diverted the surplus staff by restructuring the division, as there were number of vacant posts[♥] in PWD in April 2005 against the sanctioned strength.

[♥] Vacant Posts : Junior Engineers - 63, Draughtsman - 2, Lower Division Clerk - 99, Store Keeper - 3, LMV Driver - 6, Supervisor - 1 and Labourer - 1.

The Government stated (July 2007) that in addition to auction of vehicles, the sub-divisions were engaged in inspection and valuation of vehicles of other departments, issue of materials already stocked earlier and further agreed to re-deploy the surplus staff to needy divisions. Their reply is not tenable as the inspection and valuation of articles was occasional in nature and the initial stock of stores was of Rs 82 lakh only. As such optimum utilisation of manpower was not carried out; re-deployment of staff was yet to take place.

TOWN AND COUNTRY PLANNING DEPARTMENT

4.2.5 Avoidable interest payment of Rs 38.66 lakh

Wrong calculation of compensation amount resulted in avoidable interest payment of Rs 38.66 lakh.

The Government acquired (December 1982) land admeasuring 92,745 Sq. meters situated at Pilerne and offered a rate of Rs 25 per Sq. meter. Dissatisfied with the rate offered, the owner of the land approached the Collector in January 1985 who referred (August 1985) the case to District Session Judge due to dispute over the title of land and enhanced compensation. The Court awarded (March 2000) enhanced rate of land of Rs 54 per Sq. meter along with 30 *per cent* Solatium on the value of land and 12 *per cent* interest per annum on the said value for the period from the date of publication of notification to the date of the Award or the date of taking possession whichever was earlier.

The Land Acquisition Officer, while working out the enhanced compensation calculated interest on value of land alone instead of an entire amount as ordered by the court. The owner again approached (November 2005) the court which directed (February 2006) the Government to pay the difference of Rs 45.35 lakh plus the interest at 15 *per cent* per annum from February 2001 till date of payment. Accordingly, the Government paid Rs 84.01 lakh (Rs 45.35 lakh towards difference in calculation and Rs 38.66 lakh towards interest @ 15 *per cent*) in April 2006.

Thus, wrong calculation of amount of compensation payable for the acquired land resulted in avoidable payment of interest of Rs 38.66 lakh. Considering that the Government's average rate of borrowing was about seven *per cent* during the period, the excess burden on exchequer works out to Rs 18.59 lakh.

The Department (August 2007) accepted the audit observation and stated that wrong calculation of compensation payable resulted in avoidable interest payment.

4.3 Idle Investment/Idle Establishment/Blockage of funds

TOURISM DEPARTMENT

4.3.1 Idle investment of Rs 2.46 crore in Mala Lake Project

Indecision of Government in taking up phase II work of the project of Development and Beautification of Mala Lake has resulted in idle investment of Rs 2.46 crore.

The Goa State Infrastructure Development Corporation (GSIDC) took up (January 2003) the work of development of Mala Lake as part of tourism infrastructure improvement. The project envisaged cleaning up the existing filthy area, construction of proper drainage, approach roads, sewage systems, development of lake and surrounding area for recreational activities. The Government released (March 2003) Rs three crore as annual grant in 2002-03 to GSIDC for this and other projects.

The project was proposed to be implemented in two phases. Phase I comprised of construction and rectification of drains, road works and development of lake. Phase II comprised of beautification and recreational facilities. The works under phase I were split into three parts and awarded (July 2003) to two contractors (part I - construction and rectification of drains and part II - road work to M/s RBS Candiaparcar and part III - development of lake to M/s Ninan) at a total cost of Rs 1.70 crore. The works of part I and II were completed in October 2004 at a cost of Rs 1.46 crore and that of part III in May 2005 at a cost of Rs 0.88 crore. The expenditure on Phase I worked out to Rs 2.46 crore including consultancy fee and other miscellaneous expenses of Rs 0.12 crore.

In the meantime, the Government issued directions in March 2006 to GSIDC to hand over the project to North Goa Planning and Development Authority (NGPDA) for carrying out the day to day upkeep and maintenance of the lake. The NGPDA expressed its inability to take over the project due to financial constraints and non availability of staff and machinery. The project has not yet been taken over by the NGPDA (May 2007). The work on Phase II is yet to start (May 2007). As a result, no upkeep and maintenance of the lake was being done.

GSIDC contended that the work under Phase II could not be taken up for want of necessary Government approval. The Government is yet (May 2007) to take a decision about Phase II even though the Phase I was completed in May 2005. Thus, the indecision of the Government in taking up phase II of the project has resulted in infrastructure created at a cost of Rs 2.46 crore remaining idle for two years.

The Department (August 2007) stated that the drainage and road network has been put to use and hence the infrastructure created has not remained idle. The reply is not tenable as the project was intended for promotion of tourism and the infrastructure created under Phase I could not be put to fruitful use relating to promotion of tourism due to non taking up of Phase II.

TOWN AND COUNTRY PLANNING DEPARTMENT

4.3.2 Idle investment of Rs 1.94 crore on construction of Mala Market Complex

Poor project planning by NGPDA resulted in delay in execution of work on market complex at Mala, Panaji and consequent idle investment of Rs 1.94 crore on incomplete work for over two years.

The North Goa Planning and Development Authority (NGPDA) had decided to construct a market complex at Mala, Panaji to release the pressure on the existing Panaji Municipal Market. The Market was proposed to be constructed in two stages as Piling work and Superstructure work. The first stage piling work was proposed to be taken up with the NGPDA's fund. The second stage of construction of superstructure work was proposed to be taken up with the Government assistance.

The piling work of the above project was awarded (August 1997) to Premier Builders, Panaji for Rs 47.25 lakh. The work scheduled to be completed in March 1998 was not completed in time. The contract was terminated (December 2000) due to paucity of funds after completing a part of the work costing Rs 41.38 lakh.

In order to complete the balance work the Government sanctioned (November 2001) grant in aid of Rs one crore. The administrative approval and expenditure sanction for the balance work of piling and superstructure of the market costing Rs 1.83 crore was granted by NGPDA in February 2002 and the work was awarded (February 2002) to the lowest pre-qualified tenderer at a tendered cost of Rs 1.54 crore. The time period for completion of work was 360 days from the date of issue (4 February 2002) of work order. The NGPDA had also awarded (September 2003) the electrical installation work at a cost of Rs 23.75 lakh and work for construction of Sulabh Souchalaya (January 2004) at a cost of Rs 7.15 lakh.

The NGPDA had requested (February 2004) the Government for sanction of additional fund to the tune of Rs 85 lakh for the completion of the work and the Government sanctioned grant in aid of Rs 40 lakh in November 2004. Inspite of this the progress of these works was very slow and the contractor stopped (January 2005) the work due to non payment of bills. The work was physically completed up to 85 *per cent*. The expenditure incurred on the market complex up to January 2005 was Rs 1.94 crore.

Audit scrutiny revealed that:

- The NGPDA had estimated in August 1996 the piling work cost at Rs 22.67 lakh and the superstructure cost at Rs 84.88 lakh. But the cost of piling work increased to Rs 47.25 lakh at the time of award of contract in August, 1997. It was, therefore, clear that the estimated cost of superstructure might also go up. The NGPDA, therefore, should have made a comprehensive project report indicating cost and funding pattern. In case, assistance from the Government was required, an approval for the project with assurance for funds should have been obtained from the Government by the NGPDA. However, the NGPDA neither prepared a project report nor obtained an assurance in writing from the Government for funding. As a result of poor project planning, the piling work had to be stopped in December 2000, due to paucity of fund, after incurring an expenditure of Rs 41.38 lakh.

- The Government sanctioned (November 2001) Rs one crore for completing the complex. The administrative approval of the NGPDA indicated that the balance work of piling and superstructure would cost Rs 1.83 crore. The NGPDA, without finalizing the funding for balance Rs 83 lakh (Rs 1.83 crore – Rs one crore grant from the Government), went ahead with awarding the work since February 2002. The total cost of works awarded by it since February 2002 was Rs 1.85 crore. As it had received only Rs one crore from the Government, it again approached (February 2004) the Government for sanction of additional Rs 85 lakh. The Government sanctioned Rs 40 lakh in November 2004. The work therefore remained incomplete. Thus, the continued poor project planning by the NGPDA resulted in idle investment of Rs 1.94 crore in an incomplete market complex.

- The NGPDA again approached (October 2005) the Government for additional fund of Rs 56 lakh for completion of ground floor work. This was not acceded to and the Government directed (October 2005) NGPDA to complete the work of the ground floor of market complex in all respects in the first instance and dispose off the shops by formulating a comprehensive scheme with due approval of the Government and the income derived from the sale of ground floor spaces should be utilised for completing the remaining work. The NGPDA framed a comprehensive proposal and forwarded (December 2005) to Government for approval and again requested (June 2006) Government for grant in aid of Rs 56 lakh to complete the ground floor. The Government has neither communicated approval for the proposal nor sanctioned the additional grant in aid so far (May 2007). Thus, the project taken up in August 1997 still remains (May 2007) incomplete, even after a lapse of almost 10 years and an expenditure of Rs 1.94 crore.

The Department (August 2007) stated that though 85 *per cent* of the work was completed, the market could not be put to remunerative use. The Department further stated that proposal for additional funds had been forwarded to Government and the same was under consideration.

4.4 General Paragraphs

4.4.1 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 2006 pertaining to 41 Departments showed that 847 paragraphs relating to 250 IRs were outstanding at the end of June 2007. Of these, 56 IRs containing 67 paragraphs were more than five years old. 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 are detailed in **Appendix 4.1 (A)**. 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 up to June 2007 in respect of 188 Paragraphs of 25 Inspection Reports as detailed in **Appendix 4.1(B).**

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.

4.4.2 Follow up on Audit Reports

According to instructions issued by the Goa Legislature Secretariat in July 2004 Administrative Departments were required to furnish Explanatory Memoranda (EMs) 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 25 paragraphs/reviews in respect of which the EMs were not received as of September 2007 from the Administrative Departments, as shown below.

Audit Report	Date of tabling the Report	Number of Paragraphs & Reviews	Number of EMs received	Balance
2000-01	26 August 2002	26	22	4
2001-02	20 February 2004	13	13	Nil
2002-03	14 January 2005	12	10	2
2003-04	31 August 2005	9	8	1
2004-05	12 July 2006	11	4	7
2005-06	30 July 2007	11	Nil	11
	Total	**82**	**57**	**25**

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

CHAPTER – V

Internal Control

CHAPTER - V

INTERNAL CONTROL

GENERAL EDUCATION DEPARTMENT

5.1 INTERNAL CONTROL IN GENERAL EDUCATION DEPARTMENT

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 is 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[1] 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 General Education Department has shown that:

Highlights

> - Receipt books with duplicate numbers were found in South Education Zone and Government Multipurpose Higher Secondary School, Margao. North Education Zone did not maintain a stock account of receipt books.

(Paragraph 5.1.6.1)

> - The loan of Rs 30 crore availed of by Government from Goa State Infrastructure Development Corporation (GSIDC) was not routed through the Consolidated Fund of Goa. The payment of interest was understated as this expenditure was booked under Capital outlay instead of the Interest head of account.

(Paragraph 5.1.7.1)

> - Of the GSIDC loan, Rs 29.77 crore was disbursed (as of March 2007) to 200 institutions as 50:50 interest free loan/grant, without executing agreement between Government and institutions. Enforcement of recovery totalling Rs 1.16 crore in respect of ten schools which did not utilize the grants has become (June 2007) doubtful.

(Paragraph 5.1.7.1)

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[1] Committee of Sponsoring Organisations of the National Commission on Fraudulent Financial Reporting or the Treadway Commission.

- Periodic academic inspections prescribed under the School Education Rules, 1986 were not conducted as per norms during 2002-07.

(Paragraph 5.1.8.1)

- Internal audit of 1,100 Government schools/99 DDOs of Department had not been conducted since inception despite Finance Department's instructions.

(Paragraph 5.1.8.2)

Introduction

5.1.1 School Education in Goa

Goa enacted the Compulsory Education Act, 1995 and enforced it from September 1996, to ensure that no child in the age group of 6-14 years remains out of school. Six* out of eleven talukas in the State have been declared as educationally and infrastructurally backward talukas. Literacy in Goa as per the 2001 census was 82.3 *per cent.*

5.1.2 Organisational set-up

The Secretary (Education), Government of Goa has administrative control of Education Department. The Director of Education, who is also Ex-officio Joint Secretary (Education), heads the Directorate of Education (General Education) and is assisted by a Director (Administration), Joint Director of Accounts, six Deputy Directors of Education and nine Assistant Directors of Education. At the block level 12 Assistant District Educational Inspectors (ADEIs) look after the work of administration, supervision, co-ordination, monitoring etc., under the supervision and guidance of the Assistant Directors of Education/Deputy Directors of the respective zones.

The State has been divided into three zones by the Department, viz., Central, South and North. Each Zonal office is headed by a Deputy Director of Education, assisted by an Assistant Director of Education for academic matters. An Assistant Accounts Officer functions as Drawing & Disbursing Officer (DDO) at the Directorate and one each at the Zones. As on March 2007 the total number of Government and Aided schools was 1,100 and 398 respectively.

5.1.3 Audit objectives

This review of Internal Control has been conducted to test compliance with the General Financial Rules, Receipt and Payment Rules, related accounting instructions and the Goa Education Rules, 1986 alongwith supplementary departmental directives. In addition, the arrangements for information, communication, monitoring and evaluation including Internal Audit and

* Bicholim, Canacona, Pernem, Quepem, Sattari and Sanguem.

Vigilance have been examined. Internal Control activities designed and put into operation for enforcing the management directions and ensuring achievement of programme objectives have also been examined for some selected areas.

5.1.4 Audit Coverage

The audit was conducted by test check of records for the period 2002-07 at the Secretariat, Directorate of Education, two Zonal Offices[2], DIET[3], SIE[4], three ADEIs[5], three GHSS[6] and five GHS[7] during the period March to June 2007.

The audit objectives were discussed in the entry conference with the 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 Secretary of the Department in July 2007.

Audit Findings

5.1.5 Compliance with General Financial Rules and instructions related to Budget formulation and utilisation

5.1.5.1 Non receipt of estimates from subordinate offices

The State Government did not have any budget manual of their own and all the provisions of the General Financial Rules are followed for implementation of budget and other financial matters. The details of budget provision and expenditure of General Education Department for five years 2002-07 are given below.

(Rupees in crore)

Year	Capital Expenditure			Revenue Expenditure						
	Budget Provision	Expenditure	Percentage Savings(-) Excess(+)	Budget Provision	GoI Funds	Teaching/ Non-Teaching Staff Salaries	GIA Salaries	Other Expenditure	Total Expenditure	Percentage Savings(-) Excess(+)
2002-03	1.49	1.41	(-) 5.36	213.18	0.49	62.47	126.10	24.12	212.69	(-) 0.45
2003-04	3.20	3.01	(-) 5.93	207.38	0.56	57.25	117.29	32.55	207.09	(-) 0.40
2004-05	4.57	4.49	(-) 1.75	228.73	0.01	62.95	128.07	37.10	228.12	(-) 0.27
2005-06	4.25	4.15	(-) 2.35	235.71	4.15	64.85	140.11	29.92	234.88	(-) 0.27
2006-07♦	13.62	13.90	(+) 2.06	304.58	1.86	66.97	145.21	89.56	301.74*	(-) 1.53
Total	**27.13**	**26.96**		**1,189.58**	**7.07**	**314.49**	**656.78**	**213.25**	**1,184.52**	

* The increase in expenditure in 2006-07 is attributable mainly to implementation of Cyberage Scheme.

[2] North and South Zones.
[3] District Institute of Education & Training, Porvorim (DIET).
[4] State Institute of Education, Porvorim (SIE).
[5] Assistant District Educational Inspectors- Pernem, Quepem and Vasco.
[6] GHSS- Margao, Sanquelim, Pernem.
[7] GHS - Government High School - Agarwada, Alto Betim, Mulgaon, Vadenagar, Vasco main.
♦ Provisional
* Includes original, supplementary and re-appropriation.

Though budget estimates were to be prepared based on estimates received from subordinate offices, it was seen that in respect of 91 DDOs out of 99 in the Directorate, estimates had not been received (2005-06). The Department replied (September 2007) that the left out DDOs, were heads of schools (High/HSS) incurring expenditure on salary/office which was within the control of Directorate. The reply is not tenable, as the DDOs should have their own allotment of funds based on their estimates.

5.1.5.2 *Retention of amounts of AC Bills for long periods and delay in submission of Detailed Contingent (DC) bills*

General Financial Rules prescribe that amount should not be drawn to avoid lapse of funds and detailed contingent (DC) bill should be submitted within a month of date of drawal of Abstract Contingent bill. Amounts of Rs 5.50 lakh and Rs two lakh were drawn (March 2005) for payment towards survey work of Sarva Shiksha Abhiyan (SSA) by SIE. Both the cheques dated 31 March 2005 were encashed on 29 June 2005. Disbursements totaling Rs 4.99 lakh/ Rs 1.85 lakh were made between August 2005 - February 2006 and September 2005 - October 2005 respectively and balance amounts credited (March 2006) into Government treasury. DC bills were submitted after one year from the date of drawal. The encashment after three months from drawal of cheques showed that the amount of Rs 7.50 lakh was drawn at the fag end of financial year 2004-05 to avoid lapse of funds.

SIE drew amounts frequently on AC Bills for incurring expenditure on training/scholarships etc. During 2005-07 out of 70 AC bills drawn for a total of Rs 27.30 lakh, DC bills in respect of 55 AC bills for a total of Rs 15.42 lakh were submitted to Director of Accounts, Panjim with delay ranging from one month 24 days to 10 months. The Department's reply (September 2007) that the survey continued for a long period and disbursements could be completed only by February 2006, shows that the AC bills were not drawn as and when required.

5.1.6 Compliance with Receipts and Payments Rules

5.1.6.1 *Stock Accounts of receipt books not maintained*

Non maintenance of proper stock account of receipt books resulted in duplicate numbers for Receipt Books

- According to Government of Goa Receipt and Payment Rules 1997, machine numbered receipt books are required to be obtained from the Government Printing Press (GPP), Panaji. Audit scrutiny of the records maintained for receipt and issue of receipt books at the Directorate, Zonal and other units revealed that the Directorate and three zones separately obtained receipts books from GPP. The receipt books were numbered by the Accounts sections only at the time of issue to various departments, instead of getting them numbered by GPP or numbering them immediately on receipt from GPP and recording the numbers in the stock account register under attestation by DDO/Joint Director of Accounts. Periodical physical verification of the blank receipt books was also not done by the

DDOs (DE/Zones). The Directorate's stock account showed several incorrect entries. At GMHSS, Margao, it was found that there were two TR-5 receipt books bearing the same serial number 29 and both Receipt books had been put to use in June 2002. The stock register of TR-5 receipt books of the Directorate showed that only one book Sr. No. 29 was issued to the school. Thus non-numbering/recording the serial number in stock account at the time of receipt of stock is fraught with risk of misappropriation. The Department replied (September 2007) that the mistake could not be traced out due to non-maintenance of register for Receipt Books by GMHSS, Margao.

- The North Education Zone, Mapusa did not maintain a register to show the Receipt books indented from GPP/ obtained from private parties and issued to Cashier/Government Village Libraries (GVL). A total of 14[▲] receipt books (used/in use/ unused) printed by GPP in 1992 were shown to audit. A few of these receipt books were used by Government Village Libraries under the zones. Eight[✦] intermediate numbers of receipt books were missing. Neither the GPP indents nor other records to establish the quantity of receipt books brought to NEZ could be shown to audit. Audit could not ascertain whether the eight receipt books were put to use and the money received was deposited into Government Treasury. The reasons for the non-availability of these receipt books could not be explained by the Department, which stated (June 2007) that the concerned staff had retired. The Department instructed NEZ to trace out the Stock Register for Receipt Books.

- DDO (SEZ), Margao had not taken over from the stationery clerk, a total of 58 blank receipt books indented from GPP in Feb 1992/Jan 2001. Of these, 50 were unnumbered and of the remaining eight receipt books numbered, one receipt book had two numbers viz. 47 and 193. Physical verification of this stock had not also been conducted since receipt of stock. The Department accepted (September 2007) the audit contention and stated that the number 193 is the correct number. This indicates the lack of control by DDO (SEZ).

5.1.6.2 Transactions not routed through Cash Book and Non-reconciliation

Receipt vouchers for registration fees of coaching classes and Cyberage scheme, not issued. Delay of over six months in remittances to Treasury and non-reconciliation of receipts and remittances

- According to Goa Receipt and Payment Rules 1997, all transactions of receipts and payment should be supported by the prescribed vouchers. The receipt transactions, were to be supported by TR-5 receipts. Audit scrutiny revealed that the fees for registration under the Goa Coaching Classes (Regulation) Act, 2001 and renewal of certificate of registration ranging from Rs. 100 to Rs 8,000 per annum depending on the strength of students per class, were collected by the zones in the form of Demand Drafts/Cheques, but TR-5 receipts were not issued. The Demand

▲ 304, 307, 310 (used) 315, 324 (In use) 316, 317, 318, 319, 320, 321, 322, 323, 325 (blank) = 14 receipt books.

✦ 305, 306, 308, 309, 311, 312, 313, 314 = 8 receipt books.

Drafts/cheques were then sent by the Zones (North/South) to the Directorate for remittance into Government treasury, with delays of over six months. From September 2006 the Zones were directed to credit the amounts through local banks (Mapusa/Margao). These transactions were not routed through the Cash book, nor was a reconciliation between collection and remittance into Government treasury done either at Zonal or Directorate level.

- At GHSS Sanquelim, TR-5 receipts were also not issued for Cyberage scheme registration fees ranging from Rs 1,000 to Rs 3,000 during 2002-07. Nor were acknowledgements issued, in token of receipt of fees from the students.

- GHSS Pernem had not recorded in Cash Book either the collection amounts of registration fees from 2002-03 to 2006-07 or the refund of Rs 0.76 lakh (2003-04) in respect of 50 *per cent* concession granted to SC/ST/OBC and all students of this remote taluka.

- NEZ/SEZ had issued TR-5 receipts books to Government Village Libraries (GVLs) for collection of membership fees. The GVLs under SEZ had not handed over the collections of fees to SEZ, nor did SEZ obtain the counterfoils/challans from the GVLs in their jurisdiction. Full accounting of these fees into Government treasury could not be ensured. The Department stated (September 2007) that the instructions were being issued separately to all DDOs/Zones to follow proper accounting procedure.

5.1.6.3 Cash Book maintenance

Revenue receipts not accounted for

Financial rules require that cash books should have the pages machine numbered and certified by DDO before it is put to use. Attestation of transactions and monthly closing is also required to be done. A review of the cash books at NEZ Mapusa showed that during August 2001, August 2002, December 2002 - May 2004, December 2004 - February 2006 the transactions had not been attested and the certificate of count of pages had not been affixed by the DDO. On 7 January 2003 receipt numbers 31 to 37 for Rs 120 (book number not cited), are shown as remitted to Government Treasury. But these receipts were not entered on receipt side of cash book. What was entered, viz. receipt numbers 25, 26, 27 dated 7 January 2003 for total of Rs 720 in cash book does appear to have been remitted into treasury. Thus the cash book was made to agree without showing all transactions. Further test check showed that seven cash receipts totaling Rs 1.25 lakh remitted into Government treasury as per challan register had not been recorded in cash book. The DDE stated (June 2007) that action as deemed fit would be taken against the concerned, after investigation. The Department stated (September 2007) that action was being taken to impart training on maintenance of cash book. No reply was given regarding difference in cash book of NEZ.

In two[*] Government High Schools, audit observed that during 2002-07 cash books were not closed monthly and physical verification of cash balance was not conducted.

5.1.7 Internal Control activities

5.1.7.1 Loan cum Grant scheme to aided institutions without agreements

Government announced (2001-02) a scheme to finance Non-Government aided educational institutions (NGAIs) to equip every school in Goa with basic minimum infrastructural facilities such as classrooms, toilets, playground, furniture etc. The scheme envisaged assistance ranging from Rs 6-12 lakh for Primary, Rs 15-24 lakh for Secondary and Rs 18-24 lakh for HSS. The last date of receipt of applications for the scheme was 31 March 2004. Of the total amount sanctioned to the institution, 50 *per cent* was grant and 50 *per cent* interest free loan, to be repaid in equal/equated monthly instalments. Government availed during 2001-07 loans totaling Rs 30 crore from Goa State Infrastructure Development Corporation repayable within periods ranging from 5½ years to 15 years and disbursed (March 2007) an amount of Rs 29.77 crore to 200 institutions. Audit scrutiny revealed that:

Infrastructure loan availed of not routed through Government accounts

- The loan of Rs 30 crore availed by Government from GSIDC was not routed through the Consolidated Fund of Goa. Repayment of loan and payment of interest totaling Rs 17.72 crore (March 2007) was made under capital outlay on Education Annuity contribution to GSIDC. Thus the interest payments under the appropriate interest head of account were understated. The Department replied (September 2007) that the pattern was approved by Finance Department to boost Public/Private Partnership and therefore the loan availed of from GSIDC was not routed through the Consolidated Fund of Goa. The reply is unacceptable as it is contrary to provisions of General Financial Rules.

- Terms and conditions of loan prescribed 0.5 *per cent* of loan as processing fees. The Government paid Rs 15 lakh as processing fee and Rs five lakh as guarantee fees though Government was the loanee, despite the major processing being done by the Directorate of Education, as GSIDC only signed the cheques which were also issued to the institutions by Directorate of Education. The Department accepted (September 2007) that they processed the cases of the institutions and stated that the fees paid were for the processing to raise the loan, which was not tenable as GSIDC charged processing fees which implied that the processing would be done by GSIDC.

- Though the scheme was implemented from 2001-02, the guidelines for implementation of the scheme were framed/approved by Government only in December 2005. No agreements were executed with the institutions to

[*] GHS, Vasco (main) and Agarwada.

safeguard recovery of loan. Thus, enforcement of recovery particularly in respect of ten* schools which did not utilize the loan/grants totaling Rs 1.16 crore was doubtful. The Department replied (September 2007) that execution of agreement was not required. The reply is not tenable as agreements are safeguards against defaults.

- Ledgers/Consolidated record/returns to monitor repayment of loans by institutions were not maintained. The amounts outstanding therefore, could not be ascertained. The Department stated (September 2007) that the post was vacant. This only indicates lack of monitoring of recovery of loans.

Thus the scheme did not provide necessary guidelines/execution of agreement for recovery/repayment/breach of contract and did not conform to Government rules for accounting of loans in the Consolidated Fund of Goa.

5.1.7.2 Disparity in the rates of fees/deposits

The Goa Education Rules 1986 prescribe a term fee @ Rupees eight per term and Pupil fund @ Rupees two per month. The amounts of Rs 16 (two terms) and Rs 24 in a year were to be credited to a separate bank account and utilized for the students physical/extra curricular activities. Government issued (February 1999) guidelines on the collection and accounting of General/Caution Money Deposit (CMD)/laboratory deposit @ Rs 100 per student, to be credited in a Personal Ledger Account (PLA) at sub-treasury level. The Goa Board of Higher Secondary Education (GB) prescribed an enrolment fee of Rs 60 per student at the time of admission to Std XI or XII.

PLA Cash Book, Pernem does not reflect all PLA transactions. Caution money collection utilized for refund, without routing through the cash book

Test check of three GHSS+ revealed that different rates of fees/deposits were charged by each GHSS during 2002-07. These transactions were either not recorded or partly recorded in Personal Ledger Account. GHSS Pernem's PLA Cash book showed no transactions between 21 March 2000 and 11 July 2001 and very few CMDs were recorded each year during 2002-07, as the deposits were being partly^ utilized for refunds of students finishing/leaving school. Audit scrutiny at GHSS Pernem also revealed (May 2007) that the last PLA

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		Rupees in lakh			Rupees in lakh
1)	Chandranath E.S.H.S. Assolda	11.00	6)	Parse H.S. Parse	07.50
2)	Dnyanprasarak Mandal, Mulgaon	10.00	7)	R.Rane Mem. H.S. Molinge	10.00
3)	Kasturba M.H.S. Panaji	10.00	8)	Rosary H.S. Miramar	15.00
4)	New English H.S.S. Mandrem	22.50	9)	Union H.S. Chimbel	10.00
5)	National H.S. Valpoi	07.50	10)	Vikas High school Valpoi	12.00

+GHSS at Margao, Pernem and Sanquelim.

^ Between 19/09/05 and 02/08/06 amount of Rs 3,240 was refunded to 81 students without being accounted as departmental receipt.

cheque for Rs 4,000 was drawn in December 2001. The refund of CMDs totaling Rs 4,000 extended from 16 January 2002 to 17 August 2005. Also, neither was a CMD register giving details of TR 5 receipts issued for collection of caution money maintained, nor a reconciliation between CMD/Laboratory deposits collected and refunds made carried out. Though Rs 6,570 only was collected (2002-03) from 123 students towards enrolment fees, an amount of Rs 8,580 was remitted (July 2002) to the Goa Board. The Principal (GHSS, Pernem) could not indicate the account from which the difference of Rs 2,010 was obtained. Thus controls in the accounting of PLA deposits were weak in GHSS Pernem. The Department replied (September 2007) that the difference of Rs 2,010 was met from own resources. This showed that the principles of accounting for Government money were not observed and that personal and Government funds were mixed up.

Wide disparities in the rates of fees/deposits charged in Higher Secondary Schools

GMHSS Margao recorded both admission fees/deposits and Cyberage Registration fees in the PLA Cash book in 2005-07 though they were to be recorded in separate Cash Books. Further a CMD register had not been maintained despite collecting CMDs/Laboratory Deposits (LD) for XI & XII standards @ Rs 400 per student as against a prescribed CMD/LDs of Rs 200 only for XI.

Audit scrutiny also revealed that despite Department stating (1999) that GHSS should have had a common prospectus to avoid variations in rates and procedure, there was wide disparity in the rates from one school to another. At Pernem and Margao no prospectus was published. The three GHSS visited, had admission fees ranging from Rs 365 to Rs 665 (XI – S/V*), Rs 150 to Rs 595 (XII- S/V), Rs 290 to Rs 565 (XI Arts/Commerce) and Rs 150 to Rs 505 (XII Arts/Commerce). Approval of the Department for the rates charged could also not be produced to audit. Thus, despite issue of guidelines for uniformity in rates of fees and procedure for accounting in GHSS, the Department did not issue any uniform rates prospectus nor monitored the rates and accounting in GHSSs. The Department replied (September 2007) that a general circular to maintain uniform rates of fees in Government schools would be issued separately.

5.1.7.3 Lack of controls in drawals of salary grants to aided schools

Drawal of GIA salaries without maintenance of control registers showing superannuation date etc.

The Grant in Aid (GIA) towards salary grants to aided schools ranged from Rs 117.29 crore to Rs 145.21 crore during 2002-07. The GIA cheques were drawn at Directorate level and sent to zonal offices for issue to the concerned institutions. Audit scrutiny revealed that the amounts were drawn based on the bills received from the institutions. The Department lacked controls in respect of verification of adjustments/recoveries to be made for staff proceeding on EOL/leave without pay/suspension/voluntary retirement/superannuation and recoveries prescribed by Audit Cell of the Department in their Inspection Reports. In this respect it is seen that as the date of superannuation was not on record with the department, a case arose wherein the Headmaster of an aided

* S/V = Science/Vocational.

school in Panjim continued to draw salary for eight months beyond the date of superannuation (30 April 2006). When the matter came to the notice of the Department on public complaint, the Director of Education issued a show cause notice to the Chairman, School Managing Committee regarding the fraudulent drawal of salary of the retired Headmaster amounting to Rs 1.84 lakh.

Further, though the Audit Cell conducts audits of aided schools, the Department lacks a system of submission of returns by the GIA section/Audit cell to each other and to the controlling officer, to monitor the recoveries. A test check by audit revealed that in respect of a Higher Secondary School in Ponda, out of a recovery of Rs 3.91 lakh pointed out in January 1992/August 1993 reports, only two instalments @ Rs 65,000 had been adjusted in 2005-07, leaving Rs 2.61 lakh outstanding (April 2007) for over 12 years. Records did not also indicate the authority who had fixed the quantum of instalment for recovery. The Department stated (September 2007) that they would maintain register for the staff strength of schools and the Zones for the officials/teachers retiring within five years. However, their reply inferring that it was solely the management's responsibility to verify EOL sanctions/ release of increment/ date of retirement, was not acceptable in audit, as the Department would not be aware of excess grants released unless the management intimated the same.

5.1.7.4 Non-maintenance of control registers at Zonal/ADEI's offices for payment of electricity/water bills of GPS

There were (2006-07) a total of 948* Government Primary Schools in Goa. As one of the ADEIs of each taluka is declared DDO for drawal of salaries of GPS teachers and ADEI's office staff, the maintenance (electricity/water) bills of the Government Primary Schools were being forwarded by the taluka ADEI to the respective zone for payment. A test check at North Zone and ADEI, Pernem revealed that the zone made these payments of electricity and water bills through the permanent advance of Rs 8000 (enhanced from Rs 5000 in February 2005), without maintaining a control register to record the monthly bills. Further, ADEI, Pernem records revealed that seven+ GPS were closed for periods from one to ten years (as of May 2006), but electricity supply had not been disconnected. The bills were being forwarded routinely to the zone without the zone/ADEI taking further action for disconnection. Audit could not ascertain the quantum spent after closure of the schools for want of control registers regarding these charges. The Department stated (September 2007) that ADEIs would henceforth maintain relevant register.

5.1.7.5 Records of computers not maintained

The Directorate of Education did not maintain (February 2007) stock records of computer hardware which consisted of 22,602 P.Cs, UPS and printers,

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* North Zone- 368, South Zone- 257, Central Zone- 323.

+ GPSs at Devsu Korgaon, Betkhal Agarwada, Terakhol, Madhobawada Morgim, Ashvem Mandrem, Bandekarwada Morgim, Janaswada Mandrem.

worth Rs 42.24 crore, procured for implementing Cyberage Scheme. As a result, the receipt/issue and balance available could not be verified. There were also no records from which it could be ascertained if computers issued to schools had been distributed to the students.

5.1.7.6 Surplus teachers in Government Schools

There was an additional unfruitful expenditure of Rs 1.36 crore on 49 surplus High School teachers for two years

In respect of Government High Schools (GHS) Government prescribed (September 1991) the number of teachers based on the number of admissions in the school, commencing with nine teachers for six divisions to 23 teachers for 16 divisions. Audit scrutiny revealed that despite an existing surplus (2005-06) of 49 Assistant Teachers (ATs) including Drawing Teachers (DTs), Department promoted (December 2005) on probation of two years, 99 GPTs/Laboratory Assistants/Supervisors to ATs/DTs and appointed (January 2007/February 2007) 27 fresh ATs/DTs creating an additional unfruitful burden of Rs 3.35 lakh p.m.[+] (March 2007) in addition to the Rs 1.36 crore[#] on the 49 surplus ATs/ DTs for 2005-07. The lack of controls in maintenance of consolidated records/guard files of sanctioned strength and men-in-position resulted in irregular appointments and heavy burden on the exchequer. The Department's reply (September 2007) that there was no surplus is not acceptable in audit as the surplus pointed out from 2005-06 was based on the enrolment of students.

5.1.7.7 Non-maintenance of manpower details

Non-availability of consolidated record for sanctioned strength/men-in-position at Directorate/ Zones/ADEIs

The Directorate of Education did not have any records for manpower such as guard files, consolidated registers or district-wise registers, showing the number of posts sanctioned from time to time to verify the correctness of the number of posts for which salaries were drawn by all units. The zonal offices (Deputy Directors of Education), ADEIs (DDOs for hundreds of Middle/ Primary schools), Government Higher Secondary Schools and Secondary Schools also did not have any consolidated record/Government orders relating to sanctioned posts of teachers in their districts. Thus the Department could not furnish (June 2007) the Sanctioned Strength/Men-in-Position of the Department. Neither the Academic section nor the GIA cells in the Directorate processing the salary grants for the aided schools had any register showing the sanctioned strength. Thus, the number of posts of teachers actually approved was not verifiable in audit, though as per 2005-06 statistics there were 3,254 teachers in 1,100 Government schools and 5,184 teachers in 398 aided schools. Further, neither the Directorate nor the subordinate units maintained any charge registers for the work allocated to the administrative and surplus teaching staff. Thus, a system of entrusting the responsibility of duties assigned to each post was lacking. Department replied (September 2007) that consolidated registers showing the number of posts and post-wise registers for certain categories of field staff were maintained. The records were not however produced to audit despite repeated requests during the audit.

[+] 5500 (BP), Total emoluments - 12391 x 27 = Rs 3.35 lakh.

[#] 5500 (BP), Total emoluments - 11603 x 49 x 24 = Rs 1.36 crore.

The reply is unacceptable as Department (HQrs.) should have proper records of all sanctioned strength/men-in-position.

5.1.7.8 Land and Building records not maintained

Physical verification of departmental land and buildings not conducted for long, due to lack of property records

The Department did not maintain any consolidated record for the properties in respect of Government school buildings and had not carried out any physical verification of these properties to check encroachments and misutilisation particularly in respect of closed Government Primary Schools. No officer of the Department was entrusted with the duties of Estate Officer to oversee the administration of the departmental properties. The Department stated that (September 2007) no Estate Officer was appointed and necessary action was being taken by the Department with the help of Mamalatdar/Collector.

5.1.7.9 Non-disposal of unserviceable furniture of Government Schools

Schools' unserviceable furniture not disposed of

The General Financial Rules prescribe physical verification of assets like furniture, preparation of an inventory by a responsible officer who shall submit a report of surplus and obsolete stores to the authority competent to issue orders for disposal at least once a year and also prescribe appointment of a Committee to declare the items surplus/unserviceable. Audit visits to peripheral units revealed that large quantities of unserviceable furniture are lying in the Government schools undisposed (June 2007). Government constituted (August 2005) a local level committee to identify and recommend for disposal of the unserviceable articles/furniture of the schools comprising the Assistant Engineer of PWD (Building) looking after the area and Principal (HSS) or Headmaster (HS) or ADEI of taluka (Middle and Primary school) or Manager of society in respect of Private Government assisted institutions. The committee was to submit its report with the recommendations after inspecting and examining the material to the Director of Education within a period of one month. Audit could not ascertain any compliance in this respect, as the Department had not prescribed (2002-07) any returns to be sent to the Directorate for centralized disposal of these unserviceable items nor had the Department monitored implementation of their directives. The Department accepted (September 2007) that disposal of Government school's unserviceables had not been done and stated that the same was under process.

5.1.7.10 Other points of interest

Assistance of Rs 60.42 lakh not reimbursed though sanctioned

GoI sanctioned (February 2005) assistance of Rs 60.42 lakh to Goa Government to meet cooking costs. Utilization certificate for Rs 37.80 lakh was sent (January 2006) to GoI and balance Rs 22.62 lakh adjusted in 2005-06 grants. Audit checks at Directorate of Accounts, Panaji revealed that Reserve Bank of India's advice for transfer of Rs 60.42 lakh to Goa Government had not been received. Thus, amount sanctioned was not reimbursed due to lack of reconciliation between sanctions and actual reimbursements booked. The Department replied (September 2007) that the matter was being pursued with MHRD[▲] and with Directorate of Accounts, Panaji.

[▲] Ministry of Human Resources and Development

5.1.8 Monitoring including Internal Audit and vigilance arrangements

5.1.8.1 Failure to conduct periodic academic inspections

The Goa, Daman and Diu School Education Rules 1986 stipulate that the Deputy Education Officers (DEOs) shall inspect/cause to be inspected all the schools in their charge every year. Also that DEOs and DDEs/ADEIs shall inspect on an average in a year, 40 Secondary Schools and 10 to 20 middle/primary schools respectively, as allotted by the Director. A report on the results of the inspection shall be submitted within 15 days from the date of completion of inspection to the Director and to the school. Audit observed that neither the Directorate nor the Zone had maintained a consolidated record/guard file showing the number of schools to be inspected as per norms, inspection conducted and reports issued (2002-07). At the Directorate, the files produced to audit showed that the DDE (Academic) had approved (2005-06), inspections of eight HS, four HSS under Central Zone and seven HS, 13 HSS under North Zone. Audit could not ascertain the basis of selection and the manner in which monitoring of academic inspection was done in the absence of control records. The Department replied (September 2007) that the DDEs/ADEs/DEOs conduct monthly inspections of High/ Middle schools and the ADEIs inspect the Primary schools for which Inspection Registers are maintained in each Primary school. Thus departmental records were not maintained for Primary schools. The reply was silent regarding control registers for Middle/HS/HSS at zonal/HQrs. level and about basis of selection and monitoring.

5.1.8.2 Internal Audit

Every controlling officer must satisfy himself that prescribed checks to guard against waste and loss of public money are effectively applied in subordinate offices. The Finance Department specified (August 1996) that in departments where the post of Accounts officers/Senior Accounts officer existed, the duty of carrying out the internal inspection of the establishment/Drawing and Disbursing officers subordinate to them would devolve on the Accounts officer.

Internal audit of all Govt. schools and departmental units, not conducted since inception

It was observed that though the Education Department has a Joint Director of Accounts besides an Accounts officer, internal audits of the 1,100 Government schools/99 DDOs had not been carried out (April 2007). Internal audit wing had not been set up. It was further seen that the Department has an audit cell, which conducted audits of GIA institutions. The percentage of GIA schools not audited since inception was 10 (HSS), five (HS), 90 (Middle) and 82 (Primary). Internal audit of Grant in aid units was conducted without observing a fixed periodicity, quantum of expenditure and size of the unit. There was no coordination between the audit cell and the GIA sections which maintained the expenditure figures. No auditing guidelines were issued. The Department's reply (September 2007) that internal audits were not conducted due to shortage of staff indicated non-implementation of rules framed by Government.

5.1.8.3 *Vigilance*

The Department had set up a vigilance mechanism for non-gazetted employees. The State Government had a common vigilance department at Government level for all Departments in respect of Gazetted staff with Chief Secretary as the Chief Vigilance Officer. The number of cases framed, disposed of during 2002-07 and pending for more than a year (June 2007) were 14, three and six respectively.

5.1.9 Conclusion

The Department needs to strengthen monitoring and control over activities/programmes. Provisions relating to maintenance of cash books were not properly implemented in the Zones/GHSS. Some of the schemes for which budget provision was made, were not implemented, as planning was lacking. Funds released to SSA remained unutilized for a long period and were drawn to avoid lapse of funds. Department did not maintain any consolidated record for the manpower. Consolidated records of assets were neither prepared nor the physical verification carried out. Internal audit of the 1,100 Government schools/99 DDOs of the department had not been conducted since inception.

5.1.10 Recommendations

- Consolidated record showing the sanctioned strength/men in position to evaluate the department's workforce and charge registers entrusting specific duties to staff should be maintained on priority basis.
- Academic inspections as prescribed should be conducted and consolidated programme registers maintained at Directorate and Zones.
- Government aided schools may be asked to report in advance on superannuation/retirement/leave and GIA adjustments.
- Land and buildings records should be maintained at Directorate level and periodical physical verification should be conducted.
- Internal audit of Government schools/DDOs should be done regularly.

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 2006-07, 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)

	2002-03	2003-04	2004-05	2005-06	2006-07
I. Revenue raised by the State Government					
• Tax revenue	602.20	710.25	856.53	1,096.49	1,291.54
• Non tax revenue	1,039.17	724.73	729.26	761.16	917.62
Total	**1,641.37**	**1,434.98**	**1,585.79**	**1,857.65**	**2,209.16**
II. Receipts from the Government of India					
• State's share of divisible Union taxes	114.62	135.59	162.07	244.70	312.11
• Grants-in-aid	77.02	52.55	72.16	66.52	88.49
Total	**191.64**	**188.14**	**234.23**	**311.22**	**400.60**
III. Total receipts of the State	**1,833.01**	**1,623.12**	**1,820.02**	**2,168.87**	**2,609.76**
IV. Percentage of I to III	90	89	87	86	85

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 85 *per cent* of the total revenue receipts (Rs 2,609.76 crore) against 86 *per cent* in the preceding year. The balance 15 *per cent* of receipts during 2006-07 was from the Government of India.

6.1.1 The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

(Rupees in crore)

Sr. No.	Head of Revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	• Sales tax	398.93	463.52	502.70	671.83	783.28	(+) 16.59
	• Central sales tax	40.26	38.84	64.49	71.48	61.54	(-) 13.91
2.	State excise	46.79	53.44	55.34	55.35	57.23	(+) 3.40
3.	Stamps and registration fees	26.56	28.96	35.69	60.49	115.92	(+) 91.63
4.	Taxes on vehicles	36.78	50.76	58.78	63.84	74.56	(+) 16.79
5.	Taxes on goods and passengers	30.47	41.14	103.10	130.80	138.02	(+) 5.52
6.	Luxury tax	15.93	24.73	27.01	29.92	42.73	(+) 42.81
7.	Entertainment tax	2.36	2.11	2.48	5.18	5.09	(-) 1.74
8.	Other taxes and duties on commodities and services	1.41	1.46	1.79	2.52	6.94	(+) 175.40
9.	Land revenue	2.71	5.29	5.15	5.08	6.23	(+) 22.64
	TOTAL	**602.20**	**710.25**	**856.53**	**1,096.49**	**1,291.54**	**(+) 17.79**

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).

Stamps and registration fees: The increase was mainly due to increase in sale of stamps and fees for registering documents.

Other taxes and duties on commodities and services: The increase was mainly due to more collection of cess under other Acts.

6.1.2 The following table presents the details of the major non tax revenue raised during the period 2002-03 to 2006-07:

(Rupees in crore)

Sr. No.	Head of Revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	2.33	2.23	3.73	12.95	15.60	(+) 20
2.	Dairy development	0.49	0.26	0.20	0.20	0.35	(+) 75
3	Other non tax receipts	87.65	90.88	88.42	93.00	106.55	(+) 15
4.	Forestry and wild life	0.73	1.81	2.08	1.91	1.99	(+) 4
5.	Non ferrous mining and metallurgical industries	15.78	19.39	23.66	27.15	34.30	(+) 26
6.	Miscellaneous General Services	366.15	-	-	-	-	-
7.	Power	548.35	592.15	584.66	594.91	681.67	(+) 15
8.	Major and medium irrigation	4.26	2.94	3.49	10.32	2.93	(-) 72
9.	Medical and public health	6.94	7.30	8.82	12.67	9.06	(-) 28
10.	Co-operation	0.20	0.25	0.42	0.14	0.09	(-) 36
11.	Public works	0.95	1.41	1.37	1.67	1.79	(+) 7
12.	Police	0.66	0.61	2.15	0.72	0.61	(-) 15
13	Other Administrative services	4.68	5.50	10.26	5.52	62.68	(+) 1,036
	Total	**1,039.17**	**724.73**	**729.26**	**761.16**	**917.62**	**(+) 21**

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

Interest Receipts: The increase was mainly due to more receipts under Interest realized on Investment of Cash balances.

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

Major and medium irrigation: The decrease in receipts was under Selaulim Project and Anjunem Project.

The other departments did not inform (October 2007) the reasons for variation despite being requested.

6.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2006-07 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	750.00	844.82	(+) 94.82	(+) 12.64
2.	State excise	67.00	57.23	(-) 9.77	(-) 14.58
3.	Land revenue	7.69	6.23	(-) 1.46	(-) 18.99
4.	Stamps & registration fee	50.46	115.92	(+) 65.46	(+) 129.73
5.	Taxes on Goods & Passengers	90.43	138.02	(+) 47.59	(+) 52.63
6.	Taxes on vehicles	70.00	74.56	(+) 4.56	(+) 6.51
7.	Luxury Tax	25.00	42.73	(+) 17.73	(+) 70.92
Non tax revenue					
8.	Interest receipts	7.88	15.60	(+) 7.72	(+) 97.97
9.	Non-Ferrous Mining & Metallurgical Industries	27.00	34.30	(+) 7.30	(+) 27.04
10.	Misc. General services	693.18	-	(-) 693.18	(-) 100.00
11.	Power	675.00	681.67	(+) 6.67	(+) 0.99
12.	Other Administrative Services	5.11	62.68	(+) 57.57	(+) 1,126.61

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

Land Revenue: The decrease in land revenue was mainly due to delay in payments made by the concerned parties and hence accounted in a later period.

Miscellaneous General Services: The receipts were "Nil" due to stoppage of lottery business by the Government of Goa in August 2002. Though the lottery business was stopped with effect from August 2002, receipts under the same head were estimated at Rs 693.18 crore in 2005-06 and also in 2006-07. The reasons for making provisions during 2003-07 were not informed by the department despite being requested.

The other departments did not inform (October 2007) the reasons for variation despite being requested.

6.3 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 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage for 2005-06 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 2005-06
1.	Sales tax	2004-05	567.19	3.59	0.63	0.91
		2005-06	743.31	4.65	0.63	
		2006-07	844.82	3.68	0.44	
2.	Taxes on vehicles	2004-05	58.78	0.87	1.48	2.67
		2005-06	63.84	0.99	1.55	
		2006-07	74.56	0.99	1.33	
3.	State excise	2004-05	55.34	2.59	4.68	3.40
		2005-06	55.35	2.67	4.82	
		2006-07	57.23	2.89	5.05	
4.	Stamp duty and registration fees	2004-05	35.69	1.41	3.95	2.87
		2005-06	60.49	1.52	2.51	
		2006-07	115.92	2.17	1.87	

Thus, the percentage of expenditure on collection during 2006-07 as compared to the corresponding all India average percentage for 2005-06 was high in the case of state excise which the Government needs to look into.

6.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs 532.31 crore of which Rs 89.34 crore were outstanding for more than three years as mentioned below:

(Rupees in crore)

Head of revenue	Amount of arrears as on 31 March 2007	Arrears more than three years old	Remarks
Finance Department			
Commercial tax	285.12	68.57	Out of Rs 285.12 crore, only Rs 27.72 crore were referred to Revenue Recovery Court (RRC) by the Department.
Excise	0.37	0.10	Issued notices to the licencees for payment of outstanding fees. No cases were referred to RRC.
Transport			
Taxes on vehicles	6.90	3.68	No cases were referred to RRC.
Public Works Department			
Chief Engineer			
1 Rent of building / shops	0.43	0.20	Out of Rs 43 lakh, only Rs 2 lakh in respect of one case was referred to RRC.
2 Water charges, meter rent and sewerage charges	29.43	12.61	Out of Rs 29.43 crore, only Rs 4.85 crore in respect of 1,867 cases were referred to the RRC.
Water Resources Department			
Chief Engineer			
• Water Charges	14.72	0.45	Out of Rs 14.72 crore, only Rs 3 lakh in respect of 147 cases were referred to RRC.
• Rent on building/shops	1.16	0.48	Out of Rs 1.16 crore, only Rs 7 lakh in respect of 22 cases were referred to RRC.
• Hire charges of machinery	0.36	0.24	No cases were referred to RRC.

Power			
Chief Electrical Engineer • Energy charges	190.40	Not furnished	Out of Rs 190.40 crore, only Rs 55.56 crore in respect of 3,689 cases were referred to RRC.
Director General of Police	0.33	0.17	Out of Rs 33 lakh, only Rs 4 lakh in respect of 10 cases were referred to RRC.
Agriculture	3.09	2.84	Out of Rs 3.09 crore, only Rs 9,160 in respect of four cases were referred to RRC.
Total	**532.31**	**89.34**	

6.5 Arrears in assessments

There were no arrears in sales tax assessments at the end of 2006-07 as informed by the Commercial Taxes Department.

6.6 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2006-07, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2007 are as mentioned below:

(Rupees in crore)

Opening balance	No. of appeals filed during 2006-07	Total	No. of appeals disposed of during the year	Balance as on 31 March 2007	Percentage of cases disposed of to total number of cases
769*	1,070	1,839	476	1,353	26

* The discrepancy in the opening balance is due to rectification of the figure by the Department.

6.7 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 2006-07, cases finalized and additional tax raised during the year as reported by the Commissionerate of Excise is as follows :

	Number of cases	Additional demand raised (Rs)
A. (i) Cases pending as on 1 April 2006	32	-
(ii) Cases detected during the year 2006-07	199	-
B. Cases in which investments/ assessments were completed during the year	140	75,075
C. Cases pending as on 31 March 2007	91	-

6.8 Internal audit

Internal audit is an effective tool in the hands of the management of an organization to assure itself that the organization 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 during the year 2006-07 and number of offices audited as reported by the Transport Department are as mentioned below:

Department	No. of offices due for audit	No. of offices audited	Shortfall	Reasons for shortfall
Transport	7 offices & 4 Check posts	7 offices & 4 Check posts	Nil	Nil

No observations were pending as all were complied with on the spot.

The Commissionerate of Excise and the Commissionerate of Commercial Taxes have stated that no internal audits were conducted by their Departments due to shortage of staff.

6.9 Results of audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fees conducted during the year 2006-07 revealed underassessment/short levy/loss of revenue amounting to Rs 11.56 crore in 89 cases. The Department accepted underassessment/short assessment of Rs 9 lakh in seven cases pointed out in earlier years and of Rs 8 lakh in 21 cases pointed out during the year and recovered Rs 17 lakh as of March 2007 in 28 cases. No replies have been received in respect of the remaining cases.

This chapter contains one review on "Receipt of Water Supply and Sanitation" and seven paragraphs involving an amount of Rs 33.92 crore.

6.10 Outstanding inspection reports and audit observations

The Accountant General, Goa conducts periodical inspection 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. 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 106 IRs issued upto the end of December 2006, containing 360 audit observations involving Rs 12.25 crore were to be settled at the end of June 2007, as indicated below, alongwith the corresponding figures for preceding two years.

	June 2005	June 2006	June 2007
Number of outstanding IRs	74	73	106
Number of outstanding Audit observations	217	188	360
Amount involved (Rs in crore)	1.43	1.99	12.25

Out of 106 IRs pending settlement, even first replies have not been received (June 2007) for 16 IRs containing 113 observations. Pendency of these reports was reported to the Government (August 2007). The Department-wise details of IRs and audit observations outstanding as on 30 June 2007 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
1. Revenue	Land tax	13	65	1.87
	Stamp duty & registration fee	9	51	7.22
2. Finance	State excise	48	107	0.35
	Entertainment tax	4	17	1.31
	Motor vehicles tax	11	29	0.10
	Sales tax	21	91	1.40
	Total	**106**	**360**	**12.25**

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

6.11 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 including one review proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2007 were forwarded to the concerned Secretaries during June – July 2007. Their replies were due latest by the end of July – August 2007.

Replies to three draft paragraphs including the review have been received and considered while finalising the Report (October 2007).

6.12 Follow up on Audit Reports

According to the instructions 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. In spite of this, there was one paragraph in respect of which the EM was not received as of September 2007 from the administrative department, 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	11
	2005-06	July 2007	October 2007	1	-
Mines	2005-06	July 2007	October 2007	1	-

6.13 Compliance with the earlier Audit Reports

In the Audit Reports 2001-02 to 2005-06, 48 cases of non-assessments, non/short levy of taxes etc., were included involving Rs 5.97 crore. Of these, as of September 2007, the departments concerned have accepted 35 cases involving Rs 81 lakh and recovered Rs 68 lakh in 31 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
2001-02	32	61.71	28	15.46	25	9.54
2002-03	4	19.78	1	6.28	-	-
2003-04	1	2.17	1	2.17	1	1.18
2004-05	5	44.28	1	1.57	1	1.57
2005-06	6	469.39	4	55.25	4	55.25
Total	48	597.33	35	80.73	31	67.54

PUBLIC WORKS DEPARTMENT

6.14 Receipt from Water Supply and Sanitation

Highlights

> Lack of a tariff policy on the periodicity of revision of rates and basis for revision and method to be adopted for fixing of water rates. In the meanwhile, the receipts as a percentage of expenditure has been steadily going down over the years.

(Paragraph 6.14.7)

> Lack of prescribed norms for ascertaining the loss between water released and actually billed for, resulted in loss of Rs 87.63 crore during 2002-07.

(Paragraph 6.14.9)

> Lack of prescription of time limit under the WSBL for replacement of faulty meters resulted in 25 *per cent* water meters not working as of March 2007.

(Paragraph 6.14.10)

> Non-fixation of Minimum Contract Demand in some cases and billing amounts less than this demand in other cases resulted in loss of revenue of Rs 32.87 crore.

(Paragraph 6.14.12)

> Non-recovery of water charges from Panchayats/Municipalities for public taps amounted to Rs 90.58 lakh.

(Paragraph 6.14.14)

> The target of household connections under the Sewerage Scheme fell short by 24 to 77 *per cent*.

(Paragraph 6.14.15)

> Revenue of Rs 29.43 crore was in arrears mainly due to slackness in action against defaulters.

(Paragraph 6.14.16)

6.14.1 Introduction

The water demand in the State is met through seven[1] regional water supply schemes with a total installed capacity of 394 million litres per day (MLD) as on 31 March 2007 as against the State's demand of 451 MLD as of March 2005. Though Goa was liberated in 1961, the Government is still adopting erstwhile water supply bye-laws (WSBL). The Government passed the Goa Provision of Water Supply (GPWS) Act, 2003 but the rules were not notified (June 2007). The rates fixed for water by the Government depended upon the category of consumers as revised from time to time with the last revision being

[1] Assnora, Cancona, Chandel, Dabose, Opa, Salaulim and Sanquelim.

done in November 2005. No tariff policy for water supply and sanitation was fixed. As on 31 March 2007, there were 1.95 lakh water connections. Of these, 1.77 lakh were domestic, 3,563 commercial and 229 industrial consumers.

The sewerage schemes were implemented in three[2] towns of the State. The rate of sewerage charges was fixed as percentage of water consumption charges.

A review of the levy and collection of water charges was conducted, which revealed a number of system and compliance deficiencies as mentioned in the succeeding paragraphs.

6.14.2 Organizational set-up

The Public Health Engineering divisions of Public Works Department (PWD) were responsible for the implementation of the above schemes. The divisions were supervised by the Chief Engineer (Water Supply and Sanitation) through three circle offices. The levy, collection and accounting of the revenue under the schemes were done by six divisions.

6.14.3 Audit Objectives

The review was conducted with a view to assess:

- existence of tariff policy governing the fixation of tariff;
- optimum utilisation of water and sanitation capacity towards revenue maximisation;
- method of measurement of water released and billing;
- correct application of tariff to various categories of consumers; and
- effectiveness of internal control mechanism.

6.14.4 Scope and methodology of audit

The levy, collection and accounting of receipts under water supply and sewerage for a period of five years from 2002-03 to 2006-07 was examined during March 2007 to May 2007 by test check of records at Chief Engineer's office, three circle offices[3] and six divisions[4].

An entry conference was held with the Principal Chief Engineer, PWD and other officers of the Department. Records relating to planning and monitoring maintained in the offices of the Principal Chief Engineer, Superintending Engineer and Executive Engineers were examined and data collected and

[2] Margao, Panaji and Vasco.
[3] Circle V, VI and VIII.
[4] Divisions- III, IX, XII, XVII, XX and XXI.

analyzed with reference to Act, Water Supply Bye-laws and Government orders/instructions.

6.14.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the PWD in providing the necessary information and records for audit. The draft review report was forwarded to the Government and the Department in July 2007. It was discussed in the audit review committee meeting held in July 2007 which was attended by the Secretary, PWD and Principal Chief Engineer, PWD. Views of the Government/Department have been incorporated in relevant paragraphs.

Audit findings

6.14.6 Trend of revenue

The budget estimates and actuals for water supply and sanitation during 2002-03 to 2006-07 were as mentioned below:

(Rupees in lakh)

Year	Budget estimates		Actuals		Variation		Percentage variation	
	Water Supply	Sanitation	Water Supply	Sanitation	Water Supply	Sanitation	Water Supply	Sanitation
2002-03	6721.88	33.38	5300.70	33.20	(-) 1421.18	(-) 0.18	21.14	0.54
2003-04	6694.07	36.71	4783.01	115.49	(-) 1911.06	(+) 78.79	28.55	214.69
2004-05	7363.48	40.40	5141.98	78.64	(-) 2221.50	(+) 38.24	30.17	94.65
2005-06	8099.58	44.49	5280.11	108.41	(-) 2819.47	(+) 63.92	34.81	143.67
2006-07	8000.00	117.00	5738.84	69.72	(-) 2261.16	(-) 47.28	28.26	40.41

Source: Receipt estimates of Government of Goa and Finance Accounts.

The estimates of water receipts were not realistic as is evident from the high degree of variation from the budget estimates every year. Under sanitation too, there were substantial variation except for 2002-03.

The Department stated that the estimates of water supply for 2003-04 were based on the actuals of the previous year. The Department also attributed the increase in actual receipts in 2005-06 to good response for new connections. The decrease in 2006-07 on sanitation is on account of reduction in sanitation charges by half.

System deficiencies

6.14.7 Absence of a tariff policy

Water rates were fixed under the provisions of WSBL. During 2002-07, the rates were revised in April 2002, August 2003, October 2005, March 2006 and May 2006. Though Government notified GPWS Act, 2003 empowering, inter-alia, fixing of tariff and revision thereof, yet the Government continued to revise rates under the provisions of WSBL. There was neither a tariff policy indicating, inter-alia, the periodicity and basis of the revision of rates nor was any scientific method adopted for fixing of water rates. The rates were increased in some categories and decreased in other categories. Receipts as a percentage of expenditure has been going down steadily in the meanwhile as mentioned below:

There was no tariff policy. No scientific method was also adopted for fixing water charges

(Rupees in lakh)

Year	Maintenance expenditure	Receipts	Percentage of receipts over expenditure
2002-03	6,988.60	5,300.70	75.85
2003-04	6,559.37	4,783.01	72.92
2004-05	7,445.54	5,141.98	69.06
2005-06	8,848.13	5,280.11	59.67
2006-07	9,335.87	5,293.84	56.70

The Department agreed (August 2007) that there was no clear cut policy for determining the tariff structure and stated that it would be formulated.

The Government may formulate a tariff policy for water charges.

6.14.8 Underutilization of capacity

There is no linkage of the installed capacity of water supply through the various schemes vis-à-vis the demand in the State. No norms have been fixed for average production of water vis-à-vis the installed capacity. The water demand in the State was placed at 451 MLD as of March 2005. Though the installed capacity of water supply through seven schemes was much less at 394 MLD, even the available capacity had not been fully utilised as mentioned below:

Available capacity of water supply was much less than the installed capacity

Year	Installed capacity (M3) (MLD)	Water released (M3) (MLD)	Percentage of release
2002-03	11,46,10,000 (314)	10,02,29,305 (274.60)	87.45
2003-04	11,49,24,000 (314)	10,78,16,560 (294.58)	93.81
2004-05	13,54,15,000[◊] (371)	10,91,48,070 (299.04)	80.60
2005-06	14,38,10,000 (394)	11,24,31,210 (308.03)	78.18
2006-07	14,38,10,000 (394)	11,47,98,796 (314.52)	79.83
Total	**65,25,69,000 (1787)**	**54,44,23,941 (1490.77)**	**83.43**

[◊] Average capacity. Total capacity was enhanced to 394 MLD

Underutilisation of installed capacity, inspite of unfulfilled demand for water, has revenue implications.

The Department stated (August 2007) that considering the year-wise scenario the average production comes to the tune of 80 *per cent* depending on power failure, reduction of water level at raw water source and quality of raw water.

The Government may consider fixing the norms for average production of water against the installed capacity.

6.14.9 Loss of water during distribution

Distribution loss of water above the prescribed limit was Rs 87.63 crore during 2002-07

The Department did not install flow meters at the initial supply points. Release of water was worked out on the basis of the discharge capacity of pumps. The Department did not fix the norms for ascertaining the loss between the released water and that actually billed. However, it adopted 15 *per cent* leakage (distribution loss) for working out the availability of water with reference to the installed capacity in respect of Salaulim Water Supply Scheme while preparing the project report for Japan Bank for International Co-operation (JBIC).

Audit scrutiny revealed that the Department had not fixed flow meters in any of its water treatment (WT) plants in operation. In their absence, quantities of water pumped into and its distribution was measured at various WT plants based on the capacities of Master Balancing Reservoir and discharging capacity of WT pump. No limit of wastage of water was prescribed by Government. The water accounted for was 20 to 39.75 *per cent* less than the water released during 2002-07 as mentioned below:

Year	Water released (M^3)	Water accounted for (M^3)			Loss of water (M^3)	Percentage of Loss
		Water billed	Free water supplied	Total		
2002-03	10,02,29,305	7,21,38,441	80,45,160	8,01,83,601	2,00,45,704	20.00
2003-04	10,78,16,560	5,68,95,691	80,58,885	6,49,54,576	4,28,61,984	39.75
2004-05	10,91,48,070	5,78,17,169	1,10,45,925	6,88,63,094	4,02,84,976	36.91
2005-06	11,24,31,210	6,07,76,793	74,79,500	6,82,56,293	4,41,74,917	39.29
2006-07	11,47,98,796	6,81,92,063	50,54,911	7,32,46,974	4,15,51,822	36.20

Thus, there was loss in distribution indicating a possibility of theft, leakage and non-functional meters. The Department had not analysed the reasons for the substantial loss of water. Taking into account the leakage of 15 *per cent* considered in the project report submitted to the JBIC, the loss of revenue on account of leakage of water above 15 *per cent* works out to Rs 87.63 crore calculated on the average water rate of Rs 8.17[♠] per M^3 realised during 2002-07.

♠ Average realized water rate = Revenue earned for 5 years ÷ Quantity of water billed for 5 years.

The Department in reply stated that the losses of 23 *per cent* are acceptable for developing countries. The reply is not tenable as the losses except for 2002-03 were well above 23 *per cent*. The percentage losses have also doubled from the level of 2002-03. This indicated lack of efforts to control leakage, theft etc.

The Government may fix norms for losses during distribution of water between the water released at water supply schemes and the water supplied and billed. It may also consider fixing flow meters in its water treatment (WT) plants in operation.

6.14.10 Non-replacement of faulty meters

As on 31 March 2007, 25 per cent of meters were non working / faulty

Though the WSBL provides for replacement of faulty meters, no time limit has been prescribed for this. If at any time reading could not be taken for any reason, the water bills were to be issued at the average of last three months. The position of non-working/faulty meters as on 31 March 2007 as furnished by the Department is as mentioned below:

Division Number	Total number of faulty meters	Meter not working for			
		Less than 6 months	6 months to 1 year	1 year to 2 years	Above 2 years
IX	24,786	23,062	941	412	371
XVII	10,182	Nil	7,447	2,007	728
XX	1,067	925	142	Nil	Nil
III	12,465	1,560	2,560	6,007	2,338
Total	**48,500**	**25,547**	**11,090**	**8,426**	**3,437**

The percentage of non working/faulty meters as on 31 March 2007 worked out to 25 *per cent* of the total number of consumers. 11,863 faulty meters were not replaced for more than a year. Non functional meters invariably lead to short billing as the consumers can afford to be extravagant in usage of water without extra cost.

The Department attributed the faulty meters to fixing of DGS&D meters which used to go out of order within a short span and stated that it planned to have hi-tech meters with 6 years fixed guarantee. The Department further stated that 20,000 non working meters were replaced in the past two years. It further added that a nodal officer at every division has been appointed to monitor the position. The fact remains that the percentage loss of water continues to remain at a very high level.

The Government may consider fixing a time limit for the replacement of faulty meters.

6.14.11 Internal audit

Internal audit is an effective tool for an organization to assure itself that its functions are being carried out in an efficient and cost effective manner. Internal audit of the Department including subordinate offices was entrusted to the internal audit wing (IAW) headed by the Joint Director of Accounts, assisted by assistant accounts officer/auditors. Audit scrutiny from the records produced to audit for the period 2002-07 revealed that there was no continuity in conducting the internal audit at subordinate offices. No guidelines were framed indicating the period to be covered in audit, checks to be exercised, format in which reports to be submitted and watching of compliance etc. The Department conducted four internal audits during 2002-07.

The Department stated that due to shortage of full fledged staff exclusively for the purpose, audit could not be conducted regularly. The Department further added that Joint Director of Accounts would be directed to look into the matter.

The Government may consider ways to make the IAW more effective.

Compliance deficiencies

6.14.12 Short billing of water charges in respect of MCD

Short billing of water charges in respect of minimum contract demand resulted in a loss of Rs 32.87 crore

Under the provisions of the WSBL, an agreement has to be entered into between the consumer and the Department prior to the release of the water connection to a consumer and the minimum contract demand (MCD) of water should be clearly mentioned in the agreement. The consumers have to pay for the actual consumption or MCD, whichever is higher. The MCD of water in respect of industrial concerns is to be fixed as per the demand in each case.

Test check of the records revealed that in the following cases either the MCD was not fixed or billing done was less than the MCD which resulted in loss of revenue of Rs 32.87 crore.

6.14.12.1 It was noticed from the contract for water supply to Industrial Development Corporation (IDC), Verna that neither the MCD was fixed nor was the contract signed by the Executive Engineer. Further, the IDC was being billed for water supply on the actual basis which was less than the minimum quota of 5,500 M^3 assigned to it. Failure of the Department to sign the contract and fix MCD has resulted in short billing of Rs 17.60 crore for the period from 4 June 2001 to 31 March 2007.

The Department stated that there was no contractual agreement between the IDC and the Government for supply of the minimum quantity of water. The reply is not tenable as the Government having fixed a minimum quota, should have executed an agreement as required under the WSBL.

6.14.12.2 The contract for water supply executed with IDC, Duller, was not available on record. However, as per the MCD recorded on the bills issued prior to May 2006, the IDC was being billed for MCD of 3,000 M^3 per month though the actual consumption was less. It was noticed that during May 2006 to March 2007, bills were raised on the actual basis ignoring the MCD of 3,000 M^3 per month, which resulted in short billing of water charges of Rs 1.78 lakh.

The Department accepted the short billing and issued notice to the consumer to pay the amount (June 2007).

6.14.12.3 No MCD was fixed for water supplied to IDC-Sancoale, IDC-St. Jose de Areal, IDC-Cuncolim. In the absence of MCD, the loss on account of short billing could not be quantified in audit.

6.14.12.4 A mention was made in paragraph 4.5 of the report of the Comptroller and Auditor General of India for the year ended 31 March 2001 that failure of the Department to specify in the agreement the minimum quantity of water to be billed resulted in loss of revenue of Rs 4.11 crore calculated based on the water charges for supply of water of 4,000 M^3 per day for the period from August 1999 to March 2001, besides unauthorised benefit to the industrial concern M/s Reliance Salgaonkar Power Co. Ltd. Further scrutiny of the records revealed that no agreement was executed with the consumer stipulating the minimum quantity of water to be billed (June 2007). During the period from April 2002 to March 2007, the consumer was billed on the basis of actual consumption which was less than the minimum quantity of 4,000 M^3 per day for which a security deposit was obtained, resulting in short billing of Rs 15.26 crore.

The Department stated (August 2007) that the demand in domestic sector was increasing and in many cases the Department was not in a position to supply the minimum agreed quantity and as such they were charged on actual basis in order to avoid litigation. The reply is not tenable as the Department is required to fix the MCD for each industrial consumer as per the provisions of the WSBL.

6.14.13 Non-observance of the provisions of WSBL in raising the bills

WSBL provided that if at any time the reading could not be taken for any reason, the water bills were to be issued at the average of last three months.

It was noticed in a division at Porvorim that the bills were raised as per the minimum consumption as against the average of the last three months for 10,168 consumers whose meters were not working. In the absence of consolidated case-wise data, the quantum of loss of revenue could not be worked out in audit.

The Department has noted (August 2007) the audit observation for compliance.

6.14.14 Non-recovery of water charges in respect of public taps

Water charges of Rs 90.58 lakh were recoverable from Panchayats/ Municipalities

The Government notified on 25 October 2005 the rate of Rs 180 per tap per month to be charged with effect from 1 November 2005 to the Panchayats/Municipalities for public tap installations. Non-payment of bills attracted delayed payment charges at the rate of two *per cent* per month. The water supply was to be disconnected in case bills were lying unpaid for over two months.

Scrutiny revealed that though the water bills were raised amounting to Rs 90.58 lakh for the period from 1 November 2005 to 31 March 2007 in respect of 3,507 public taps installed, no recovery was made from the Panchayats/Municipalities.

The Department stated (August 2007) that the issue of non-payment was reported to the higher authorities, adding that the Director of Panchayats was requested to settle the bills through the Panchayats funds.

6.14.15 Shortfall in utilisation of capacity of sewerage schemes

Shortfall in household sewerage connections was 24 to 77 per cent

In order to provide clean and healthy environment in urban areas, the Government implemented underground sewerage schemes in major towns like Panaji, Vasco and Margao to collect the domestic waste water generated and dispose it safely after proper treatment. As on March 2007, the households to be connected, households actually connected and shortfall are as mentioned below:

Sewerage Scheme at	Households to be connected	Households actually connected	Shortfall in connection	Percentage of Shortfall
Panaji	13,200	10,020	3,180	24
Vasco	23,000	5,261	17,739	77
Margao	12,900	3,742	9,158	71
Total	**49,100**	**19,023**	**30,077**	**61**

Thus, the achievement fell short of the target by 24 to 77 *per cent*.

The Department stated (August 2007) that the sewerage bye laws and rules had been framed and submitted to the Government for approval by which the household connections would be made mandatory once the sewerage network was made available in the area.

6.14.16 Arrears of revenue

The arrears of revenue of water charges pending for recovery as on 31 March 2007 were Rs 29.43 crore, which was 55 *per cent* of the annual revenue of the Department from water supply and sanitation. WSBL provided that the water bills should be paid on or before the due date specified in the bills issued and non-payment of the same attracted delayed payment charges at the rate of two *per cent* per month. The water supply shall be disconnected in case payment of water bills remains overdue for two months and the arrears of water shall be recovered as arrears of land revenue.

Arrears of water charges pending for recovery were Rs 29.43 crore

It was noticed that though the arrears amounting to Rs 12.61 crore were more than three years old, yet only 1,867 cases (Rs 4.85 crore) had been referred to Revenue Recovery Court as on 31 March 2007 indicating slackness in action against the defaulters.

The mounting arrears and slow progress in its recovery was mainly due to timely action not being taken against the defaulters, by disconnecting the water supply as required under the WSBL and laxity in referring the overdue cases to Revenue Recovery Courts and its pursuance.

The Department stated (August 2007) that efforts would be made to reduce the arrears of revenue and it planned to have special squads for checking the defaulters.

6.14.17 Delay in issue of water bills

Weak internal control mechanism resulted in delay in issue of water bills, short collection of security deposits, non-reconciliation of revenue receipts

As per WSBL the reading of the water meters should be done every month more or less on a fixed day and the gap between two consecutive readings should not be less than 25 days and more than 35 days.

Audit scrutiny revealed that water bills were also issued for periods exceeding 35 days. In a division at Margao there was delay in issue of water bills ranging from 4 to 148 days in 81 billing cycles scrutinised in audit. The amount involved in delay was Rs 5.36 crore. Non-issue of water bills in the prescribed time resulted in delay in realisation of revenue.

The Department stated (August 2007) that nodal officer for each division had been appointed in order to monitor revenue aspects. The Department further stated that spot billing on pilot basis had been taken up in which case bill would be issued on the spot at the time of billing.

6.14.18 Delay in realisation of water bills collected through banks/societies

The Government of Goa (Receipt & Payment) Rules, 1997 provided that the amount realised should be credited to the Government account without undue delay. The Government introduced with effect from 1 November 1989, a scheme of payment of water bill through banks/societies on behalf of the

PWD. The Department officials were to collect the receipts from the banks/societies daily at certain specified places and twice a week at other places and remit it into treasury.

Scrutiny of records of three divisions[5] revealed that there was delay ranging from 1 to 58 days in crediting the amount realized (calculated after allowing three days from the last day of collection of revenue) in 158 billing cycles.

The Department stated (August 2007) that sometimes there were delays in a few cases of the societies/banks of remote areas which would be monitored.

6.14.19 Non-reconciliation of revenue receipts

As per General Financial Rules, the controlling officer shall be responsible to ensure that all sums due to the Government are regularly realised and duly credited to the Government account.

Scrutiny in four divisions[6] revealed that there was a difference of Rs 47.47 lakh between the treasury and divisional figures. Of these, a difference of Rs 12.46 lakh was for remittances outstanding for more than a year.

The Department stated (August 2007) that the divisions would be directed to carry out the reconciliation at regular interval.

6.14.20 Conclusion

There was neither any tariff policy indicating, inter-alia, the periodicity of revision of rates and the basis for revision nor was any scientific method adopted for fixing of water rates. This resulted in arbitrary fixation of rates in various catogories. Though the installed capacity of water supply schemes is less than the demand for water, yet the capacity remained underutilised. As no norms for ascertaining the loss between the released water and that actually billed have been fixed. It resulted in substantial loss of revenue. Lack of prescription of a time limit under the WSBL resulted in their non-replacement and short billing. Failure to fix and specify the MCD also resulted in loss. The internal controls in the Department were weak as is evidenced by the arrears in accounts and lack of an effective internal audit wing.

6.14.21 Summary of recommendations

The Government may consider:

- formulating a tariff policy for water charges;
- fixing the norms for average production of water against the installed capacity;

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[5] Panaji, Porvorim and Margao

[6] Panaji (December 2006), Porvorim (November 2006), Margao (March 2007) and Sanguem (February 2007).

- fixing norms for losses during distribution of water between the water released at water supply schemes and the water supplied and billed;
- fixing the time limit for replacement of faulty meters; and
- making the Internal Audit Wing more effective.

FINANCE DEPARTMENT

6.15 Non-levy of interest

The Department failed to levy interest of Rs 45.55 lakh for delayed payment of sales tax.

Under the Goa Sales Tax Act, 1964 and the 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 is leviable on the amount of tax remaining unpaid. The above provisions apply to assessments finalized under the Central Sales Tax Act by virtue of section 9(2) of the Act.

Test check of the records of Vasco ward, in August 2006 and February 2007 revealed that a dealer paid the amount of tax after delay ranging between 3 and 75 days for the years 2001-02, 2002-03 and 2003-04. The Department, however, did not levy interest of Rs 45.55 lakh for delayed payment of tax.

After the case was pointed out, the Department stated (April 2007) that there was sometimes intermediatory or transit delay either in postal clearance or bank clearance which resulted in the late payment of taxes. Further, the Department added that for major tax payers it could not strictly adhere to the dates/rules and levy interest on transactional delay. The reply is not tenable as the tax was not even deposited within 15 days from the expiry of the month to which it related. Further, there is no provision in the Act to exempt major tax payers from levy of interest.

The matter was referred to the Government (June 2007); their reply has not been received (September 2007).

6.16 Non-realisation of entertainment tax and registration fee from headend control rooms/distributors

Failure of the Department to register the cable operators resulted in non-realisation of revenue of Rs 23.34 lakh.

Under the provisions of the GET Act, the headend control rooms/distributors are liable to pay entertainment tax with effect from 1 September 2006 at Rs 10 per connection per month. Besides, they are also required to pay registration fees of Rs 5,000 per year.

Scrutiny of the records revealed that 16 headend control rooms/distributors having 33,341 cable connections were neither registered nor paid entertainment tax. The amount of tax works out to Rs 23.34 lakh for the period from September 2006 to March 2007, besides, registration fee of Rs 80,000 for 2006-07.

After the matter was pointed out, the Government stated (August 2007) that notices were issued to the headend operators and individual liabilities would be assessed.

6.17 Non-levy of interest and delay in initiating follow up action for recovery in appeal orders

Delay in initiating follow up action and non-levy of interest for recovery of appeal orders resulted in non-recovery of revenue.

Under Section 27 of the Goa Sales Tax Act 1964, if any dealer is aggrieved by an order of assessment made by the assessing officer (AO), he may appeal before the appellate authority (AA) against the assessment of tax, penalty or interest, if any. The AA may confirm/reduce/set aside (for re-assessment) the assessment order or reject the appeal petition filed by the dealer. After the disposal of appeal cases, the appellate order as well as the connected case records are sent back to the AO for taking follow up action as per the directions of the AA. As per section 15(7) (a) read with 17(B) of the GST Act and section 9(2) B of the CST Act, when a dealer defaults in making payment of tax, penalty etc., the dealer is liable to pay interest on the amount payable for the period commencing from the date of expiry of the date specified in the notice for payment to the date of payment of the amount. The GST Act also provides that any amount of tax or penalty or interest which remains unpaid after the date prescribed for payment as demanded by the issue of notice or order shall be recoverable as arrears of land revenue.

Scrutiny of 39 appeal cases decided during 2005-06 and 2006-07, involving an amount of Rs 50,000 and above pertaining to five wards* in which the AAs were directed to recover the dues, revealed the following:

- In two cases, the AA upheld the assessment orders passed by the AOs and the dealers paid tax accordingly. But the AOs did not levy interest of Rs 6.71 lakh due from the date of expiry mentioned in the demand notice issued after assessment to the date of actual payment.

  The cases were referred to the Department/Government; their reply has not been received.

- In nine cases, though the appeals were decided, demand notices were not issued to the dealers up to 31 March 2007. The delay ranged from 3 to 21 months from the date of issue of appellate order. This resulted in delay in realization of revenue of Rs 29.36 lakh,

* Bicholim, Mapusa, Margao, Ponda and Vasco

besides interest of Rs 3.93 lakh calculated from the date of appellate orders to 31 March 2007.

The Government stated (September 2007) that revenue recovery certificates (RRCs) have been issued in eight cases and in one case the dealer has filed revision application.

- In 18 cases, though demand notices were issued for payment of dues following the appeal orders, the dealers did not pay the dues. Thereafter, the AOs had not initiated any action to recover these dues as arrears of land revenue by issuing prescribed certificates of dues in respect of defaulters to the officer authorized by the Government even after a lapse of 1 to 19 months. As a result, revenue of Rs 58.23 lakh still remains to be recovered as of March 2007, besides interest of Rs 6.44 lakh calculated from the dates specified for payment in demand notices after finalization of appeals to 31 March 2007. After the cases were pointed out; the Department stated that the RRCs were issued in 14 cases to the Sales Tax Officer authorized by the Commissioner of Sales Tax.

6.18 Incorrect calculation/evasion of entertainment tax

Incorrect computation of admission fee by the Department resulted in short levy of entertainment tax of Rs 16.46 lakh.

Under the provisions of the Goa Entertainment Tax Act (GET), the river cruises and casinos are liable to pay tax at the rate of 15 *per cent* of the admission fee and surcharge at the rate of 10 *per cent* on tax with effect from April 2001 to August 2006. Scrutiny of the assessments of M/s Advani Pleasure Cruise Pvt. Ltd., a river cruise/casino operator, revealed the following irregularities:

- While assessing the tax liabilities of the proprietor for the period from April 2001 to June 2005, the rate of tax was calculated as inclusive of the admission fee. Despite the fact that the proprietor had not collected any tax with admission fee during the above period, the Department incorrectly treated the admission fee as inclusive of tax. This resulted in short collection of tax of Rs 7.86 lakh.

- While assessing the tax liability the Department ascertained the admission fee at the rate of Rs 300 per pax. During the period 2004-05 and from April 2006 to August 2006, 55,707 passengers were boarded in the vessel. Accordingly, the admission fee worked out to Rs 1.67 crore as against assessed admission fee of Rs 1.15 crore. This has resulted in short assessment of admission fee of Rs 52.15 lakh and consequent short levy of entertainment tax of Rs 8.60 lakh.

After the matter was pointed out, the Government stated (August 2007) that a notice had been issued for reverification of accounts.

6.19 Non-realisation of entertainment tax from cyber cafe

Failure of the Department to register 75 cyber café operators resulted in non-realisation of revenue of Rs 12.57 lakh.

As per GET Act, no person shall operate a cyber café unless he is registered under the GET Act and pays the registration fees/annual renewal charges at the rate of Rs 5,000 and Rs 2,000 per year for municipal areas and other than municipal areas respectively. The rate of entertainment tax was five *per cent* and surcharge at the rate of 10 *per cent* of tax. The payment of surcharge was however, discontinued with effect from 1 September 2006.

Scrutiny of records revealed that as on 31 January 2007, only 28 cyber café operators were registered under the GET Act as against 103 cyber cafés registered for payment of service tax with the Department of Central Excise. Thus, failure of the Department to register 75 cyber café operators resulted in non realisation of registration fees/annual renewal charges amounting to Rs 12.57 lakh for the period 2003-04 to 2006-07. Further, no entertainment tax/surcharge was collected up to 31 March 2007 from both registered and unregistered cyber café operators. The amount of tax evaded could not be determined in the absence of data.

After the matter was pointed out, the Government stated (August 2007) that reminders had been issued to the operators.

6.20 Evasion of entertainment tax by river/boat cruises

Faliure of the Department to register river/boat cruises led to potential loss of Rs 3.66 crore.

Under the provisions of the GET Act, river/boat cruises are liable to pay tax at the rate of 15 *per cent* of admission fee and a surcharge at the rate of 10 *per cent* on tax with effect from April 2001 to August 2006.

6.20.1 Scrutiny of the records revealed that as against 278 different types of vessel (248 boat cruises + 30 passenger vessels) licences/NOCs issued by the Captain of Ports, Panaji, only nine passenger vessels were registered with the Department and were paying entertainment tax. Twenty one unregistered vessels having capacity of 957 pax were neither registered nor paid the tax during April 2001 to March 2007. This resulted in estimated evasion of tax including surcharge of Rs 2.12 crore calculated on the basis of one trip per day for nine months considering 800 passengers.

6.20.2 Out of 248 unregistered boat cruises, the Department admitted that 116 boat cruises were providing entertainment. Scrutiny of the records revealed that the Department had conducted a survey only in November 2005 and issued notices to 33 proprietors to ascertain their tax liabilities. The survey conducted by the Department of 33 boat cruise operators revealed that they earned in the range of Rs 500 to Rs 6,000 on a daily basis. Taking the minimum daily income of Rs 500 for nine months in a year (excluding three months of heavy rains) the total tax liability for the period April 2001 to March 2007 of 116 operators works out to Rs 1.54 crore.

After the cases were pointed out, Department stated that the process of registration and fixing of liability was underway. The Department further stated that the peak season for cruises was around three months in a year and the calculation of tax evasion was on higher side. The contention of the Department in not tenable, as the estimated evasion of tax has been worked out for nine months in a year at the rate of one trip per day whereas the actual trip undertaken during the peak season would be much more than one per day.

PUBLIC HEALTH DEPARTMENT

6.21 Loss of revenue due to non-collection of charges for CT Scan and MRI services

Failure of the GMC to collect charges for CT Scan and MRI services resulted in non-realisation of revenue of Rs 27.10 lakh.

The Goa Medical College and Hospital (GMC) collects fees for availing MRI/CT Scan services from the foreigners and employees of the public sector undertakings, corporate houses and banks as per the rates fixed by the Public Health Department. The rates of fee for CT scan and MRI were Rs 600 and Rs 1,000 respectively for GMC patients and Rs 1,500 and Rs 3,000 for non-GMC patients.

Scrutiny of the records in May 2007 revealed that the Radiology Department of the GMC designated for collection of the above charges, had not collected any charge from the patients between 11 December 2006 and 31 March 2007. During the above period 3,751 CT scans and 938 MRI investigations were conducted by the GMC, of which the actual number of chargeable patients was not available. The trend in November 2006, however, showed that 85 *per cent* of the total patients were under the chargeable category. Based on the trend of patients under chargeable category, the GMC sustained a loss of Rs 27.10 lakh during the period from 11 December 2006 to 31 March 2007 due to not realizing the investigation charges from the patients.

The matter was referred to the Government in June 2007; their reply has not been received (October 2007).

CHAPTER – VII

Government Commercial and Trading Activities

CHAPTER – VII

Government Commercial and Trading Activities

7.1 Overview of Government Companies and Statutory Corporation

Introduction

7.1.1 As on 31 March 2007, there were 15 Government companies (all working companies) and one Statutory corporation (working) as against 16 working Government companies and one working Statutory Corporation as on 31 March 2006 under the control of the State Government. One subsidiary company, Goa Financial and Leasing Services Limited amalgamated with its holding company (EDC Limited) with effect from 1 April 2006. 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 arrangement of the Statutory Corporation is 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

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

7.1.2 The total investment≠ in working PSUs at the end of March 2006 and March 2007 respectively, was as follows:

(Amount: Rupees in crore)

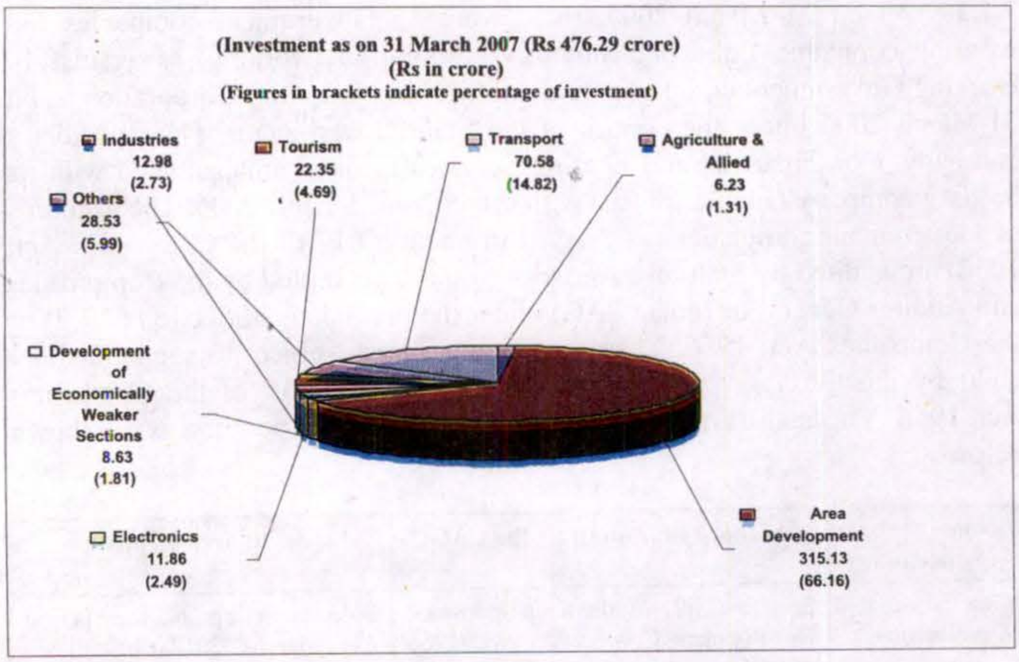
Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loans*	Total
2005-06	17	186.46	8.00	374.30	568.76
2006-07	16	192.60	27.68	256.01	476.29

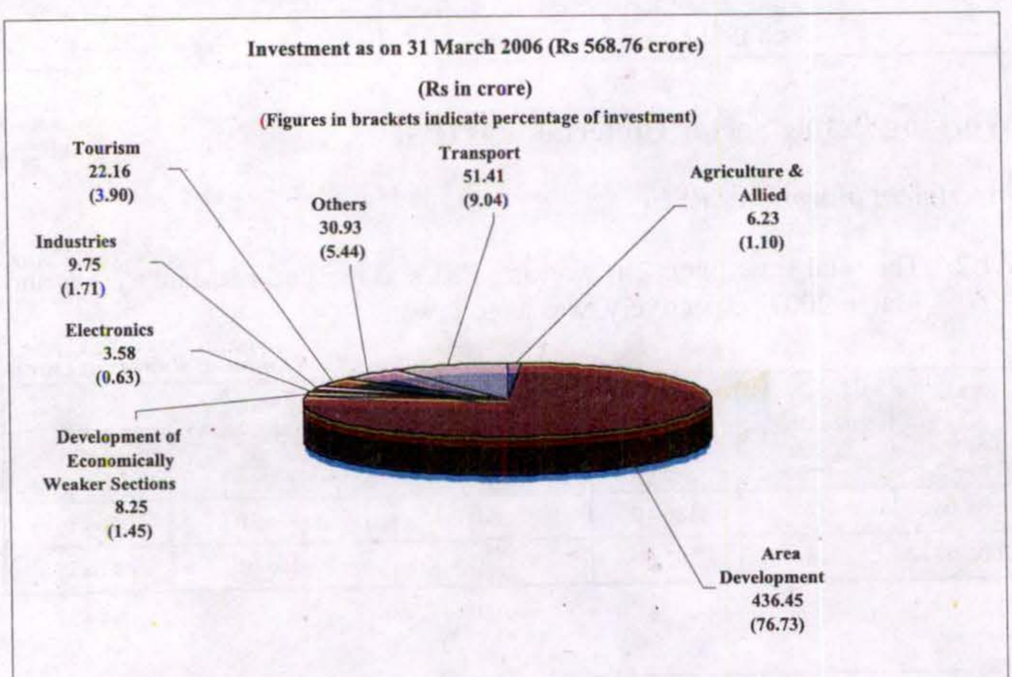
≠ Investment by way of equity and share application money in working PSUs by State Government is Rs 163.74 crore as per data furnished by the PSUs (Appendix 7.1); whereas the amount as per Finance Accounts 2006-07, is Rs 142.01 crore. The difference is under reconciliation.

* 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 Corporation

The investment (equity and long term loans) in PSUs in various sectors and percentages thereof at the end of March 2007 and March 2006 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 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Year	Number of Companies	Investment in working Government Companies			
		Equity	Share application money	Loans	Total
2005-06	16	158.44	8.00	374.30	540.74
2006-07	15	164.58	27.68	256.01	448.27

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 2007, the total investment in working Government companies comprised 42.89 *per cent* of equity capital and 57.11 *per cent* of loans as compared to 30.78 and 69.22 *per cent* respectively as on 31 March 2006. The increase in investment in equity capital of Rs 25.82 crore was due to additional investment by the State Government in six# companies during the year. The decline in loan in 2006-07 was due to one company (EDC Limited) going in for one time settlement with Small Industries Development Bank of India.

Working Statutory Corporation

7.1.4 The total investment in one working Statutory Corporation at the end of March 2006 and March 2007 was as follows:

(Amount: Rupees in crore)

Name of the corporation	2005-06 (Provisional)		2006-07 (Provisional)	
	Capital°	Loan	Capital°	Loan
Goa Industrial Development Corporation	28.02	-	28.02	-

A summarised statement of Government investment in the working Statutory Corporation 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 Corporation are given in *Appendix-7.1* and *Appendix-7.3*.

Sl. No. A-4, 7, 11, 12, 13 and 15 of Appendix-7.1

° Amount payable to the State Government is treated as capital from State Government.

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 Corporation during the three years up to 2006-07 are given below:

(Amount: Rupees in crore)

Particulars	2004-05				2005-06				2006-07			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No	Amount	No.	Amount	No.	Amount
Equity capital	7	14.76	1	0.38	6	9.08	-	-	6	28.23	-	-
Loans given from budget	2	0.87	-	-	1	1.00	-	-	1	1.00	-	-
Grants/subsidies	6	14.70	-	-	5	114.68	-	-	5	74.16	-	-
Total Outgo	**8@**	**30.33**	**1**	**0.38**	**9@**	**124.76**	**-**	**-**	**9@**	**103.39**	**-**	**-**

At the end of the year, guarantees of Rs 286.91 crore obtained by three Government companies were outstanding as against the outstanding guarantees of Rs 453.23 crore as on 31 March 2006. One company (Kadamba Transport Corporation Limited) defaulted in repayment of guaranteed loan of Rs 29.43 crore and interest of Rs 4.56 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 the Statutory Corporation, its accounts are finalised, audited and presented to the Legislature as per the provisions of the Goa Industrial Development Corporation Act, 1965.

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 one Statutory Corporation, only two* Government companies had finalised their accounts for 2006-07 within the stipulated period. During the period from October 2006 to September 2007, 12 companies finalised 13 accounts for previous years.

The accounts of 13 working Government companies and one Statutory Corporation were in arrears for periods ranging from one to six years as on 30 September 2007, 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 subsidy.

* Goa Auto Accessories Limited and Goa Electronics Limited.

Sl. No.	Number of working companies/corporation		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 Corporation			Government companies	Statutory Corporation
1.	1	-	2001-02 to 2006-07	6	A-11	-
2.	1	-	2003-04 to 2006-07	4	A-10	-
3.	1	1	2005-06 to 2006-07	2	A-2	B-1
4.	10	-	2006-07	1	1, 4, 6, 7, 8,9, 12, 13, 14 and 15	-
Total	13	1				

It is the responsibility of the administrative departments to oversee and 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 appraised quarterly by the Accountant General regarding arrears in finalisation of accounts, no effective measures had 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 Corporation) as per their latest finalised accounts are given in *Appendix-7.2*. Besides, the financial position and working results of the working Statutory Corporation for the latest three years for which accounts are finalised are given separately in *Appendix-7.4*.

According to the latest finalised accounts of 15 working Government Companies and one working Statutory Corporation, nine companies had incurred an aggregate loss of Rs 11.37 crore, five companies earned an aggregate profit of Rs 14.16 crore and one company, (viz., Sewage and Infrastructural Development Corporation Limited) had not started commercial activities. The Statutory Corporation incurred a loss of Rs 1.43 crore.

Working Government Companies

Profit earning working companies and dividend

7.1.8 Out of two working Government companies, which finalised their accounts for 2006-07 by September 2007, one company (viz. Goa Auto Accessories Limited) earned profit of Rs 0.13 crore but did not declare any dividend. The State Government has not formulated any policy for payment of minimum dividend by the Government companies.

Similarly, out of 13 working Government companies which finalised their accounts for previous years by 30 September 2007, four[Δ] companies earned an aggregate profit of Rs 14.03 crore and only two companies earned profit for two or more successive years.

Loss incurring Government Companies

7.1.9 Out of the nine loss incurring working Government Companies, three[#] companies had accumulated losses aggregating Rs 110.27 crore which exceeded their aggregate paid-up capital of Rs 49.73 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 three companies (viz. Kadamba Transport Corporation Limited) was Rs 11.50 crore by way of grant and subsidy during 2006-07.

Working Statutory Corporation

Loss incurring Statutory Corporation

7.1.10 The Statutory Corporation, which finalised its accounts for 2004-05, incurred a loss of Rs 1.43 crore during the year. It had an accumulated surplus of Rs 4.98 crore.

Return on capital employed

7.1.11 As per the latest finalised accounts (up to September 2007) the capital employed[@] in 15 working Government companies worked out to Rs 469.37 crore and total return[*] thereon amounted to Rs 43.75 crore which was 9.32 *per cent,* as compared to total return of Rs 26.35 crore (4.13 *per cent*) in the previous year (accounts finalised up to September 2006). Similarly, the capital employed and total return thereon in case of the working Statutory Corporation as per the latest finalised accounts (up to September 2007) worked out to Rs 29.13 crore and (-) Rs 1.43 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.*

Δ Serial No. A- 1, 7, 8 and 13 of Appendix-7.2.

\# Goa Electronics Limited; Goa Antibiotics and Pharmaceuticals Limited and Kadamba Transport Corporation Limited.

@ 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.

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 the Statutory Corporation 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	2003-04	2004-05	13 February 2007	Delay in printing by the Government

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

7.1.13 During October 2006 to September 2007, the accounts of 13 working Government Companies 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)	Decrease in profit	3	--	858.32	--
ii)	Increase in loss	--	1	--	38.21
iii)	Decrease in loss	2	--	2.82	--
iv)	Errors of classification	2	--	738.00	--

Some of the major errors and omissions noticed in the course of audit of annual accounts of the PSUs are as under:

Errors and omissions noticed in case of Government Companies

EDC Limited (2005-06)

7.1.14 Non-provision towards bills pending for payment in respect of civil/maintenance works completed as on 31 March 2006 resulted in understatement of current liabilities as well as revenue expenses and overstatement of profit by Rs 8.16 lakh.

7.1.15 Short-provision of depreciation for each scrip as per NBFC Prudential norms resulted in overstatement of profit for the year by Rs 3.50 crore.

Goa Antibiotics and Pharmaceuticals Limited (2005-06)

7.1.16 Accounting of Rs 18.69 lakh being the value of expired stock held by C & F agent at Indore as loss even though it was decided to raise a debit note, resulted in understatement of receivables and overstatement of loss by Rs 18.69 lakh.

Goa Meat Complex Limited (2005-06)

7.1.17 Accounting of non- refundable grants of revenue nature, received from the State Government during the year 2005-06 for meeting the expenditure towards 'salaries and contingencies', under 'reserves' instead of 'income' (to the extent grants utilised) resulted in overstatement of 'Reserves and Surplus' and understatement of profit for the year by Rs 77 lakh.

7.1.18 Inadequate provision for gratuity resulted in understatement of expenditure and overstatement of profit for the year by Rs 31.16 lakh.

Kadamba Transport Corporation Limited (2005-06)

7.1.19 Non-provision for doubtful advances of Rs 10.38 lakh resulted in overstatement of loans and advances and understatement of loss.

Goa State Infrastructure Development Corporation Limited (2005-06)

7.1.20 Non-provision of Rs 5.46 crore being the value of unsettled bills relating to works completed and put to use before 31 March 2006 resulted in understatement of Current Liabilities - Sundry Creditors.

Errors and omissions noticed in case of Statutory Corporation

Goa Industrial Development Corporation (2004-05)

7.1.21 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 5.06 crore.

7.1.22 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 8.67 lakh.

7.1.23 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, deficit for the year was understated by Rs 26.16 lakh.

Internal Audit/Internal Control

7.1.24 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	1	A-7
No system of making a Business Plan – short term/long term	8	A- 3, 5, 7, 9, 10, 13, 14, and 15
No clear credit policy	5	A-1, 2, 5, 8 and 13
No delineated fraud policy	13	A-1, 2, 4, 5, 6, 8, 9, 10, 11, 12, 13, 14 and 15
No separate Vigilance Department	15	A-1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, and 15
Maximum and minimum levels of stocks were not prescribed	6	A-1, 3, 4, 5, 14 and 15
No ABC analysis adopted to control the inventory	5	A-1, 2, 3, 4 and 14
Inadequate Scope of Internal Audit	3	A- 5, 11 and 12
No Internal Audit	1	A- 9

Recommendation for closure of PSUs

7.1.25 Even after completion of five years of their existence, the turnover of four working Government companies* (Sl. No.A-1, 2, 6 and 11 of *Appendix-7.2*) has been less than Rupees five crore in each of the preceding five years of their latest finalised accounts. Similarly, one working Government company$^{\Delta}$ (Sl. No.A-14 of *Appendix-7.2*) had been incurring losses for five consecutive years as per the latest finalised accounts leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of the above five Government Companies or consider their closure.

* Goa Meat Complex Limited, Goa State Horticultural Corporation Limited, Goa Forest Development Corporation Limited, Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited.

$^{\Delta}$ Goa Antibiotics and Pharmaceuticals Limited.

Response to inspection reports, draft paras and reviews

7.1.26 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 2007 pertaining to 12 PSUs and 15 divisions of Electricity Department of Goa disclosed that 210 paragraphs relating to 49 Inspection Reports remained outstanding at the end of September 2007. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2007 is given in *Appendix-7.5*.

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 nine draft paragraphs and one review forwarded to various departments (viz., Finance, Information Technology, Tourism, Electricity and Industries Departments) during March-July 2007, replies from the Government were received only from Electricity Department and Finance Department so far (October 2007). 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

7.1.27 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 2007.

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

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-7.6***.

SECTION A – PERFORMANCE REVIEWS

GOA TOURISM DEVELOPMENT CORPORATION LIMITED

7.2 Operational Performance

Highlights

The Company has not evolved a policy or scientific costing system for fixation/revision of its tariff structure.

(Paragraphs 7.2.8 and 7.2.9)

The average annual occupancy in Company's hotels was below the state average of hotel occupancy. The poor occupancy performance was due to deficient planning and monitoring, deficiency in services and lack of marketing strategy. The Company's four 'eco' hotels incurred loss consistently and the loss for five years ended 2006-07 was Rs 4.10 crore.

(Paragraphs 7.2.10 to 7.2.14)

Poor contract management and non-observance of financial propriety resulted in payment of Rs 4.66 crore in respect of renovation/upgradation of six hotels without ensuring quantity/quality of works executed and without establishing necessity for high quantity of extra items of works.

(Paragraphs 7.2.15 to 7.2.17)

The Company's tour and cruise operations resulted in loss of Rs 4.24 crore during 2002-07 due to operational inefficiencies.

(Paragraphs 7.2.20 and 7.2.21)

Management of leases of hotels and restaurants suffered from irregularities due to unfair tender practices and defective tender evaluation which resulted in potential revenue loss of Rs 39.99 lakh.

(Paragraphs 7.2.22 to 7.2.27)

The employees' cost formed 46 *per cent* of total expenditure for five years ended 2006-07 and was in excess by Rs 8.92 crore of the limits recommended by Administrative Reforms Department of the State Government.

(Paragraph 7.2.33)

Introduction

7.2.1 Goa Tourism Development Corporation Limited (Company) was incorporated (March 1982) as a wholly owned Company of the erstwhile Union Territory of Goa, Daman and Diu. On formation of the State of Goa, the Company became (1987) a State Government Company. The main objectives of the Company are to acquire and take over from the State Government all assets related to tourism together with liabilities, if any, and to run and manage the assets with a view to promote and develop tourism in the State of Goa.

The activities of the Company being undertaken are to provide accommodation to tourists and arrange sight-seeing tours and river cruises. Restaurants and catering services and shops attached to its hotels have been leased to private entrepreneurs under leave and licence* agreement.

The Company's share in providing accommodation facilities in the State was only three *per cent* and the remaining 97 *per cent* was being catered by the private sector. As on 31 March 2007, the Company had 16 hotels, all transferred by the State Government during different periods, of which 12 hotels with 530 room capacity were managed directly and three* with 37 rooms were run by private entrepreneurs under leave and licence agreement. Tourist Home, Patto transferred (March 1997) to the Company is under the possession of the Director of Tourism, Government of Goa from where the office of the Directorate is functioning. The Company also had three launches meant for river cruises, with a total capacity of 408 passengers and a fleet of 11 vehicles for sight seeing/other special tours.

The Company is under the administrative control of the Tourism Department of the State Government. The management of the Company is vested with the Board of Directors (BoD) comprising of not less than three and not more than 12 Directors, all nominated by the State Government. The day to day affairs are being looked after by the Managing Director (MD), with the assistance of General Manager (Hotels), General Manager (Administration), General Manager (Finance) and Executive Engineer.

The posts of all the three General Managers and Executive Engineer have been lying vacant since June 2005 and September 2003 respectively. During the five year period 2002-07, five persons held the post of MD with a change of incumbency four times in the two years 2005-07. Frequent changes in the incumbency were not desirable for efficient functioning of the Company.

A review of the performance of the Company was included in the Report of Comptroller and Auditor General of India for the year ended 31 March 1999 - Government of Goa. The Report is yet to be discussed by COPU (September 2007).

Scope of Audit

7.2.2 The present Performance review, conducted during March to June 2007, covers the overall performance of the Company for the period from April 2002 to March 2007. The Audit examined the records relating to six* out of 12 hotels run directly by the Company, selected based on the importance of locality and capacity. In addition, the leasing arrangement of

* The ownership and possession of the premises remain with the Company and the licencee is entitled to use the said premises and has no other rights.

* Way side facilities Pernem, Forest Resort Mollem and Terekhol Fort rest house.

* Panaji, Mapusa and Vasco (City Hotels), Calangute and Calangute Annexe (Beach hotels) and Old Goa Heritage View (low occupancy hotel).

three hotels, 25 *per cent* of shops, overall performance of tour and cruise operations and management of circuit house were also examined.

Audit Objectives

7.2.3 The performance audit was conducted with a view to assess whether:

- the Company had prepared a strategy for implementation of State Tourism Policy;
- the Company has managed its hotels, catering and transport units economically, efficiently and effectively;
- the hotels and transport units (surface and water) were able to achieve the optimum capacity;
- adequate infrastructural facilities, amenities and manpower were available in the hotel and transport units;
- company's interests were adequately protected while giving hotels, shops and restaurants on 'leave and license basis';
- the Company had formulated an effective credit policy and implemented it efficiently; and
- there was a well defined market strategy to tap prospective tourists.

Audit criteria

7.2.4 The audit criteria adopted for assessing the achievement of audit objectives were as follows:

- Guidelines/instructions issued by the State Government/Company;
- Provisions of the tariff policy;
- Average state occupancy rate; and
- Terms and conditions of tenders and the Lease agreements entered into in respect of hotels, shops and restaurants.

Audit Methodology

7.2.5 The following Audit methodology was adopted for achieving the audit objectives with reference to the audit criteria:

- Examination of agenda papers and minutes of meetings of the BoD and other documents maintained by the head office/units;
- Examinations of budgets, targets and monthly reports submitted by the units;
- Verification of records of the selected units;
- Analysis of the statistical data compiled by Department of Tourism in respect of tourists arrival;
- Interaction with the management and issue of audit queries.

Audit findings

7.2.6 Audit findings emerging from the Performance review were reported (July 2007) to the Management/Government and discussed (10 September 2007) in the meeting of the Audit Review Committee on Public Sector Enterprises (ARCPSE), which was attended by the Secretary (Tourism) and MD of the Company. The views expressed by the Management/Government have been taken into consideration while finalising the review.

Audit findings on the basis of scrutiny of different activities of the Company are discussed in succeeding paragraphs.

State Tourism Policy

7.2.7 Goa occupies a unique place in the domestic and international tourism on account of its natural beauty and beautiful sea-beaches. The State Government adopted Tourism Policy in 2001 with main thrust on raising the quality of infrastructure which would act as a foundation for the sustainable growth of tourism. The emphasis was laid on the balanced tourism development, domestic and overseas marketing of Goa as a tourist destination, encouragement to private initiatives and preparation of tourism master plan. A Tourism Master Plan – Goa (TMP – 2011) was prepared (February 2001) keeping in view a perspective of next 25 years. TMP – 2011 worked out the projected arrival of tourists based on linear regression and suggested measures which would help raise the arrival of tourists by 15 *per cent* above this projection.

It was, however, observed that pursuant to the declaration of Tourism policy 2001, no specific role was assigned by the State Government to the Company as part of the tourism policy apart from providing budget accommodation, sight seeing tours and river cruises envisaged at the time of its formation (1982). The Company had also not formulated any specific strategy in the light of the State Tourism Policy, to promote and develop tourism in the State.

Operational Performance

Operational performance of Company's hotels, tours and cruise is discussed in subsequent paragraphs.

Absence of tariff policy

7.2.8 The Company had not evolved a policy or scientific costing system for fixation/revision of hotel tariff. The Company applies different tariff rates for different periods of the year, categorized as 'season', 'peak season' and 'off season'. The amount charged by the Company had, however, no scientific costing basis. The tariff was revised based on proposals received from its hotel managers, which in turn were based on revision in tariff in other hotels.

There was no scientific costing system for fixation of tariff for hotels, tours as well as cruise

Five to seven out of 12 hotels[♣] run by the Company incurred losses during 2002-07, after allocating Head Office (HO) expenses[*] and depreciation.

The Management stated (August 2007) that the tariff was enhanced to compensate the cost of maintenance and payment to employees, keeping in view the objective of catering to the needs of the middle/lower class tourists. The reply is not convincing as the Company could have adopted a better costing system and tariff fixed/revised taking into account the rate of inflation, increased purchasing power of tourists and advantages of prime location of its hotels and backed up by efficient, effective and quality service.

7.2.9 The Company has no tariff policy for its tour operations. It did not revise its rates for tour operations during 2002-05 despite increase in cost of operations. The Company incurred loss of Rs 2.33 crore (including depreciation and proportionate HO expenditure) on its tour operations during the period 2002-07. Similarly, the tariff for river cruises was not increased during last five years ended 2006-07, although the private cruise operators revised their tariff upwardly by at least 50 *per cent.* The Company incurred loss of Rs 1.91 crore during 2002-07 on its cruise operations.

The Management stated (August 2007) that the tariff on tours was not revised due to stiff competition from private operators who reduced their rates as and when required and paid commission to agents which Company cannot resort to. The reply is not tenable as it is essential to redefine overall strategy based on prevailing market conditions and commercial practices in order to continue in the business. Fact is that in a competitive market the Company could have made up rising cost by efficient, effective and quality services.

Performance of Hotels

Low occupancy

7.2.10 The Company was operating (March 2007) 12 hotels directly by itself with total room capacity of 530 comprising 184 air conditioned and 346 non-air conditioned rooms. The Company's total room capacity was only three *per cent* of the total rooms available in the State and the remaining was catered by the private sector. Average income from sale of rooms (accommodation) constituted 65 *per cent* of average total annual income of the Company during 2002-03 to 2006-07. The overall performance of Hotels during the five years resulted in profit mainly due to the income from leases. On stand alone basis, five out of 12 hotels incurred loss of Rs 1.02 crore during the period 2006-07. Four 'eco' hotels[*] incurred loss consistently from 2002-03 and the loss for five years ended 2006-07 was Rs 4.10 crore. The table below shows the average

[♣] Excluding three hotels leased out and one hotel under the possession of Director of Tourism.

[*] HO expenditure allocated activity wise (tour, cruise, hotels and circuit house) in the ratio of expenditure of each activity to total expenditure. Total expenditure of hotel activity with proportionate allocation of HO expenditure reallocated to each hotel unit based on expenditure of each unit.

[*] Farmagudi, Mayem, Old Goa and Britona.

hotel occupancy in the State of Goa vis-a-vis the Company's hotels for the last five years ending 2006-07.

(In per cent)

Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
State of Goa (with respect to total rooms available in the State)	60.5	59.3	62.5	69.2	Not available
GTDC (with respect to total rooms)#	48.3	51.9	56.6	57.1	62.8
GTDC (with respect to rooms ready for allotment)#	52.2	56.0	60.1	59.4	63.9
Occupancy during season/peak season in GTDC hotels (with respect to total rooms)	54.2	57.0	61.6	65.0	69.3

Note: Occupancy for 12 directly run hotels of the Company.

Source: Hotel and food service review – a Business magazine in Hospitality Industry (February 2007) and the Company's records.

The average occupancy in Company's hotels was below annual State average despite lower tariff and prime locations of the hotels, due to deficient planning and monitoring

The average occupancy in Company's hotels remained much below the State average of hotel occupancy. The Company could not achieve the level of annual State average even during the tourist season♥. Despite the fact that some of the hotels were located in prime locations and tariff were also lower than the private sector the average occupancy remained below the market average. Audit scrutiny revealed that low occupancy in Company hotels was due to deficient planning and monitoring and operational inefficiencies as discussed below.

Deficient Planning and Monitoring

7.2.11 The following deficiencies in the planning and monitoring were noticed:

- The Company had not calculated break-even point vis-à-vis physical targets for occupancy in hotels.
- In spite of lower occupancy, the reasons for the same were not analysed periodically by the top management for taking timely remedial action.
- The Company had not developed a regular system of feedback from the occupants through direct interaction by its senior officials for improving its services.
- Failure to complete planned upgradation/renovation within the stipulated time resulted in loss of 48,126 room days including 27,680 room days in tourists' season during 2002-07.

♥ Season – 1 October to 20 December and 4 January to 15 June, Peak season – 21 December to 3 January

The Management stated (August 2007) that some of the private hotels closed their operations during off season, hence the high percentage of occupancy in such hotels. Further, day-to-day occupancy was monitored and month's statistics compiled. The fact, however, remains that even during season/peak season, the occupancy in Company's hotels was below the State average occupancy. Further, the compiled statistics were not used for any remedial/improvement purposes.

The Hotel 'Britona riverside' incurred cash loss of Rs 34.67 lakh during 2002-07 due to neglect and lack of planning

7.2.12 The Company has a hotel 'Britona Riverside', situated on the bank of River Mandovi opposite Panaji city. This hotel provides only dormitory facility with 74 beds which makes it unattractive for tourists. As the hotel was not renovated/upgraded to make it comfortable and to provide efficient, effective and quality services, the occupancy remained low and declined from 31.6 *per cent* in 2003-04 to 23.9 *per cent* in 2006-07. The hotel incurred cash loss aggregating Rs 34.67 lakh during 2002-07. Thus, despite the prime location of the hotel, due to neglect and lack of planning it was unable to attract tourists.

Deficiency in services

7.2.13 The details in the following table indicate the tourist inflow in the State and the number of tourists who availed Company's accommodation during five years ended 2006-07:

No.	Particulars	2002-03	2003-04	2004-05	2005-06	2006-07
1.	Number of tourists visited Goa					
	Domestic	1524183	1727446	2077516	1974780	2104335
	Foreign	281282	321399	406369	342075	384321
	Total	**1805465**	**2048845**	**2483885**	**2316855**	**2488656**
2.	Number of tourists who availed Company's accommodation					
	Domestic	97594	106028	103051	101047	118674
	Foreign	1040	1218	1463	1720	2042
	Total	**98634**	**107246**	**104514**	**102767**	**120716**
3.	Percentage of tourists who availed Company's accommodation facilities	5.46	5.23	4.21	4.44	4.85
4.	Percentage of foreign tourists who availed Company's accommodation facilities	0.37	0.38	0.36	0.50	0.53

Source: Information collected from Tourist Statistics published by Department of tourism and Company's records.

It would be observed from the above that though there was increase in tourist inflow in each year from 2002-03 to 2004-05 the percentage of tourists who availed Company's facilities decreased during those years due to poor maintenance and lack of renovation. The number of foreign tourists who availed Company's accommodation was negligible during all the years under review. The Company's hotels did not have sleek and aesthetic look compared to private hotels in its category. Audit noticed certain shortcomings in the services as a result of which it could have lost customers to private hotels as mentioned below:

- The percentage of air conditioned (AC) rooms in 12 hotels run by the Company directly, increased marginally from 33 *per cent* in 2002-03 to 35 *per cent* in 2006-07 which was indicative of failure of the Company to upgrade its service to cater to changed preferences of tourists.

- There was no power back up generators in seven* of the 12 hotels run by the Company (October 2007).

- The process of room reservation was centralised at the Head Office being handled by Sales Department. The Company had no dedicated telephone service for reservation (October 2007).

- The hotels lacked in renovation/upgradation.

The Management stated (August 2007) that it was not advisable to add more AC rooms as demand for the same was only in the month of May and further stated that it has been planned to put generators in all the hotels and telephone facilities had been improved. The reply is not tenable as these basic facilities and amenities are essential to attract tourists and also to face competitition from private sector. It was noticed that wherever number of AC rooms was more than non-AC rooms, occupancy was more which indicated the necessity of further upgradation of the facility of ACs in the rooms. Further, the Company is yet to install a dedicated telephone line for reservation/enquiry.

Marketing Strategy

7.2.14 Advertisement and publicity is necessary for business promotion and competition. The press and electronic media provide an easy mode of publicity for attracting tourists from abroad and different parts of the country. Audit noticed that the Company has not taken adequate and aggressive steps to promote its hotels and other facilities to attract tourists though it was required to gear up in the face of stiff competition from the private operators. The Company did not have a well defined marketing strategy of its own, to tap prospective tourists, apart from distributing brochures to improve its occupancy. Audit further noticed the following:

- The Company had still not provided online reservation facilities for convenient, efficient and integrated services to the customers. Though initiative for online booking was taken as early as in December 2003 and expenditure of Rs 6.64 lakh had been incurred the same was yet to be started (October 2007).

* Panaji, Calangute, Calangute Annexe, Old Goa, Mayem, Farmagudi, Britona.

- The Company has a website providing information regarding various facilities provided by it. However, no initiative was taken to regularly update the information. The room tariff available on the web site in May 2007 in respect of Panaji, Mapusa, Calangute and Britona pertained to October 2005 to September 2006 though the rates had been revised with effect from October 2006.
- Though the Company set up (1999) facilitation counters at Margao, Thivim and Karmali railway stations and Kadamba bus terminal at Panaji with a view to assist/guide and attract tourists, the counters at Thivim, Karmali and Panaji had not started functioning even after lapse of nearly eight years (October 2007).
- The renovation/upgradation was either very slow or non-existent.

Thus the brand image of the State in the tourism sector as being provided by the Company was hardly inspiring.

[illegible] Upgradation of facilities

Poor contract management and financial impropriety

7.2.15 For attracting a larger chunk of tourist traffic as well as improving the occupancy rate with good and new look to its properties, the Company renovated/upgraded its hotels. Audit scrutiny of works in respect of Old Goa, Vasco, Mapusa, Colva, Farmagudi and Mayem Hotels revealed the following:

7.2.16 The renovation/upgradation works were planned to be executed during the off-season (June to September) so that the benefit of renovation/ upgradation could be reaped from the next immediate season itself. The works at the above Hotels planned to be completed before the season, however, were completed with delay ranging from 30 to 216 days which affected their occupancy. The delay was mainly due to execution of extra items not envisaged in the original scope of work.

The Management stated (August 2007) that the delay in completion was due to additional works cropped up during execution and also due to rain and non availability of material. The reply is not tenable. The fact is that the Company has to compete with private hotels for attracting tourists, and if it delays its projects, it is obviously going to loose its customers. Further, undertaking extra items of works during execution indicated defective planning for which the Company is to blame.

7.2.17 As per the agreement entered into with the contractors of each work, the works were to be carried out as per the specifications in the respective schedules. The bills were to be submitted stage wise and payments made on completion of the items after actual joint measurements at site by the engineer of the Company or his representative and the contractor and on certification by the Technical Committee *(TC). The following points were noticed:

The Company made payments to the contractors without physically measuring the works

- The Company for all the works paid advances to the contractors to the extent of 75 *per cent* of the value of work reported as completed against interim/running accounts bills and finally settled the advances without physically measuring the works executed, by the Engineers of the Company. Thus, no financial discipline was maintained.

- The TC members whose certification was to be based on such joint measurements, however, did not insist for the compliance of the provisions of the agreement in this regard before they certified the bills for payment. The bills were certified for payments only by one or two members of the TC (as against the requirement of certification by the committee), who in turn relied on certification by consultants/site supervisors who were neither appointed by the Company in any capacity nor authorised to do so in place of Company's engineers.

- The bills amounting to Rs 0.86 crore in support of payment in respect of Old Goa Residency were certified (January 2004 to August 2005) by a consultant who had never been appointed by the Company in any capacity.

- The measurements in respect of Farmagudi, Mayem and Colva were recorded by the site supervisors appointed (August 2004 and August 2003) on contract basis for the respective works who had not been authorised to take and record measurements in place of engineers of the Company.

Extra items valued Rs 1.29 crore were executed without justification

- The final payments amounting to Rs 4.66 crore made to the six contractors in respect of six hotels at Mapusa, Old Goa, Vasco, Colva, Farmagudi and Mayem included Rs 1.29 crore (28 *per cent*) towards execution of extra items not included in the original schedule of work. The extra items paid for, however, were executed without any formal orders from the Company and without justifying the necessity to execute the non-tendered items and establishing the genuineness of the claim by physical measurements by the engineers of the Company.

After the observations were pointed out in Audit (August 2005), a Committee* was formed (October 2005) to look into the matters and record the exact measurements of the works carried out at the hotels. The Committee reported that extra works were executed without formal orders and procedures were violated and that many items could not be verified being unseen and underground items and that it was difficult to ascertain the item after long period (Farmagudi and Colva). It was also reported that the quality of works

* Consisting of Chief Architect PWD, Executive engineer PWD Works Division 1, an Architect consultant and the Managing Director.

* Consisting of Deputy General Manger (Hotels), Assistant Engineer (Civil), Junior Engineer (Civil), Junior Engineer (Electrical) and Accountant.

was poor due to poor supervision (Mapusa). The Committee, however, did not go into the detailed measurements. The Company settled the claims of the contractors amounting to Rs 4.92 crore at Rs 4.66 crore based on the reports of the Committee without physically measuring and recording them in the measurement book. The Assistant Engineer of the Company had been suspended (January 2006) pending enquiry on the above matters. The inquiry was in progress (March 2007).

Audit observed that the engineers appointed in the Committee were originally responsible for execution of the works. Entrusting the same officials to examine the issues raised made the entire exercise a farce. Thus, the payment aggregating to Rs 4.66 crore in respect of renovation/upgradation of the six hotels was made without physically measuring and ensuring the quantity/quality of the works done and establishing the necessity for extra items of works (Rs 1.29 crore), which indicated poor contract management besides, non observance of financial propriety.

The Management stated (August 2007) that extra works were carried out as per instructions given by TC to give face-lift to the rooms. It was further stated that the bills were submitted by the contractors along with measurement sheets. The reply is not tenable as neither justification for extra items of work nor formal orders were on record. Further, there were no records for having physically measured the works and ensured the quantity and quality by the Company which necessitated the formation of a Committee to report on the quality/quantity.

7.2.18 The Company awarded (June 2004 and March 2007) the work of renovation and upgradation of Mayem Residency, upgradation of 12 rooms at Miramar Residency (Phase II) and upgradation of 10 rooms of Calangute Residency (Phase II) (March 2007) at an estimated cost of Rs 0.58 crore, Rs 0.63 crore and Rs 0.67 crore respectively without ensuring competitiveness. The former was single tender and in the latter two cases, there was only one valid tender each as the other tender was liable to be rejected before opening financial bids on account of furnishing Earnest Money Deposit (EMD) in the form of cheque in lieu of cash or call deposit as required as per conditions of the tender. The Company for the purpose of comparison considered the financial bid of the other invalid tender and awarded the contract to the single valid tender without opting for re-tender. Thus, tender evaluation was deficient.

The Management stated (August 2007) that by accepting single tender the Company saved time in renovation/upgradation. The reply is factually incorrect as the work orders were issued only on 06 March 2007 whereas the tenders were opened on 23 January 2007 which indicated that the saving of time was not the factor considered for accepting single tender.

7.2.19 During 2001-05 the Company received Rs 8.50 crore from the State Government in the form of share capital contribution as financial support for the proposed renovation/upgradation of properties. Due to the cost overrun consequent to the execution of extra items of work without justification, other upgradation works such as swimming pool at Miramar, Calangute and Colva, though included in the project proposals, could not be undertaken in spite of financial support having already been received from the State Government.

The Management stated (August 2007) that tenders for construction of swimming pool has since been invited and were under consideration. The fact remains that the swimming pools proposed during 2003-04 are yet to be constructed (October 2007).

Performance of tour operations

The tour operations resulted in a loss of Rs 2.33 crore during 2002-07 due to high employees cost, idling of vehicles and uneconomic operation of tours

7.2.20 Average income from tour operations constituted eight *per cent* of the average total income of the Company during the last five years ending 2006-07. The tour operations of the Company include arranging daily sight seeing tours and other special tours. Six sight seeing tours were arranged daily, three covering North Goa and another three covering South Goa operated simultaneously from Panaji, Margao and Mapusa. Special tours include Dudhsagar on Wednesdays and Sundays, 'Goa by night', South end tour, Pilgrim tour etc., all within the state only. For the purpose of conducting tours, the Company had an exclusive fleet strength of 11 vehicles as on 31 March 2007. To meet the occasional increased demand for tours, the Company hired private vehicles also. During the last five years, seven vehicles were scrapped (sold) and five new vehicles were inducted in the fleet. The tour operations resulted in loss after adding proportionate Head Office expenditure, during all the years from 2002-03 to 2006-07. The loss for five years ended 2006-07 was Rs 2.33 crore.

Audit scrutiny revealed the following:

- The cost per kilo metre for operating vehicles for these tours during 2002-07 was Rs 27.71 as against the earning per kilo metre of Rs 20.66. The high cost was mainly due to high employees' cost (50 *per cent* of tour income).

- The Company was holding 11 vehicles for six daily and two weekly trips, leaving five/three vehicles as standby. Thus, too many vehicles remained standby adversely impacting the fleet utilisation. Out of 19,933 total vehicle days available during 2002-07, 7815 days (39 *per cent*) were lost, of which 5,709 (29 *per cent*) were due to idling of vehicles for want of booking for tours.

- As against the growth of 38 *per cent* in tourist inflow from 2002-03 to 2006-07, the number of tourists availing the Company's tour facilities decreased from 0.58 lakh in 2002-03 to 0.53 lakh in 2006-07 indicating that the Company could not tap the growing potential of tourist inflow in the State and was loosing its customers to the private operators.

It would thus be observed that the Company failed to provide efficient, effective and quality tour services. As its tariff structure is similar to private operators, it can also appropriately enhance its tariff structure but backed by effective, efficient and quality services. The continuance of tour operation activity therefore needs detailed examination and revamping.

The Management, while accepting the audit findings, stated (August 2007) that the Company faced stiff competition from private tour operators who revised their rates arbitrarily. It was further stated that since accommodation and sight seeing tour are inter-connected, the unit-wise profitability could not be strictly adhered to. The reply is not tenable as the Company failed to take any aggressive and pro active steps to provide efficient, effective and quality services.

Performance of cruise operations

The cruise operations resulted in a loss of Rs 1.91 crore due to under-utilization of passenger capacity and non-profitable operation

7.2.21 The Company was having three launches for conducting river cruises. Two cruises (one hour duration) were operated daily - one sunset cruise and the other sundown cruise. Special cruises and full moon cruises were also operated. In addition, the Company also hired out its launches on demand at hourly rate. While a launch (*Santa Monica)* was normally used for the daily cruises, another launch (*Shanta Durga)* was used for special cruises. Third launch (*Poseidon)* was let out to Advani Hotels & Resorts (India) Limited (AHRL) for carrying passengers from their jetty at Panaji to their boat floating in the River Mandovi from 5.00 pm to 3.00 am everyday without holiday. The cruise operations resulted in loss of Rs 1.91 crore during 2002-07 which was mainly due to underutilisation of passenger capacity of *Santa Monica* and vessel *Shanta Durga* and non-profitable operation of *Poseidon.*

Audit scrutiny revealed the following:

- Passenger capacity utilisation of *Santa Monica* cruise, ranged between 63 and 51 *per cent* only during the five years ended 2006-07. Loss of passenger traffic and revenue thereof to private operators can be attributed to its poor up keep and unsatisfactory board service and entertainment.
- *Shanta Durga* generally used for special cruises was operated for 415 days only during the four years ended 2006-07 and remained idle for 922[◊] days for want of tourists. The operation of *Shanta Durga* during 2002-03 to 2006-07 resulted in aggregate loss of Rs 50.42 lakh (before allocating HO expenditure).
- *Poseidon,* a mono fibre glass medium speed passenger launch, purchased (February 2002) for Rs 22.66 lakh for providing river cruises to places of importance accessible by rivers was used for the intended purpose only for 124 days during the four years ended 31 March 2007. From October 2002, the launch was used mainly for

[◊] (After providing 30 days in each year for dry docking).

carrying passengers for AHRL and for their exclusive use from June 2004. However, contrary to the understanding between AHRL and the Company to engage the launch everyday without holiday and pay monthly hire charge of Rs 75,000, AHRL from May 2004 paid hire charges only for the days it was used by them. Absence of a formal agreement with AHRL and their deviation from the understanding to pay hire charges on a monthly basis without holidays, resulted in loss of revenue of Rs 11.42 lakh during May 2004 to March 2007.

Thus, it is clear from above that the Company did not provide effective, efficient and quality cruise services. Any increase in tariff rate has to be linked to efficient and effective quality services.

The Management stated (August 2007) that decrease in number of tourists for Company's cruise facility was due to competition by private cruise operators who reduced their ticket rates as and when required and offered tremendous commission to the agents. Further, *Shanta Durga* was mainly intended as a stand by for *Santa Monica* during its repairs/break down and profitability of cruise has to be considered as total unit rather than individual vessels. It was also stated that Company's cruise operation helped to control the excessive charging of rates by the private operators. The reply is not tenable as even after keeping their rates at 33 *per cent* below the rates of private cruises in 2006-07, the cruise operations resulted in cash loss during 2006-07, indicating that the cruise operation is economically unviable. Further, in a competitive tourist sector the Company could appropriately increase its tariff structure but only through effective, efficient and quality services.

Poor management of leases

7.2.22 The Company has been leasing out its restaurants, 72 shops attached to 12 directly run hotels and also all infrastructure including accommodation and restaurant of three hotels* to private operators. The Company/Government, however, has not prescribed any specific guidelines/procedures for leasing. The licencees are identified through open tender process. Audit observed that the Company failed to safeguard its financial interest while concluding leases due to various irregularities in the management of leases by the Company as brought out in succeeding paragraphs.

Hotel leases

7.2.23 Out of three hotels leased out by the Company, two hotels (Mollem and Terekhol) were given (December 2001 and November 2002 respectively) on the basis of single valid tender. The licence to run the hotel at Mollem was awarded for a period of seven years to the third lowest at Rs 37,500 per month as the other two higher offers (Rs 70,833 and Rs 50,000 per month respectively) did not furnish earnest money deposit. The Company however,

* Way side facilities Pernem, Forest Resort Mollem and Terekhol Fort rest house.

did not negotiate with the third lowest to increase his offer to match the highest offer.

The lease agreements did not safeguard the financial interests of the Company as the increase in the lease rent stipulated in the agreement did not even cover the cost of inflation

7.2.24 All three leases contain renewal clauses. The initial period of lease was seven years in case of Mollem (expiring in December 2008) and Terekhol (expiring in August 2009) hotels and extendable upto 21 years. In respect of hotel at Pernem, the initial lease period was three years (expiring in February 2008), extendable upto seven years. While the extension would be given at the discretion of the Company, the increase in lease rent had been provided for in the agreement itself. It was just 18 *per cent* higher after seven years (i.e 2.58 *per cent* per annum) in case of Mollem and Terekhol and 15 *per cent* higher after three years for hotel at Pernem. These clauses in the agreement did not safeguard the financial interests of the Company as they did not even cover the cost of inflation. On the contrary, with passage of time, the hotels were likely to establish themselves and earn more. Moreover, the agreements stipulate prior approval of the Company for tariff revision by the licencees. This requirement was, however, not complied with. Thus, the defective clauses of extension in agreement jeopardised the financial interest of the Company. Therefore, in the financial interest of the Company, it would be appropriate to go in for re-tendering for getting competitive rates rather than extending the leases after the expiry of initial lease period. Fact is that tourist inflow in Goa is increasing every year and obviously hotels will be in great demand.

The Management stated (August 2007) that the agreement provided for termination of the contract by giving due notice, without assigning any reason and thus safeguarded the financial interests of the Company. The reply is not acceptable as the Company would not be able to take advantage of better market conditions in cases of longer lease period and the increase in licence fee provided in the agreement for renewal would not be sufficient to compensate the inflationary impacts.

Restaurant leases

7.2.25 The Company has catering facilities attached to all 15 functioning hotels and other four* standalone restaurants. All the restaurants attached to the hotels and the standalone restaurant at Vagator and Anjuna have been leased out to private parties. The Company has not leased or commenced operation by itself of the other two standalone restaurants transferred by the State Government in November 2003/March 2004. Audit scrutiny of four out of six hotels selected for test check revealed that the restaurant leases suffered from irregular, unfair practices, causing loss to the Company as discussed below:

Awarding lease to the second highest bidder resulted in loss of Rs 10.94 lakh

7.2.26 The lease for running restaurant and catering services at Calangute Residency for the period November 2000 to October 2007 was not given (May 2000) to the highest bidder on the ground that he did not produce a solvency certificate for Rs 10 lakh though the bidder contended (May 2000)

* Kesarwal springs, Vagator, Anjuna and Benaulim.

that the matter was with the District Collector of North Goa for issue of a solvency certificate and produced communication of Mamalatdar of Tiswadi informing the value of assets of the bidder as Rs 33 lakh. The second highest bidder had produced a solvency certificate from a Co-operative bank. In fact, the Company had not specified from whom the certificate was to be obtained. The Company, however, without holding any negotiation with the second highest to increase his offer to match the highest, awarded (May 2000) the lease to the second highest at his offered rates. While entering (September 2000) into agreement the Company also favoured the licencee with an increased lease term of seven years initially, and extendable upto 21 years against initial three years lease term extendable upto nine years as tendered for (April 2000). Thus, failure to specify the authority from whom the solvency certificate was required and subsequent defective evaluation led to award of lease to the second highest bidder, resulting in a loss of Rs 10.94 lakh calculated for seven years, besides an undue favour of extending the lease term.

The Management stated (August 2007) that generally financial solvency is issued by financial institutions/banks who are aware of the status/goodwill of the depositor and it was easy to cash the outstanding dues from banks rather than keeping assets as security and therefore the lease was awarded to the second highest bidder. The reply is not tenable as non specifying of the authority from whom solvency certificate was to be obtained provided scope for manipulation of tender evaluation. Further, the solvency certificate was not furnished as a security to cash outstanding dues but to ensure the financial capability of the tenderer.

Inefficient tender management resulted in loss of Rs 29.05 lakh

7.2.27 The leases at Panaji (August 2000) and Calangute Annexe (January 2002) suffered due to unfair practices wherein several partners of firms participated in the tendering process individually. The highest bidders withdrew leaving the leases to be awarded to sixth highest bidder in case of Panaji Residency and second highest bidder for Calangute Annexe. Both the tendering processes indicated cartel and collusive bidding and the Company should have cancelled the tendering process rather than fostering unfair practices. There was a loss of Rs 29.05 lakh calculated for seven years (Panaji Residency) and six years (Calangute Annexe) as a difference between highest bid and accepted bid.

The Management stated (August 2007) that being open tender anybody who was in the business of catering can apply and further stated that as good caterers at Residencies supports the accommodation wing, it was necessary to award the contract to the right person. The reply is not tenable as the practice of each partner of the same partnership firm participating in individual capacity and withdrawing the higher offer to get the lease at a low license fee amounted to cartel and collusive bidding, besides loss of revenue.

7.2.28 Due to long lease tenure of the restaurants, the Company may have to face difficulties in implementing the decisions, if taken in near future, for leasing out those hotels to which these restaurants are attached. It is, therefore, prudent to restrict the initial lease period to three years with a clause of further extension of three years at the discretion of the Company. At the end of six years, the Company should re-discover the competitive lease price through fresh tendering.

The Management stated (August 2007) that the agreements provided for termination of contracts in between. The fact however, remains that if the lease period is shorter the Company would be able to get competitive rates through fresh tendering.

Uneconomic management of Circuit House/State Guest House

7.2.29 The Company, as per directives of the State Government, took over (September 2002) the activities of house keeping, catering and maintenance of the state owned Circuit house and Guest house for a period of one year at Rs 1.51 lakh per month. The arrangement was continuing for subsequent years without any increase in the rates. As per conditions of the agreement, the Government would provide kitchen equipments, water and electricity free of cost and maintain electrical fixtures, civil works, plumbing, sanitary and painting. It was observed that the activities undertaken by the Company at the Circuit house/Guest house were not cost effective. The Company was unable to even recover its cost in any of the years. This resulted in excess expenditure of Rs 33.60 lakh (without allocating HO expenditure) and Rs 75.05 lakh (including proportionate share of HO expenditure) over the remuneration during the five years ended 2006-07. Audit scrutiny revealed that the excess expenditure over income was due to execution of jobs beyond the scope of work envisaged in the agreement (such as repairs and maintenance), without specific directions from the State Government, besides high employees' cost. The Government reimbursed Rs 28.14 lakh only against the expenditure of Rs 34.42 lakh towards such claims. Thus the management of Circuit House/Guest House resulted in net loss of Rs 46.91♣ lakh for five years ended 2006-07.

The Management stated (August 2007) that the Company accepted the proposal to run the Circuit House to accommodate surplus staff consequent to leasing of hotel at Mollem. The Company has requested (November 2005) the State Government to take over the premises or increase the remuneration.

Financial Position and Working Results

7.2.30 The financial position and working results of the Company for the five years up to 2006-07* are given in ***Appendix 7.7 and 7.8*** respectively. The paid up capital of the Company was Rs 21.35 crore as of 31 March 2007 wholly contributed by the State Government. The Company incurred losses during

♣ Total loss for five years including proportionate HO expenditure (Rs 75.05 lakh) – amount reimbursed by Government Rs 28.14 lakh.

* Figures for 2006-07 are provisional as the Company is yet (June 2007) to finalise its accounts.

2002-03 to 2004-05 mainly due to low occupancy in its hotels coupled with uneconomic operation of tours and management of Government Circuit house/Guest house. However, during 2005-06 and 2006-07, the Company earned profit, reducing the accumulated loss from Rs 1.19 crore in 2002-03 to Rs 0.28 crore in 2006-07.

Low Return on Capital Employed

The return on Capital employed was negative/ negligible due to poor financial management and operational inefficiency

7.2.31 The Company showed a negative return on capital employed for the three years from 2002-03 to 2004-05. Though the return turned positive in 2005-06 and 2006-07, it was a mere 1.22 *per cent* and 6.06 *per cent* of the capital employed during the respective years. The cost of funds* for the Government during the period 2002-03 to 2006-07 ranged between 7.89 *per cent* and 9.25 *per cent*. The Company could not generate return equal to the cost of funds invested by the State Government as Share capital in the Company, mainly due to poor financial management and low occupancy emanating from operational inefficiency coupled with high manpower cost. The Company did not declare any dividend during 2002-07.

The Management stated (August 2007) that the high cost on employees was due to higher pay scales in the Company. The reply is not tenable as in such a situation the Company should have improved its performance to make good the extra burden on account of higher scales of pay.

Dues pending realisation

7.2.32 As on 31 March 2007, Rs 1.13 crore was pending realisation towards accommodation, tour and cruise charges and licence fee from shop licencees, caterers and ex-caterers. This included Rs 30.90 lakh (27 *per cent*) realisable from Government departments/institutions and Rs 0.82 crore from private individuals/organisations.

Audit scrutiny revealed that:

- The Company did not have any credit policy to provide facility to any individual/organisation on credit basis. Thus providing facilities on credit basis was unauthorised.
- Rs 37.37 lakh comprising Rs 30.56 lakh from private parties and Rs 6.81 lakh from Government departments/institutions was outstanding for more than one year which indicated lack of proper follow up of dues for recovery.
- As per the prescribed system the booking agents were required to remit the advances collected by them from customers in the Company's accounts with UTI bank. Thus, there should remain no balance with the agents. It was, however, observed that Rs 15.97 lakh was due from 78 booking agents appointed by the Company. Of this, dues from 29

* Weighted interest rate [interest payment/(amount of previous years fiscal liabilities + current years fiscal liabilities) / 2 x 100]

booking agents were beyond the security deposit of Rs 10,000 per agent furnished by them and the unsecured dues amounted to Rs 11.17 lakh. The pendency of advance collected by the agents indicated poor monitoring.

The Management stated (August 2007) that action would be taken to reduce the outstanding dues.

Manpower

High incidence of employees' cost

7.2.33 The major component of the expenditure of the Company was employees' cost as it formed 46 *per cent* of the total expenditure as well as that of total earnings during the five years ended 2006-07. Audit scrutiny revealed the following:

- The employees' cost as percentage of total expenditure was high when compared to the percentage of employees' cost to total expenditure in Tourism Development Corporation of other States such as Karnataka (26.37 *per cent* and 23.63 *per cent* respectively in 2004-05 and 2005-06) and Kerala (30 *per cent* in 2002-03).

- Based on the recommendations (June 1999) of the Administrative Reforms Department of the State Government, the employees' cost should normally be within 30 *per cent* of the total earnings. The employees' cost of the Company was as high as 46 *per cent* during all the five years ended 2006-07 and the same exceeded the recommended limit by Rs 8.92 crore.

- In pursuance of the Government's policy to downsize the number of Government employees to control revenue deficit through Voluntary Retirement Schemes (VRS) the Company also proposed VRS for its employees in September 2003. Only 10 employees (Group C & D category) opted for the scheme. Apparently not satisfied with the response for the VRS, the Company submitted (April 2005) a new VRS to the BoD which, however, was deferred without recording any reasons. No further initiative was taken by the Company to reduce its manpower/employees' cost. The Company has so far not conducted any manpower analysis to ascertain the actual manpower requirement.

The Management stated (August 2007) that high cost on employees were due to higher pay scales paid to them, compared to the scales of other Government employees. It was also stated that the cost on employees have come down due to VRS, superannuation and engaging daily rated employees. The fact however, remains that employees' cost was high compared to the norms recommended by the Government and also when compared with the employees' cost of Tourism Development Corporation of other States.

Internal control

7.2.34 Internal control is a management tool used to provide reasonable assurance that management's objective are being achieved in an efficient and effective manner. Audit noticed the following major deficiencies in the internal control system of the Company:

- The Company had not evolved a mechanism for analyzing the reasons for unit wise variance between actuals and budgets with the result that the purpose of preparation of budgets was not achieved. Further, Capital expenditure were not budgeted.
- There were no functional manuals, prescribing the procedures to be followed in various areas such as accounting, internal audit, marketing etc.
- Contractor's bills in respect of renovation/upgradation were paid without physical measurement of work done and certification by the Engineers of the Company
- The Company was not following the system of depositing the Earnest Money Deposit (EMD) received in the form of Demand Drafts (DD). DDs worth Rs 7.47 lakh were kept in different files without even handing over the same to the Accounts Department.
- There was absence of proper system of adjusting the advances paid against supplies/interim bills for works done. Advances paid as early as in January 2006 were remaining unadjusted as on 31 March 2007.
- A system of cross checking the data generated by different departments of the Company was not in vogue and accuracy of such data remained unascertained.
- The internal audit function was not adequate to bring out the lapses in respect of monitoring of renovation/upgradation works and payment of contractors bills.
- The internal audit reports were not presented to the BoD or the Audit Committee constituted under section 292 A of the Companies Act 1956.
- The proposals for the revision of tariff for each year were discussed by the MD with the Deputy General Managers and finalised. However, approval of the BoD being the competent authority for the finalised rate had not been obtained.

Conclusion

Although the State is a haven for multi attraction tourism and has immense potential for tourism, the Company failed to tap the tourist potentials due to lack of planning and professional approach in the management of the business.

Despite being in the business since 1982, the Company failed to meet the challenges from private operators. During the period of review, the Company's share of domestic tourists decreased from 5.46 (2002-03) to 4.85 (2006-07) whereas in respect of foreign tourist it ranged between 0.36 *per cent* and 0.53 *per cent* indicating that the Company has not been able to attract tourists. There was no scientific costing system for fixation/revision of tariff for various facilities provided. The Company failed to safeguard its financial interests while concluding the leases. Operations of tour and cruises were economically unviable. Contract management in respect of renovations/upgradation undertaken was poor and failed to observe financial propriety. The cost on employees far exceeded the limit prescribed by Government. Internal control system was found to be deficient in many areas.

Recommendations

The Goa State has tremendous tourism potential to showcase itself as a domestic as well as global brand because of its multi attraction tourism destinations. As such the Company must:

- prepare a Strategic Corporate Plan defining its role and activities as per the Tourism Policy of the State and indicating the long term and short term goals to be achieved.
- improve its financial management by formulating a well defined tariff policy, revising terms and conditions for leases so as to protect its long term financial interests and ensure fair and competitive tender process for leasing.
- upgrade, refurbish and renovate all the properties in a phased manner.
- re-align its priorities by outsourcing tour and cruise operations and concentrating on hotel operations.
- consider rebuilding of hotel at Britona on a Public Private Partnership basis so as to avoid extra burden on public exchequer and provide better facilities to customers.
- strengthen its internal control system and internal audit.

SECTION B – TRANSACTION AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

Info Tech Corporation of Goa Limited

7.3 *Loss due to shortage in area of land possessed*

Failure in measuring the land before taking possession resulted in shortage of area and consequent loss of Rs 1.04 crore.

The State Government transferred (June 2000) to the Company 2,85,296 square metre of land [survey numbers 264 (Part), 266 (Part), 267, 268, 269, 270, 271 and 273 (Part)], falling under Taleigao village in Dona Paula, belonging to the Public Works Department (PWD), for setting up a High-tech Habitat for Information Technology industries. The land value payable was fixed by the Government at Rs 7.85 crore (at the rate of Rs 275 per square metre for 2,85,296 square metre) and the same was paid in the form of Equity Shares allotted on 14 March 2006. The Company took possession (April 2001) of the land from the Deputy Collector (Revenue) without measuring and confirming the actual area available. During site visit, the Company officials noticed (March 2002) certain encroachments and unauthorised possession and the same was intimated (July 2002) to the Revenue authorities. The Company requested (March 2003) the Revenue Authorities to demarcate the land and settle the issue. Accordingly, Directorate of Settlement and Land Records carried out (May 2004) the work of demarcation of land and reported that the area available was only 2,50,015 square metre. The Report pointed out actual availability of land 'in part' in survey numbers 268 and 269 and no land under survey number 273. When the Company surveyed (March 2006) the land for the purpose of allotment of plots to IT firms, it was revealed that the actual area of land available was only 2,47,527.65 square metre. Thus, failure on the part of the Company to measure the land and ensure free encumbrance before taking over the possession resulted in loss of Rs 1.04 crore being the value of 37,768 square metres (2,85,296-2,47,528) based on the purchase price of Rs 275 per square metre. The Company also failed to take up the matter of shortage of land with appropriate authorities for investigation. As the possibility of encroachment cannot be ruled out, the matter needs to be investigated.

The Management stated (August 2007) that the matter would be taken up with the Government for getting refund of the amount paid for the land found short. The reply, however, was silent about the action proposed for recovering the lost land. Moreover, even if the Government is refunding the value of land, the responsibility and accountability for the shortage vest with the Company in view of the fact that it had not reported any shortage at the time of take over.

7.4 Reduction of lease rent and consequent recurring loss of Rs 43.25 lakh per annum

Decision to reduce the rate of lease rent of land after allotment resulted in recurring loss of Rs 43.25 lakh per annum to the Company for 30 years and also extension of an undue favour to the allottees of land.

The Company invited (March 2006) applications for allotment of plots for establishing IT software & ITES industries in the "Rajiv Gandhi IT Habitat" at Dona Paula, Goa, at a premium of Rs 4,000 per square metre. The plot, with basic infrastructure of world class quality, was to be ready by March 2007. The Company released (July 2006) another advertisement notifying certain amendments to the eligibility criteria, terms and conditions and also increasing the premium to Rs 4,600 per square metre. As per the terms and conditions of allotment, the land would be allotted on lease basis for a period of 30 years initially and extendable up to 90 years. On allotment, the allottees were to pay premium of Rs 4,600 per square metre, which consisted of Rs 3,100 towards the land cost and Rs 1,500 towards development charges. In addition, annual lease rent of Rs 92 per square metre (at the rate of two *per cent* of the premium amount) was also payable from the date of allotment. The Company decided (January 2007) to reduce the lease rent from two *per cent* of the premium (Rs 4,600) to two *per cent* of the land cost (Rs 3,100) which worked out to Rs 62 per square metre.

The Company had received (March to December 2006) applications and allotted (April 2006 to December 2006), 12 plots measuring 1,44,167.81 square metre, to 10 firms, prior to the decision of January 2007 at the reduced rate of two *per cent* on the land cost instead of on the premium amount. The reduction in lease rent resulted in recurring loss of revenue of Rs 43.25 lakh per annum to the Company (Rs 12.98 crore for 30 years) on 1,44,167.81 square metre land already allotted. As the applications were submitted by all the applicants knowing that the lease rent would be two *per cent* of the premium amount, reduction in rate after allotting the plots, was an injudicious decision resulting in undue favour to the allottees. Further, the loss of revenue on 44,171.49 square metre of land allotted subsequently up to March 2007, works out to Rs 13.25 lakh per annum (Rs 3.98 crore for 30 years).

The Management stated (August 2007) that the development cost (Rs 1,500 per square metre) was excluded for the purpose of charging lease rent as it had already recovered the development cost along with the initial premium. The reply is not tenable as land development expenditure also forms part of cost of developed land and required to be treated at par with the basic land cost. Further, by reducing the lease rent, the Company compromised on its financial interests while extending undue favour to the allottees.

EDC Limited

7.5 Loss due to non recovery of loans disbursed

Disbursal of loans to two software development companies set up by the same group of promoters, without ensuring viability of the projects, and acceptance of software as security resulted in loss of principal and interest amounting to Rs 10.27 crore.

The Company sanctioned (July 1999 and December 1999) a term loan of Rupees five crore and Rs 6.50 crore to Information Technology (India) Ltd. (ITIL) and Burr Brown (India) Limited (BBIL) respectively for setting up software development units. Both the companies were promoted by Usha (India) Limited, New Delhi. The loan of Rupees five crore was disbursed to ITIL during September 1999 to March 2001. As ITIL defaulted in repaying the principal and interest, EDC took over (August 2001) the unit. The disposal of properties fetched (November 2004) Rs 0.70 crore only, as against the total dues of Rs 5.52 crore.

In the case of BBIL, an amount of Rs 5.78 crore was disbursed during April 2000 to March 2001. In view of the default in repayment in this case also, EDC attached (August 2001) the unit and available assets were disposed off (November 2004), realising Rs 1.10 crore only as against the total dues of Rs 6.55 crore.

Audit scrutiny revealed the following:

- EDC had not formulated any policy or guidelines for financing IT related project at the time of sanction of the loans. The inherent risks* in software business, as apprehended in appraisal notes, were ignored while sanctioning the loans.
- BBIL was not having any prior experience in the field of software business. Their working results were negative and financial position weak. Thus the decision to finance a client, who was not having any proven track record and financial credibility, was not justifiable.
- Within two months of last disbursement, both ITIL and BBIL informed (May 2001) EDC, about their difficulty to meet the commitments due to overall slump in software industry and offered to hand over the unit to EDC with its assets and liabilities. Thus, intentions of these companies to establish a permanent set up in Goa were questionable.
- In both the cases, software and books were accepted as security which formed more than 28 *per cent* of the total security. The acceptance of software, an intangible asset of restricted use/resale value and high obsolescence, as security jeopardised the financial interests of EDC.

* Probable recession in the United States, political and other destabilizing factors, competition from similar projects, high rate of obsolescence in technology etc.

- At the time of attachment in August 2001, software and plant and machinery worth Rs 3.99 crore and Rs 2.96 crore were reported missing from the premises of ITIL and BBIL and the value of assets available was Rs 1.98 crore and Rs 2.82 crore only against the total security of Rs 7.15 crore and Rs 8.14 crore respectively. As the intention of the loanees not to carry on the business was clear by May 2001, the company should have kept close watch on their functioning.

Thus, venturing into financing IT related projects without formulating a policy, improper assessment of viability of the projects, acceptance of software as security and poor post sanction monitoring, resulted in loss of Rs 10.27 crore. As the available assets have been realised and the process of enforcement of corporate guarantee is cumbersome and time consuming as it involves obtaining decree, identifying the assets, filing of petition for enforcement and auction of assets of the guarantor, the recovery of the balance dues becomes uncertain.

The Management stated (July 2007) that the exposure and track record of the group as a whole was taken into account during project appraisal. The reply is not tenable as loan was sanctioned not to the group but to each loanee in their individual capacity. In fact, BBIL did not have any prior experience in software business and its working results were negative and financial position weak.

7.6 Improper sanctioning of loan resulting in non-recovery

Release of loan without fulfillment of conditions and subsequent irregular sanction of further loans resulted in non-recovery of Rs 8.60 crore for over eight years and loss of interest of Rs 10.12 crore.

Vishwas Steels Limited (VSL) approached (October 1997) the Company for a term loan of Rupees five crore for setting up a mini steel plant at Dhargal. As per the terms and conditions of the term loan, VSL was required to furnish power availability certificate for the total power requirement (18 MW) and also bring additional contribution/loan of Rupees two crore from others, before disbursal of the loan. However, EDC disbursed the loan of Rupees five crore in March-April 1998 without ensuring the fulfillment of these two conditions. Further, in order to bridge the gap in the financing structure due to the failure of the promoters to raise loan/bring additional contribution, EDC disbursed (April 1998) another term loan of Rupees two crore under the existing loan agreement without additional security.

In addition to these two loans, EDC also sanctioned (June 2000) and disbursed (July 2000) a corporate loan of Rs 1.60 crore repayable in one year in spite of the fact that:

- the borrower had already defaulted in payment of interest (Rs 58.10 lakh as of July 2000) on the combined term loan of Rupees seven crore;

- the major portion of security for corporate loan offered by promoters consisted of shares of VSL itself held by third parties and that of an unlisted company and hence were not marketable; and
- no objection certificate for creating additional charge on the assets, which was required to be obtained from IFCI and IDBI before disbursal was not obtained.

VSL was referred to BIFR in November 2000 and EDC recalled (December 2000) the entire loan of Rs 8.60 crore and outstanding interest of Rs 2.81 crore. But it was only in May 2003 (two and a half years later) that EDC took possession of the assets of the unit and attached plant and machinery and land which was valued at Rs 12 crore for the purpose of sanction of loan. It was noticed that electrical equipment worth Rs 23.49 lakh were missing at the time of attachment.

There was nothing on record to indicate that EDC was regularly monitoring the performance of VSL by exercise of their right to appoint a nominee in the Board of Directors of VSL. Regular post–sanction monitoring would have brought out the fact that VSL was incurring heavy losses at the time of sanction of the corporate loan of Rs 1.60 crore. EDC filed a case in the District Court, Panaji in January 2002 and court decided in June 2005 that the Company may proceed against the properties of the guarantors. But EDC could not enforce the decree so far (October 2007) for want of authentic ownership documents. Thus, release of the first loan before fulfillment of the terms and conditions of sanction, irregular sanction of further loans and inadequate monitoring resulted in blocking and non recovery of Rs 8.60 crore for nearly eight years and loss of interest of Rs 10.12 crore.

The Management stated (June 2007) that attachment of the unit and disposal of assets were delayed as the decision on reference to BIFR was pending for about two and half years. The fact, however, remained that even after the rejection of reference by BIFR in March 2003, the company did not dispose off the assets despite receipt (October 2004) of a reasonable offer (Rs 14 crore). The steps stated to have been taken to effect recovery of the dues were not adequate/prompt enough to ensure early recovery of the dues. Moreover, the management could not offer any convincing reply to the audit findings on the improper sanction/ disbursal.

Goa State Infrastructure Development Corporation Limited

7.7 *Infructuous expenditure on construction of housing units*

Commencement of the work of construction of housing units at Vasco, without obtaining express approval and collection of deposit from the Rehabilitation Board, resulted in suspension of work mid-way and consequent loss of Rs 21.52 lakh.

The State Rehabilitation Board (Board) entrusted (January 2004) the work of construction of 150 housing units at Vasco to the Company. The Board while forwarding the plans and design requested (June 2004) the Company to submit the estimates for enabling them to place required funds with the Company. The Company prepared an estimate for Rs 3.83 crore and the same was accepted (September 2004) by the Board. Accordingly, the Company awarded (April 2005) the work to Susheela Homes and Properties Limited (lowest tenderer) at Rs 3.78 crore, to be completed by January 2006. While the work was in progress, the Board directed (July 2005) the Company to stop the work due to some changes to be carried out in the design of the buildings and therefore, the work was suspended (July 2005). The Company had incurred an expenditure of Rs 21.52 lakh for the work done (March 2007). Subsequently, the Board forwarded (September 2005) another plan but the consultant of the Company did not accept (November 2005) the same. The contractor also refused (January 2006) to resume the work claiming increase in rates which was not accepted by the Board. The contract was terminated (July 2006) by the contractor. As no proposal was received from the Board for re-tendering, the future of work remained uncertain (October 2007).

Audit scrutiny (March 2007) revealed the following:

- The Board had requested (January 2004) the Company to submit the estimates for placing the funds for the work with the Company. Without receipt of funds or express approval of the Board, the Company started (May 2005) the work. Being a deposit work, the Company should have taken the deposits before award/start of work.

- The Company violated the Government directives (December 2004) which stipulated that GSIDC should execute Memorandum of Understanding (MOU) with the concerned Government Departments before undertaking any project allotted by the Government.

Thus, commencement of work without approval of the client and failure to collect deposit money resulted in loss of Rs 21.52 lakh to the Company, besides loss of interest of Rs 5.81 lakh due to blockade of funds.

The Management stated (June 2007) that the work was started without waiting for deposit of fund by the Board, for ensuring speedy completion of the project. The Company stated further that the work has not been withdrawn so far and the balance work can be completed by re-tendering, on receipt of approval from the Rehabilitation Board. The reply is not tenable as the work already executed is not suitable for any modification and lying idle for the last two years. Moreover, even if the company proposes to complete the work by retendering, it has to incur extra expenditure due to passage of time.

Goa Electronics Limited

7.8 Extra expenditure on payment of On-Site Support Charges

Payment of On-Site Support Charges for computers at a higher rate than the offer resulted in extra expenditure of Rs 16.83 lakh.

The Department of Education, Government of Goa, launched the Cyberage Student Scheme which envisaged supply of computers and accessories (UPS, printer, software etc.) free of cost to the school-going students. The Company had carried out the scheme during 2003-04 and 2004-05, on behalf of the Department, at a service charge of three *per cent*.

For the Cyberage Scheme 2004-05, the Company invited (December 2004) tenders from hardware agencies for supply of 15,000 computers and accessories. The scope of work included, supply and installation of computer hardware and accessories and providing spare parts free of cost, during the warranty period of two years. In the tender, the bidders were required to quote separately the charges for providing On-Site Support service also. The rate of Rs 13,510, quoted by Goa Technosys Pvt. Ltd. (GTPL) was the lowest for computer. Accordingly the company placed (August 2005) order for 3,845 computers (Intel Celeron) with GTPL and the balance quantity (7,139 computers) was distributed among other bidders, who agreed to match the L1 rate. In respect of On-Site Support Charges the offer of GTPL was Rs 1,100 per computer. Against this offer, while placing orders with the suppliers, the company however agreed to pay Rs 1,300 per computer as On-Site Support Charges which resulted in extra expenditure of Rs 16.83 lakh to the exchequer, in respect of 8,414 computers purchased from 12 suppliers.

The Management/Government replied (July/October 2007) that the extra amount was offered for providing On-Site Support to UPS and Printer. This reply is not tenable, since no such decision was recorded and the scope of tender had contained warranty/On-Site Support for hardware including UPS and Printer.

DEPARTMENTAL COMMERCIAL UNDERTAKINGS

Goa Electricity Department

7.9 Loss due to rejection of claim for incentive

Failure of the GED to establish the incentive claim under APDRP scheme resulted in rejection of the claim by the Ministry of Power and consequent loss of Rs 8.91 crore.

The Memorandum of Understanding (MOU) entered (October 2001) into by the State Government with the Government of India, Ministry of Power (MoP) provided for corporatisation of the Goa Electricity Department (GED) by March 2002. Under the Accelerated Power Development and Reforms Programme (APDRP), the Central Government extended incentive grants towards reduction in cash losses by SEBs/Utilities, up to 50 *per cent* of such amount. Accordingly GED claimed (February 2004) an incentive of Rs 8.91 crore, stating that it had achieved a cash loss reduction of Rs 17.92 crore in 2002-03.

The MoP rejected (February 2005) the claim on the grounds that it was not possible to know from the accounts submitted by GED whether the loss reduction had been achieved or not. MoP further stated that the incentive would be released after the GED was corporatised. Since the incentive claimed for the year 2002-03 was rejected, the GED had not worked out the reduction in cash losses for subsequent years and no claim for incentive was preferred. Thus, the failure of GED in preferring the claim with proper supporting documents/accounts, sufficient to establish reduction in cash loss, resulted in loss of Rs 8.91 crore.

The GED replied (August 2007) that under the existing accounting system and also even after corporatisation, evaluation of cash loss reduction for the period during which GED functioned as a Government Department, may not be possible. The reply is not tenable as GED could have studied the claims from other SEBs and provided necessary details to MoP. However, GED did not follow up the matter effectively.

7.10 Extra expenditure due to delay in issue of work order and consequent re-tendering

Delay in accepting the lowest offer for renovation work of LT lines within the validity period, resulted in extra expenditure of Rs 1.12 crore on re-tendering.

The GED invited (December 2003) tenders for the work of renovation of existing old LT lines of Sub-division III of Division I at Panaji, under the Accelerated Power Development and Reforms Programme. The scope of work included removing the old lines and supply, erection, testing and commissioning of new lines.

The cost of the work was estimated at Rs 1.86 crore. All the three tenders received were opened (20 January 2004) and the lowest offer of Rs 1.94 crore from Narendra Erectors was recommended (9 February 2004) for acceptance. As per the tender conditions, the offer was valid for a period of 90 days from the date of opening of tender (viz., up to 19 April 2004). However, on account of procedural delays, the work order could not be issued within the validity period. As the work order was issued (12 July 2004) after expiry of the validity period, Narendra Erectors did not accept the work order and the same was cancelled (January 2005) by the GED.

After re-tendering, the work was awarded (June 2006) at a cost of Rs 3.06 crore with a price variation clause. Thus, failure to issue the work order within the validity period at the time of initial tendering necessitated re-tendering and consequent minimum extra expenditure of Rs 1.12 crore. Actual extra expenditure would further go up in view of price variation clause in the work order of June 2006. In addition to the cost overrun, the delay in execution of work also delayed the improvement in operational efficiency in this area.

The GED stated (August 2007) that procedural delays in placing order were due to existence of some discrepancies in the tender documents submitted by the lowest tenderer. The reply is not tenable as the concerned Executive Engineer had recommended for acceptance of tender of Narendra Erectors on 9 February 2004 itself. The GED, however, took more than five months to place the order even after receipt of the recommendation. Further, the GED could have settled any issue with the tenderer well before the expiry of the validity period.

Panaji **(YASHWANT N. THAKARE)**
The 29 FEB 2008 **Accountant General, Goa**

Countersigned

New Delhi **(VINOD RAI)**
The 10 MAR 2008 **Comptroller and Auditor General of India**

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 2006-07.
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 2007.
Statement No.9	Shows the revenue and expenditure under different heads for the year 2006-07 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 head wise.
Statement No.13	Depicts the detailed capital expenditure incurred during and to the end of 2006-07.
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 2006-07.
Statement No.15	Depicts the capital and other expenditure to the end of 2006-07 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 2007.
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 – Weighted 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 <u>**minus**</u> 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 31 MARCH 2007

Sr. No.	Name of the Department	No. of utilization certificates	Amount (*Rupees in crore*)
1.	**Education** Directorate of Education	283	8.43
2.	Directorate of Technical Education	1	0.75
3.	Directorate of Higher Education	28	11.45
4.	**Sports** Director of Sports & Youth Affairs	186	27.28
4.	Town and Country Planning Department	23	9.63
5.	**Urban Development** Directorate of Municipal Administration	356	65.02
6.	**Social Welfare** i) Directorate of Women and Child Welfare, Panaji ii) Directorate of Social Welfare	44 62	1.44 2.17
7.	**Science, Technology & Environment** Directorate of Science, Technology & Environment	46	10.38
8.	**Panchayati Raj** i) Directorate of Panchayat (South), Margao ii) Directorate of Panchayat (North)	1141 915	7.89 40.17
9.	i) GAD Secretariat, Porvorim ii) Directorate of Official Language	15 16	2.76 1.69
10.	**Health** Directorate of Health Services	13	2.62
11.	**Home Department** Director General of Police	1	0.02
12.	Directorate of Art & Culture	239	8.10
13.	Directorate of Agriculture	122	0.84
14.	**Law Department** Goa Legal Services Authority	3	0.44
	TOTAL	**3494**	**201.08**

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 Education	90
2.	Directorate of Higher Education	14
3.	Directorate of Agriculture	1
4.	Directorate of Panchayat	2
5.	Chief Town Planner	1
6.	Directorate of Arts & Culture	1
7.	Directorate of Municipal Administration	8
	TOTAL	117

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 2007 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	1.4.2004 to 31.3.2008	2005-06 2006-07	2004-05	2003-04	2001-02
2.	Goa State Commission for Backward Classes	1.4.2004 to 31.3.2009	2006-07	2005-06	2005-06	2003-04
3.	Goa University	1.4.2005 to 31.3.2010	2006-07	2005-06	2004-05	2004-05
4.	Goa Khadi & Village Industries Board	1.4.2003 to 31.3.2008	2005-06 2006-07	2004-05	2004-05	2002-03
5.	Goa Housing Board	1.4.2002 to 31.3.2007	2006-07	2005-06	2005-06	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 2007 PENDING FINALISATION AT THE END OF JUNE 2007

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	--	--	--	--	--	--	--	--	1	1.38	1	1.38
	c) Director General of Prisons	--	--	1	0.18	--	--	--	--	--	--	1	0.18
3.	**Civil Supplies**	--	--	2	2.89	--	--	--	--	--	--	2	2.89
4.	Forest Conservator of Forest	--	--	1	0.67	--	--	--	--	--	--	1	0.67

5.	**Power Department** Chief Electrical Engineer	1	*55.24	1	40.24	--	--	--	--	--	--	2	95.48
6.	**Public Works Department** Chief Engineer, PWD	--	--	1	38.31	--	--	--	--	1	0.20	2	38.51
7.	Goa Medical College	1	2.39	--	--	--	--	--	--	--	--	1	2.39
8.	**Education** Director of Education, Panaji	--	--	--	--	--	--	--	--	1	0.77	1	0.77
9.	**Labour** Director of State Craftsmen training	--	--	--	--	--	--	1	1.05	--	--	1	1.05
10.	**E. S. I. Scheme**	--	--	--	--	--	--	--	--	1	1.14	1	1.14
TOTAL		**2**	**57.63**	**6**	**82.29**	**--**	**--**	**3**	**1.84**	**5**	**8.44**	**16**	**150.20**

* In respect of 1 case misappropriated amount is assessed to be Rs 55.24 lakh.

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.	ANIMAL HUSBANDRY & VETERINARY SERVICES Director of Animal Husbandry & Veterinary Services	55	34,075
2.	AGRICULTURE DEPARTMENT Directorate of Agriculture	8	25,259
3.	HEALTH DEPARTMENT Directorate of Health Services	10	1,00,761
	Total	**73**	**1,60,095**

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 2006		Liabilities		As on 31 March 2007	
1166.61		**Internal Debt**		**1224.49**	P.179
	1026.93	Market Loans bearing interest	1107.68		
	28.67	Loans from LIC	26.68		
	85.49	Loans from other institutions	70.76		
	24.31	Loans from NABARD	18.18		
	1.21	Loans from National Co-operatives Development Corporation	1.19		
	-	Ways and Means Advances /overdraft	-		
2957.20		**Loans and Advances from Central Government**		**3465.51**	
	2156.52	Non-Plan Loans	2682.60	P.179	
	791.09	Loans for State Plan Schemes	772.88	P.179	
	0.12	Loans for Central Plan Schemes	0.09	P.179	
	9.47	Loans for Centrally Sponsored Plan Schemes	9.94	P.181	
30.00		**Contingency Fund**		**30.00**	P.167
574.29		**Small savings, Provident Fund etc.**		**632.79**	P.183
320.08		**Deposits**		**371.32**	P.173/53
107.85		**Reserve Funds**		**139.65**	P.221/53
28.96		**Remittances**		**28.07**	P.53
19.38		**Suspense and Miscellaneous**		**(-) 29.19**	
5204.37				**5862.64**	
As on 31 March 2006		**Assets**			
3663.14		**Gross Capital Outlay on Fixed Assets**		**4289.48**	P.31
	235.84	Investment in shares of Companies, Corporation etc.	266.06	P.161	
	3427.30	Other Capital Outlay	4023.42		Table 1.19 of Ch.5
50.38		**Loans and Advances**		**52.74**	
	34.98	Other Development Loans	38.44		
	1540	Loans to Government Servants	14.30		
0.71		**Advances**		**0.74**	
-		**Remittances**		**-**	
-		**Suspense & Miscellaneous Balances**		**-**	
324.80		**Cash**		**495.79**	P.51
		Cash in Treasuries			
	1.45	Departmental Cash Balances	1.45	P.51	
	0.12	Permanent Advances	0.12	P.51	
	260.78	Cash Balance Investment	355.50	P.52/51	
	97.84	Earmarked Fund Investment	132.62	P.221	
	(-) 35.39	Deposits with Reserve Bank	6.10	P.53/51	
1157.94		**Deficit in Government Accounts**		**1016.49**	
	21.85	Revenue Deficit of the current year	(-) 141.45		
	1136.09	Accumulated deficit as on 31 March 2005	1157.94		
		Appropriation to Contingency Fund			
7.40		**Net effect of Balances taken over**		**7.40**	
	(-) 431.66	Balances taken over on 30 May 87 under capital	(-) 431.66		
	424.26	Net result of allocation of Capital Expenditure	424.26		
5204.37				**5862.64**	

APPENDIX - 1.8

(Referred to in paragraph 1.7.1)

TIME SERIES DATA ON STATE GOVERNMENT FINANCES

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
Part A. Receipts					
1. Revenue Receipts	1833	1623	1820	2169	2610
(i) Tax Revenue	602 (33)	710(44)	857(47)	1096(51)	1292(50)
Sales Tax	439 (73)	502(71)	567(66)	743(68)	845(65)
State Excise	47 (8)	53(7)	56(7)	55(5)	57(4)
Taxes on Vehicles	37 (6)	51(7)	59(7)	64(6)	75(6)
Stamps duty and Registration fees	26 (4)	29(4)	36(4)	60(5)	116(9)
Land Revenue	3 (1)	5(1)	5(1)	5(1)	6(1)
Taxes on goods and passengers	30 (5)	41(6)	103(12)	131(12)	138(11)
Other Taxes	20 (3)	29(4)	31(3)	38(3)	55(4)
(ii) Non-Tax Revenue	1039 (57)	725(45)	729(40)	761(35)	918(35)
(iii) State's share in Union taxes and duties	115 (6)	136(8)	162(9)	245(11)	312(12)
(iv) Grants-in-aid from Government of India	77 (4)	52(3)	72(4)	67(3)	88(3)
2. Misc. Capital Receipts	-	-	-	-	-
3. Total Revenue and Non debt capital receipt (1+2)	1833	1623	1820	2169	2610
4. Recoveries of Loans and Advances	7	7	6	6	6
5. Public Debt Receipts	497	792	702	698	639
Internal Debt (excluding Ways & Means Advances and Overdrafts)	181	273	151	186	100
Net transactions under Ways and Means Advances and Overdraft	47	-	-	-	-
Loans and Advances from Government of India	269	519	551	512	539
6. Total Receipts in the Consolidated Fund (3+4+5)	2337	2422	2528	2873	3255
7. Contingency Fund Receipts	14	-	1	-	-
8. Public Accounts receipts	2755	3239	3157	3285	3611
9. Total receipts of the State (6+7+8)	5106	5661	5686	6158	6866
Part B. Expenditure	2206	2065	2369	2771	3095
10. Revenue Expenditure	2000 (91)	1764(85)	1943(82)	2191(79)	2469(80)
Plan	218 (11)	284(16)	365(19)	415(19)	484(20)
Non-plan	1782 (89)	1480(84)	1578(82)	1776(81)	1985(80)
General Services (including Interests payments)	911 (45)	582(33)	633(33)	743(34)	786(32)
Economic Services	539 (27)	618(35)	642(34)	711(32)	852(34)
Social Services	550 (28)	564(32)	668(34)	737(34)	831(34)
Grants-in-aid and contributions	226	214	219	296	309
11. Capital Expenditure	206 (9)	301(15)	426(18)	580(21)	626(20)
Plan	216 (105)	301(100)	425(100)	579(100)	622(99)
Non-plan	(-)10 (-5)	-	1	1	4(1)
General Services	15 (7)	28(9)	70(17)	95(16)	83(13)
Economic Services	136 (66)	184(61)	265(62)	389(67)	421(67)
Social Services	55 (27)	89(30)	91(21)	96(17)	122(19)
12. Disbursement of Loans and Advances	12	10	7	7	8
13. Total (10+11+12)	2218	2075	2376	2778	3103

14. Repayments of Public Debt	182	363	230	71	73
Internal Debt (excluding Ways and Means Advances and Overdrafts)	65	34	38	40	42
Net transactions under Ways and Means Advances and Overdraft	-	21	66	-	-
Loans and Advances from Government of India	117	308	126	31	31
15. Appropriation to Contingency Fund	20	-	-	-	-
16. Total disbursement out of Consolidated Fund (13+14+15)	2420	2416	2606	2849	3176
17. Contingency Fund disbursements	680	1.17	0.22	-	-
18. Public Accounts disbursements	2693	3218	2971	3134	3519
19. Total disbursement by the State (16+17+18)	5793	5635	5577	5983	6695
Part C. Deficits					
20. Revenue Deficit (1-10)	167	141	123	22	(-) 141
21. Fiscal Deficit (3+4-13)	378	445	550	603	487
22. Primary Deficit (-)/surplus (+) (21-23))	86	124	227	203	60
Part D. Other data					
23. Interest Payments (included in revenue expenditure)	292	321	323	400	427
24. Arrears of Revenue(Percentage of Tax & non-tax Revenue Receipts)	296	321	322	425	532
25. Financial Assistance to local bodies etc.	226	214	219	297	309
26. Ways and Means Advances (WMA)/Overdraft availed (days)	259/34	249/21	221/12	-	-
27. Interest on WMA/Overdraft	1.76/0.17	1.34/0.23	1.13/0.05	-	-
28. Gross State Domestic Product (GSDP)*	9947	9290	10219	11685	12854
29. Outstanding Debt (year end)	3335	3838	4350	5018	5694
30. Outstanding guarantees including interest (year end)	216	491	621	631	624*
31. Maximum amount guaranteed (year end)	550	628	719	709	715
32. Number of incomplete projects	16	17	12	55	11
33. Capital blocked in incomplete projects	534	466.93	464.18	532.88	568.02

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 31 OCTOBER 2007 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	16.89
19	**Industries Trade and Commerce (Revenue Voted)**	
2851	Village and Small Industries	15.20
21	**Public Works (Capital Voted)**	
4215	Water Supply & Sanitation	69.93
30	**Lotteries (Revenue Voted)**	
2075	State Lotteries	683.25
55	**Municipal Administration (Revenue Voted)**	
2217	Urban development	67.40

APPENDIX – 2.2

(Referred to in paragraph 2.3.1)

SAVINGS IN EXCESS OF RUPEES TWO CRORE IN EACH CASE 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	8.80	2.80	6.00
2.	12 - Commercial Taxes	7.84	4.33	3.51
3.	13 - Transport	19.41	16.84	2.57
4.	58 - Women and Child Development	18.23	16.07	2.16
5.	62 - Law	5.32	2.39	2.93
6.	64 - Agriculture	24.14	21.66	2.48
Capital (Voted)				
7.	13 - Transport	10.55	8.52	2.03
8.	19 - Industries Trade and Commerce	8.05	1.00	7.05
9.	43 - Art & Culture	6.65	3.35	3.30
10.	48 - Health Services	5.58	2.46	3.12
11.	67 - Port Administration	4.63	0.19	4.44
12.	71 - Co-operation	8.37	4.40	3.97
13.	78 - Tourism	4.97	2.07	2.90
Capital (Charge)				
14.	Appropriation Debt Services	188.81	73.28	115.53
	TOTAL	**321.35**	**159.36**	**161.99**

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/ Appro-priation in the year	Grant/ Appropriation No.	Excess amount (*Rupees in crore*)	Reasons for excess
1998-1999	10	7, 32, 33, 34, 35, 36, 37, 46, 53 and 59	1.35	Not received
1999-2000	6	9, 27, 40, 42, 46, 58	0.39	Not received
2000-2001	5	8, 37, 44, 58 and Public Debt	14.79	Not received
2001-2002	3	44, 58 and Public Debt	307.91	Not received
2002-2003	2	50, Appropriation Debt Services	675.33	Not received
2003-2004	2	2, Appropriation Debt Services	549.59	Not received
2004-2005	2	8, Appropriation Debt Services	293.85	Not received
2005-2006	2	38, Appropriation Debt Services	17.68	Not received
TOTAL			**1860.89**	

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	Original	Amount of grants/appropriation		
			Supplementary	Actual expenditure	Savings
Revenue (Voted)					
1.	31- Panchayats	46.27	0.13	45.38	1.02
2.	40 – Goa College of Engineering	7.37	0.14	7.04	0.47
3.	48 - Health Services	70.10	1.43	68.73	2.80
4.	51- Goa Dental College	4.13	0.26	3.33	1.06
5.	65 - Animal Husbandry & Vet. Services	17.78	0.99	17.23	1.54
6.	68 - Forests	15.32	1.74	15.10	1.96
7.	70 - Civil Supplies & Price Control	1.84	0.03	1.75	0.12
8.	75 – Planning, Statistics and Evaluation	2.90	0.03	2.42	0.51
9.	78 – Tourism	28.12	0.13	25.45	2.80
Capital (Voted)					
10.	18 - Jails	4.93	1.20	1.25	4.88
11.	47 – Goa Medical College	9.00	2.00	6.57	4.43
	Total	**207.76**	**8.08**	**194.25**	**21.59**

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	Supplementary Provision	Total Provision	Expenditure	Savings
Revenue (Charged)						
1.	A1 - Appropriation -Raj Bhavan	2.30	0.33	2.63	2.40	0.23
Capital (Charged)						
2.	74 – Water Resources	0.39	0.30	0.69	0.40	0.29
Revenue (Voted)						
3.	2 – General Administration and Coordination	16.77	2.10	18.87	18.47	0.40
4.	23 – Home	0.63	0.80	1.43	1.12	0.31
5.	34 - School Education	263.30	45.11	308.41	304.44	3.97
6.	35 – Higher Education	41.27	6.13	47.40	44.72	2.68
7.	43 - Art and Culture	10.39	2.50	12.89	12.48	0.41
8.	47 - Goa Medical College and Hospital	48.48	3.00	51.48	49.72	1.76
9.	56 - Information and Publicity	14.03	1.89	15.92	14.04	1.88
10.	57 - Social Welfare	72.64	5.22	77.86	75.69	2.17
11.	61- Craftsman Training	12.45	0.49	12.94	12.49	0.45
12.	76 - Electricity	493.37	53.00	546.37	544.85	1.52
Capital (Voted)						
13.	1 - Legislature Secretariat	1.10	0.80	1.90	1.55	0.35
14.	2 – General Administration and Coordination	0.06	0.24	0.30	0.15	0.15
15.	34 - School Education	13.62	0.94	14.56	14.05	0.51
16.	35 – Higher Education	2.85	4.50	7.35	6.21	1.14
17.	50 - Goa College of Pharmacy	0.25	0.59	0.84	0.61	0.23
18.	70 - Civil Supplies & Price Control	23.25	2.00	25.25	24.58	0.67
	TOTAL	**1017.15**	**129.94**	**1147.09**	**1127.97**	**19.12**

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 (Charged)				
1.	Appropriation Debt	451.96	446.80	5.16
Revenue (Voted)				
2.	1 - Legislature Secretariat	6.59	6.47	0.12
Capital (Voted)				
3.	1 - Legislature Secretariat	1.90	1.55	0.35
4.	45 – Archives & Archaeology	5.50	0.16	5.34
5.	80 - Legal Metrology	0.15	0.00	0.15
	TOTAL	466.10	454.98	11.12

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	188.81	73.28	115.53	114.95	0.58
Revenue (Voted)						
2.	4 – District and Sessions Court (South Goa)	4.63	4.15	0.48	0.34	0.14
3.	14 – Goa Sadan	1.38	1.12	0.26	0.15	0.11
4.	42 – Sports	20.14	18.46	1.68	1.13	0.55
5.	82 – Information Technology	15.00	14.87	0.13	0.01	0.12
Capital (Voted)						
6.	17 – Police	2.50	2.15	0.35	0.19	0.16
7.	26 – Fire and Emergency Services	0.80	0.22	0.58	0.48	0.10
8.	58 – Women and Child Development	1.52	0.44	1.08	0.52	0.56
9.	65 – Animal Husbandry and Vet. Services	0.88	0.31	0.57	0.21	0.36
	TOTAL	235.66	115.00	120.66	117.98	2.68

APPENDIX – 2.8
(Referred to in paragraph 2.3.6)

SURRENDER IN EXCESS OF ACTUAL SAVINGS

(Rupees in crore)

Sr. No.	Number and Name of Grant	Total Grant	Expenditure	Savings	Savings surrendered	Excess amount surrendered
Revenue (Voted)						
1.	17 – Police	84.05	78.46	5.59	5.76	0.17
Capital (Voted)						
2.	18 – Jails	6.13	1.25	4.88	6.13	1.25
3.	42 – Sports	6.36	5.96	0.40	0.65	0.25
	TOTAL	**96.54**	**85.67**	**10.87**	**12.54**	**1.67**

APPENDIX 4.1 (A)

(Referred to in paragraph 4.4.1)

STATEMENT SHOWING YEAR-WISE POSITION OF INSPECTION REPORTS AND PARAGRAPHS PENDING SETTLEMENT

Sr. No.	Name of the Department	1997-98		1998-99		1999-00		2000-01		2001-02		2002-03		2003-04		2004-05		2005-06		2006-07		Total	
		IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para	IR	Para
1	Agriculture Department	--	--	--	--	--	--	--	--	2	2	--	--	--	--	--	--	2	5	2	5	6	12
2	Animal Husbandry & Veterinary Services Department	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	2	1	2
3	Archives, Archaeology & Museum	--	--	--	--	--	--	--	--	--	--	--	--	1	1	--	--	--	--	--	--	1	1
4	Art & Culture Department	--	--	--	--	--	--	1	1	--	--	--	--	--	--	--	--	1	4	--	--	2	5
5	Chief Electoral officer	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	3	1	3
6	Civil Supplies Department	--	--	1	1	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	1
7	Co-operative Department	--	--	--	--	--	--	--	--	--	--	1	1	--	--	--	--	3	15	1	7	5	23
8	Director of Sports	--	--	--	--	1	1	--	--	--	--	--	--	2	32	--	--	--	--	1	5	4	38
9	Education Department	--	--	--	--	--	--	--	--	2	2	--	--	--	--	3	5	8	32	--	--	13	39
10	Finance Department	--	--	--	--	--	--	--	--	--	--	--	--	1	5	--	--	--	--	--	--	1	5
11	Fisheries Department	--	--	--	--	--	--	--	--	1	1	--	--	1	2	--	--	--	--	--	--	2	3
12	Forest Department	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4	24	4	24
13	Governor's office, Raj Bhavan	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	4	1	4
14	General Administration Department	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	2	1	4	2	6
15	Housing Department	--	--	--	--	--	--	--	--	--	--	1	2	--	--	1	5	--	--	--	--	2	7
16	Health Department	--	--	1	1	--	--	1	1	2	2	--	--	3	4	--	--	1	2	3	13	11	23
17	Higher Education	--	--	--	--	1	1	1	1	5	11	1	1	--	--	2	2	5	19	1	2	16	37
18	Home Department	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4	10	--	--	4	10	8	20
19	Industries Department	1	1	--	--	--	--	--	--	1	1	--	--	1	2	1	2	--	--	--	--	4	6
20	Information Technology	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	2	--	--	--	--	1	2
21	Information & Publicity	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1	4	--	--	1	4

22	Inspectorate of Factories & Boilers	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1	–	–	–	–	1	1
23	Irrigation Department	–	–	–	–	–	–	–	–	1	2	1	1	–	–	3	9	4	14	3	16	12	42
24	Labour Department	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	2	1	1	1	5	3	8
25	Law Department	–	–	–	–	–	–	–	–	2	2	1	1	–	–	2	5	1	3	–	–	6	11
26	Legislature Department	1	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1	–	–	2	2
27	Panchayati Raj	–	–	–	–	–	–	–	–	–	–	–	–	–	–	3	13	3	12	2	20	8	45
28	Planning Department	–	–	–	–	–	–	2	3	–	–	–	–	–	–	–	–	1	4	–	–	3	7
29	Printing & Stationary Dept.	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	3	–	–	1	3
30	Provedoria Department	1	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	1
31	Public Works Department	1	1	2	2	1	1	1	1	7	7	7	14	4	9	8	15	16	66	6	36	53	152
32	Revenue Department	–	–	–	–	1	1	2	2	4	4	–	–	–	–	3	7	13	54	6	45	29	113
33	Rural Development Department	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	2	2	9	1	8	4	19
34	Inland Water Transport	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1	2	1	2
35	Science Technology & Environment Department	–	–	–	–	–	–	–	–	–	–	–	–	1	2	1	2	–	–	–	–	2	4
36	Social Welfare Department	–	–	–	–	–	–	1	1		–	–	–	1	2	1	3	–	–	1	3	4	9
37	Technical Education	–	–	–	–	–	–	1	1	–	–	–	–	–	–	1	3	2	2	2	4	6	10
38	Transport Department	–	–	–	–	–	–	–	–	–	–	–	–	1	1	1	2	–	–	1	1	3	4
39	Tourism Department	–	–	–	–	–	–	–	–	–	–	–	–	1	1	1	2	1	6	–	–	3	9
40	Urban Development Department	2	2	–	–	–	–	3	6	–	–	–	–	–	–	1	9	4	30	6	80	16	127
41	Women & Child Development	–	–	–	–	–	–	–	–	2	2	–	–	–	–	–	–	–	–	3	11	5	13
Total		6	6	4	4	4	4	13	17	29	36	12	20	17	61	40	101	72	288	53	310	250	847

APPENDIX 4.1 (B)

(Referred to in paragraph 4.4.1)

STATEMENT SHOWING THE OFFICES FROM WHOM NOT EVEN THE FIRST REPLY WAS RECEIVED WITHIN SIX WEEKS FROM THE DATE OF ISSUE OF INSPECTION REPORT

Sr. No.	Name of the Offices	Month of issue of IR	No. of Paragraphs
1.	Director of Health Services Panaji	November 2006	5
2.	Asilo Hospital, Mapusa	December 2006	4
3.	Hospicio Hospital, Margao	November 2006	4
4.	Fire and Emergency Servises, Panaji	November 2006	4
5.	Registrar of Co-operative Societies, Panaji	April 2006	7
6.	Employees State Insurance Scheme	November 2006	5
7.	Collector (MPLAD) Scheme North Goa, Panaji	November 2006	11
8.	Dy. Conservator of Forests, wild Life & Eco-Tourism, Panaji	May 2006	6
9.	Dy. Conservator of Forests, (North Division) Ponda	June 2006	7
10.	Dy. Conservator of Forests, Research & Utilisation, Aquem – Margao	May 2006	4
11.	Public Works Dept. W. D. VI	November 2006	5
12.	Public Works Dept. W. D. IX	June 2006	5
13.	Public Works Dept. W. D. XVIII	September 2006	9
14.	Public Works Dept. W. D. XXIII	July 2006	12
15.	Water Resource Dept. W. D. XIII	December 2006	4
16.	Director of Municipal Administration	October 2006	13
17.	City Corporation of Panaji	September 2006	8
18.	Curchorem Municipal Council.	July 2006	18
19.	Director of Panchayats	November 2006	10
20.	District Rural Development Agency, South	November 2006	8
21.	South Goa Zilla Panchayat	August 2006	10
22.	Block Development Office Quepem	April 2006	5
23.	Block Development Office Canacona	September 2006	7
24.	Block Development Office Vasco	October 2006	8
25.	Block Development Office Bicholim	October 2006	9
	TOTAL		188

APPENDIX 4.2

(Referred to in paragraph 4.4.2)

STATEMENT SHOWING NUMBER OF PARAGRAPHS/REVIEWS IN RESPECT OF WHICH GOVERNMENT EXPLANATORY MEMORANDA HAD NOT BEEN RECEIVED

No.	Name of Department	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Public Health	1	-	-	-	-	-	1
2	Legislature	1	-	-	-	-	-	1
3	Water Resources	2	-	-	-	-	1	3
4	General Administration	-	-	1	-	-	-	1
5	Education	-	-	-	-	1	1	2
6	Tourism	-	-	1	-	-	1	2
7	Public Works	-	-	-	-	1	4	5
8	Finance	-	-	-	-	-	1	1
9	Social Welfare	-	-	-	1	-	-	1
10	Home	-	-	-	-	3	1	4
11	Civil Supplies	-	-	-	-	1	-	1
12	Information & Publicity	-	-	-	-	1	1	2
13	Rural Development	-	-	-	-	-	1	1
	Total	4	-	2	1	7	11	25

APPENDIX 7.1

Statement showing particulars of up to date capital, equity/loans received out of budget and loans outstanding as on 31 March 2007 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 (2006-07)					Equity / Loans received out of budget during the year		Other loans received during the year*	Loans# outstanding at the close of 2006-07			Debt-Equity ratio for 2006-07 (previous year) 4(f) / 3(e)
		State Govern-ment	Central Govern-ment	Holding Company	Others	Total	Equity	Loans		Govern-ment	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	0.00	12.86	61.82	0.00	0.00	0.00	0.00	0.00	0.00	–
2.	Goa State Horticultural Corporation Limited	499.50	0.00	0.00	0.00	499.50	0.00	0.00	0.00	62.00	0.00	62.00	0.12:1 (0.12:1)
	TOTAL	**524.50**	**23.96**	**0.00**	**12.86**	**561.32**	**0.00**	**0.00**	**0.00**	**62.00**	**0.00**	**62.00**	
INDUSTRIES													
3.	Goa Auto Accessories Limited	0.00	0.00	559.00	0.00	559.00	0.00	0.00	23.74	0.00	89.36	89.36	0.16:1 (0.12:1)
4.	Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited	333.01 ≙ 300.00	17.00	0.00	0.00	350.01 ≙ 300.00	300.00	0.00	0.00	0.00	0.00	0.00	–
	TOTAL	**333.01**	**17.00**	**559.00**	**0.00**	**909.01**	**300.00**	**0.00**	**23.74**	**0.00**	**89.36**	**89.36**	

* Includes bonds, debentures, inter corporate deposits etc.

\# Loans outstanding at the close of 2006-07 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
		♠300.00				♠300.00							
ELECTRONICS													
5.	Goa Electronics Limited	0.00	0.00	180.00	0.00	180.00	0.00	0.00	0.00	0.00	1006.00	1006.00	5.5 9:1 (0.99:1)
	TOTAL	0.00	0.00	180.00	0.00	180.00	0.00	0.00	0.00	0.00	1006.00	1006.00	
FOREST													
6.	Goa Forest Development Corporation Limited	250.00	0.00	0.00	0.00	250.00	0.00	0.00	0.00	0.00	0.00	0.00	–
	TOTAL	250.00	0.00	0.00	0.00	250.00	0.00	0.00	0.00	0.00	0.00	0.00	
	AREA DEVELOPMENT												
7.	EDC Limited	3520.26 ♠1600.00	0.00	0.00	1472.22	4992.48 ♠1600.00	1600.00	0.00	0.00	0.00	5414.25	5414.25	0.82:1 (3.82:1)
8.	Goa State Infrastructure Development Corporation Limited	305.00	0.00	5.00	0.00	310.00	0.00	0.00	7730.00	0.00	14555.34	14555.34	46.95:1 (47.20:1)
9.	Info Tech Corporation of Goa Limited	1314.56	0.00	318.90	0.00	1633.46	0.00	0.00	0.00	0.00	0.00	0.00	–
10.	Sewage and Infrastructural Development Corporation Limited	200.00	0.00	0.00	5.00	205.00	0.00	0.00	0.00	0.00	0.00	0.00	–
	TOTAL	5339.82 ♠1600.00	0.00	323.90	1477.22	7140.94 ♠1600.00	1600.00	0.00	7730.00	0.00	19969.59	19969.59	
DEVELOPMENT OF ECONOMICALLY WEAKER SECTIONS													
11.	Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited	179.67	158.21	0.00	0.00	337.88	5.00	0.00	46.63	0.00	250.27	250.27	0.74:1 (0.80:1)
12.	Goa State Scheduled Tribes Finance and Development Corporation Limited	250.00	0.00	0.00	0.00	250.00	50.00	0.00	0.00	25.00	0.00	25.00	0.10:1 (0.13:1)
	TOTAL	429.67	158.21	0.00	0.00	587.88	55.00	0.00	46.63	25.00	250.27	275.27	

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 ♠ 100.00	0.00	0.00	0.00	2035.39 ♠ 100.00	100.00	100.00	0.00	100.00	0.00	100.00	0.05:1 (0.09:1)
	TOTAL	**2035.39** **♠ 100.00**	**0.00**	**0.00**	**0.00**	**2035.39** **♠ 100.00**	**100.00**	**100.00**	**0.00**	**100.00**	**0.00**	**100.00**	
DRUGS, CHEMICALS AND PHARMACEUTICALS													
14.	Goa Antibiotics and Pharmaceuticals Limited	0.00	0.00	1902.00	0.00	1902.00	0.00	0.00	0.00	0.00	700.00	700.00	0.37:1 (0.37:1)
	TOTAL	**0.00**	**0.00**	**1902.00**	**0.00**	**1902.00**	**0.00**	**0.00**	**0.00**	**0.00**	**700.00**	**700.00**	
TRANSPORT													
15.	Kadamba Transport Corporation Limited	2890.96 ♠ 768.37	0.00	0.00	0.00	2890.96 ♠ 768.37	768.37	0.00	0.00	0.00	3398.88	3398.88	0.93:1 (0.78:1)
	TOTAL	**2890.96** **♠ 768.37**	**0.00**	**0.00**	**0.00**	**2890.96** **♠ 768.37**	**768.37**	**0.00**	**0.00**	**0.00**	**3398.88**	**3398.88**	
	TOTAL - A	**11803.35** **♠ 2768.37**	**199.17**	**2964.90**	**1490.08**	**16457.50** **♠ 2768.37**	**2823.37**	**100.00**	**7800.37**	**187.00**	**25414.10**	**25601.10**	
B	**STATUTORY CORPORATION** **AREA DEVELOPMENT**												
1.	Goa Industrial Development Corporation	1802.18	1000.00	0.00	0.00	2802.18	0.00	0.00	0.00	0.00	0.00	0.00	-
	TOTAL - B	**1802.18**	**1000.00**	**0.00**	**0.00**	**2802.18**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	
	TOTAL – A + B	**13605.53** **♠ 2768.37**	**1199.17**	**2964.90**	**1490.08**	**19259.68** **♠ 2768.37**	**2823.37**	**100.00**	**7800.37**	**187.00**	**25414.10**	**25601.10**	

Note: Figures in brackets represent figures for previous years.

1. Except in respect of companies which finalised their accounts for 2006-07, figures are provisional and as given by companies / corporation.
2. The figures of investment by Government as furnished by the PSUs are under reconciliation with figures in Finance Accounts.

♠ Share Application Money

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, 7.1.9, 7.1.11, 7.1.24 and 7.1.25)

(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	Accumul ated 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	2005-06	2006-07	30.02	45.84 (Under statement of profit)	61.82	165.87	561.35	30.02	5.35	1	170.24	79
2.	Goa State Horticultural Corporation Limited	Agriculture	1993	2004-05	2006-07	-19.04		496.50	-126.01	498.39	-19.04	-	2	96.59	35
	TOTAL					10.98		558.32	39.86	1059.74	10.98	1.04		266.83	114
INDUSTRIES															
3.	Goa Auto Accessories Limited	Finance	1976	2006-07	2007-08	13.02		559.00	-499.36	203.78	23.11	11.34	-	779.77	80
4.	Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited	Industries	1980	2005-06	2006-07	-120.80		350.01	-13.94	762.50	-120.80	-	1	1782.11	69
	TOTAL					-107.78		909.01	-513.30	966.28	-97.69	-		2561.88	149

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
ELECTRONICS															
5.	Goa Electronics Limited	Finance	1976	2006-07	2007-08	-26.81		180.00	-2045.40	-624.17	-1.84	-	-	304.74	9
	TOTAL					**-26.81**		**180.00**	**-2045.40**	**-624.17**	**-1.84**	**-**		**304.74**	**9**
FOREST															
6.	Gòa Forest Development Corporation Limited	Forest	1997	2005-06	2006-07	-2.23		250.00	410.08	749.27	-2.23	-	1	156.33	91
	TOTAL					**-2.23**		**250.00**	**410.08**	**749.27**	**-2.23**	**-**		**156.33**	**91**
AREA DEVELOPMENT															
7.	EDC Limited	Finance	1975	2005-06	2006-07	1332.87	358.16 (Over-statement of Profit)	4992.48	-11332.52	23566.00	3349.73	14.21	1	4510.75	93
8.	Goa State Infrastructure Development Corporation Limited	Finance	2001	2005-06	2006-07	25.12	546.00 Over-statement of Profit)	310.00	57.53	15015.64	1705.40	11.36	1	6237.15	55
9.	Info Tech Corporation of Goa Limited	Information Technology	1990	2005-06	2007-08	-39.03		1633.46	-195.56	1449.19	-39.03	-	1	230.00	46
10.	Sewage and Infrastructural Development Corporation Limited	Public Works	2001	2002-03	2005-06	0.00		205.00	Commercial Operations not started				4		13
	TOTAL					**1318.96**		**7140.94**	**-11470.55**	**40030.83**	**5016.10**	**12.53**		**10977.90**	**207**

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	4.46	6	26.93	13
12.	Goa State Scheduled Tribes Finance and Development Corporation Limited	Social Welfare	2004	2005-06	2006-07	-8.82		200.00	-17.17	175.00	-8.82	-	1	7.21	7
	TOTAL					**-11.89**		**426.76**	**-32.78**	**264.01**	**-4.85**	**-**		**34.14**	**20**
TOURISM															
13.	Goa Tourism Development Corporation Limited	Tourism	1982	2005-06	2006-07	14.66		2035.39	-157.14	2063.57	25.23	1.22	1	1224.81	366
	TOTAL					**14.66**		**2035.39**	**-157.14**	**2063.57**	**25.23**	**1.22**		**1224.81**	**366**
DRUGS, CHEMICALS AND PHARMACEUTICALS															
14.	Goa Antibiotics and Pharmaceuticals Limited	Finance	1980	2005-06	2006-07	-232.97	13.20 (Over-statement of Loss)	1902.00	-2496.42	878.58	-166.38	-	1	1088.08	225
	TOTAL					**-232.97**		**1902.00**	**-2496.42**	**878.58**	**-166.38**	**-**		**1088.08**	**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	2005-06	2006-07	-684.55	10.38 (Under-statement of loss)	2890.96	-6484.87	1549.36	-403.91	-	1	4650.45	2014
	TOTAL					**-684.55**		**2890.96**	**-6484.87**	**1549.36**	**-403.91**	**-**		**4650.45**	**2014**
	TOTAL – A					**278.37**		**16293.38**	**-22750.52**	**46937.47**	**4375.41**	**9.32**		**21265.16**	**3195**
B.	**STATUTORY CORPORATION**														
1.	Goa Industrial Development Corporation	Industries	1966	2004-05	2005-06	-143.02	38.21 (Under-statement of loss)	2802.18	497.84	2913.33	-143.02	-	2	846.25	223
	TOTAL - B					**-143.02**		**2802.18**	**497.84**	**2913.33**	**-143.02**	**-**		**846.25**	**223**
	TOTAL-A + B					**135.35**		**19095.56**	**-22252.68**	**49850.80**	**4232.39**	**8.49**		**22111.41**	**3418**

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 2007

(Referred to in paragraph7.1.5)

(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	–	–	6045.05*	–	–	–	6045.05	–	–	– (14751.66)	–	–	– (14751.66)	–	–	–	–	–	–
2.	EDC Limited	–	–	–	71.63	–	–	–	71.63	– (5400.00)	– (5509.00)	–	–	– (10909.00)	–	–	–	–	–	–
3.	Kadamba Transport Corporation Limited	–	–	50.00	1100.00	–	–	50.00	1100.00	– (30.00)	– (3000.00)	–	–	– (3030.00)	–	–	–	–	–	–
4.	Goa Meat Complex Limited	–	–	99.00	–	–	–	99.00	–	–	–	–	–	–	–	–	–	–	–	–
5.	Goa State Horticultural Corporation Limited	–	–	50.00	–	–	–	50.00	–	–	–	–	–	–	–	–	–	–	–	–
6.	Goa Forest Development Corporation Limited	–	–	–	–	–	8.44	–	8.44	–	–	–	–	–	–	–	–	–	–	–
	Total	–	–	6244.05	1171.63	–	8.44	6244.05	1180.07	– (5430.00)	– (23260.66)	–	–	– (28690.66)	–	–	–	–	–	–

G - Grants S – Subsidy

Note: Figures in brackets indicate guarantees outstanding at the end of the year.

* Represents contribution received from Government towards Expenditure incurred on Public Works Project.

APPENDIX 7.4

Statement showing the financial position and working results of the Statutory Corporation during the three years 2002-03 to 2004-05

(Referred to in paragraph 7.1.7)

Goa Industrial Development Corporation

(Rupees in lakh)

A. Financial Position				
Particulars		2002-03	2003-04	2004-05
LIABILITIES				
A	Amount payable to Government	2,602.18	2,764.18	2,802.18
B	Reserves and Surplus	914.03	640.78	497.84
C	Deposits			
i	From Govt. for Schemes undertaken and/or on behalf of Govt. and others	0.56	0.56	0.56
ii	From private parties (for lease of plots etc.)	592.85	586.58	582.76
D	Loan from Bank	3,000.00	–	–
E	Current Liabilities, provisions and refunds	11,364.65	11,638.00	12,828.04
	TOTAL	18,474.27	15,630.10	16,711.38
ASSETS				
A	Fixed Assets	391.20	424.89	482.72
	Less : Depreciation (Cumulative)	315.43	334.54	360.00
	Net Fixed Assets	75.77	90.35	122.72
B	Work in progress	825.16	1,070.92	1,218.24
C	Development of Industrial areas / Estates	7,309.45	9,106.25	9,771.62
	Less : Depreciation	1,859.35	2,102.39	2,373.83
	Net development of Industrial areas/ Estates	5,450.10	7,003.86	7,397.79
D	Investments	339.49	333.14	386.69
E	Cash at Bank / in hand	6,349.95	5,132.32	5,693.82
F	Other current assets, loans and advances	5,433.80	1,999.51	1,892.12
	TOTAL	18,474.27	15,630.10	16,711.38
	Capital employed*	6,176.72	3,071.82	2,913.33
	Net worth*	3,516.21	3,404.96	3,300.02

* *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 lakh)

B. WORKING RESULTS		2002-03	2003-04	2004-05
A	**Income**			
	Rent	187.10	203.98	219.34
	Interest	467.97	512.32	550.43
	Other charges	176.77	137.79	76.48
	Total	**831.84**	**854.09**	**846.25**
B	**Expenditure**			
	Executive / Administrative	542.50	600.34	450.88
	Depreciation	268.44	265.38	304.50
	Maintenance and repairs	310.21	261.42	233.89
	Miscellaneous Expenditure (Interest on loan)	–	–	–
	Total	**1,121.15**	**1,127.14**	**989.27**
	Deficit	(-) 289.31	(-) 273.05	(-) 143.02
	Net surplus (+) / Deficit (-) after prior period adjustment.	(-) 86.90	(-) 273.25	(-) 143.02
	Total interest charged to Income and Expenditure account.	–	–	–
	Accumulated surplus	914.03	640.78	497.84
	Return on capital employed[@]	(-) 86.90	(-) 273.25	(-) 143.02
	Percentage of return on capital employed	–	–	–

[@] *Return on capital employed represents net surplus after prior period adjustments plus total interest charges to Income and Expenditure Account.*

APPENDIX – 7.5

Statement showing the department wise outstanding Inspection Reports (IRs)

(Referred to in paragraph 7.1.26)

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.	Forest	1	1	1	2003-05
3.	Social Welfare	1	1	5	2003-05
4.	Tourism	1	1	1	2003-05
5.	Finance	5	12	28	1996-2000
6.	Transport	1	3	25	2000-02
7.	Information Technology	1	1	9	2004-06
8.	Electricity	1*	23	93	1994-95
9.	Statutory Corporation	1	5	36	1996-2000
	Total	**13**	**49**	**210**	

* Includes Inspection Reports and Paras in respect of 15 divisions

APPENDIX 7.6

Summarised financial results of Departmentally managed commercial undertakings as per their latest proforma accounts

(Referred to in Paragraph 7.1.27)

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	19.88	9.71

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 7.7

Statement showing Financial Position of Goa Tourism Development Corporation Limited

(Referred to in paragraph 7.2.30)

(Rupees in crore)

	Liabilities	2002-03	2003-04	2004-05	2005-06	2006-07 (Provisional)
a	Paid-up capital (including share application money pending allotment)	8.74 (2.50)	15.94 (4.70)	20.35 (4.41)	20.35 —	21.35 (1.00)
b	Borrowings	2.04	1.55	1.06	1.80	1.00
c	Current liabilities and provisions including interest accrued and due on loans	1.80	1.65	1.90	2.54	2.97
d	Deferred tax liability	0.01	–	–	0.05	0.05
	Total	**12.59**	**19.14**	**23.31**	**24.74**	**25.37**
	Assets					
e	Gross fixed assets	16.47	23.51	28.83	30.44	31.59
f	Less: Depreciation	7.04	8.27	9.52	11.15	12.63
g	Net block	9.43	15.24	19.31	19.29	18.96
h	Current assets loans and advances	1.97	2.28	2.28	3.88	6.13
i	Deferred tax asset	–	0.12	–	–	–
j	Accumulated loss	1.19	1.50	1.72	1.57	0.28
	Total	**12.59**	**19.14**	**23.31**	**24.74**	**25.37**
	Capital employed*	**9.60**	**15.87**	**19.69**	**20.63**	**22.12**
	Net worth**	**7.55**	**14.44**	**18.63**	**18.78**	**21.07**

* Capital employed represents Net Fixed Assets plus working capital.

** Net worth represents paid up capital less intangible Assets.

APPENDIX 7.8

Statement showing Working Results of Goa Tourism Development Corporation Limited

(Referred to in paragraph 7.2.30)

(Rupees in crore)

	Income	2002-03	2003-04	2004-05	2005-06	2006-07 (provi-sional)
a	Accommodation	5.14	6.00	7.20	8.37	9.78
b	Tour and travel	0.67	0.96	0.84	0.81	1.23
c	Cruise	0.92	1.05	0.98	0.91	1.23
d	License fee	1.17	1.15	1.39	1.49	1.48
e	Other income	0.61	0.75	0.73	0.67	0.90
f	**Total income**	**8.51**	**9.91**	**11.14**	**12.25**	**14.62**
g	**Expenditure**					
h	Employees' cost	4.66	4.75	5.10	5.47	5.86
i	Repairs and maintenance	0.76	0.83	0.91	1.08	1.82
j	Electricity and water	0.60	0.75	0.79	0.71	0.68
k	Advertisement and publicity	0.25	0.24	0.31	0.46	0.65
l	Others	1.49	2.08	2.38	2.37	3.12
m	Interest	0.25	0.23	0.14	0.11	0.05
n	Depreciation	1.06	1.39	1.56	1.85	1.67
o	**Total expenditure for the year**	**9.07**	**10.27**	**11.19**	**12.05**	**13.85**
p	Profit/(loss) for the year	(0.56)	(0.36)	(0.05)	0.20	0.77
q	Prior period/other adjustment	0.08	0.05	-0.17	-0.05	0.52
r	**Profit/(loss)**	**(0.48)**	**(0.31)**	**(0.22)**	**0.15**	**1.29**
s	Variable expenses (j to m)	3.1	3.9	4.39	4.62	6.27
t	Contribution (g-t)	5.41	6.01	6.75	7.63	8.35
u	Capital employed*	9.60	15.87	19.69	20.63	22.12
v	**Total return on capital employed•**	**-0.23**	**-0.08**	**-0.08**	**0.26**	**1.34**
w	**Percentage of total return on capital employed♠**	**-2.40**	**-0.50**	**-0.41**	**1.26**	**6.06**

* Capital employed represents Net fixed assets and working capital

• Net profit/loss plus interest

♠ (Total return on capital employed ÷ Capital employed) *100