

CHAPTER-I

Introduction

1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from Performance audit of selected programmes and activities and compliance audit of Government Departments, Local Bodies, Government companies and Commercial Undertakings.

Compliance audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. On the other hand, Performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/Department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improve operational efficiency and financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected activities, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of Performance audit of 'Water supply schemes in the State'. Chapter-III contains observations on audit of transactions in Government Departments. Chapter-IV contains one Performance audit report on 'Levy and collection of stamp duty and registration fee' and observations on audit of Revenue receipts. Chapter-V contains audit observations on Commercial and Trading activities of the Government and also has a Performance audit report on 'Loan recovery Performance of EDC Limited'.

1.2 Audited entity profile

There are 59 Departments in the State at the Secretariat level, headed by Chief Secretary/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers under them and 12 autonomous bodies which are audited by the Office of the Accountant General, Goa.

The comparative position of expenditure incurred by the Government during the year 2012-13 and in the preceding two years is given in **Table 1** below.

Table 1: Comparative position of expenditure

(₹ in crore)

Disbursements	2010-11			2011-12			2012-13		
	Plan	Non - plan	Total	Plan	Non - plan	Total	Plan	Non - plan	Total
Revenue expenditure									
General services	17.75	1469.29	1487.04	14.69	1617.89	1632.58	13.23	1846.74	1859.97
Social services	456.32	654.50	1110.82	499.46	750.42	1249.88	737.10	788.57	1525.67
Economic services	228.46	1185.73	1414.19	270.42	1501.11	1771.53	290.30	1622.61	1912.91
Grant-in-aid and contributions	224.58	547.15	771.73	325.64	503.87	829.51	209.73	553.06	762.79
Total	927.11	3856.67	4783.78	1110.21	4373.29	5483.50	1250.36	4810.98	6061.34
Capital expenditure									
Capital outlay	1215.14	6.06	1221.20	1182.21	1.56	1183.77	940.88	1.39	942.27
Loans & advances disbursed	3.73	12.19	15.92	5.51	3.91	9.42	1.21	2.77	3.98
Repayment of public debt (including transactions under ways and means advances)	-	207.99	207.99	-	278.29	278.29	-	339.06	339.06
Contingency Fund	-	-	-	-	-	-	-	-	-
Public Account disbursements	-	-	6535.32	-	-	7057.22	-	-	7655.66
Total	1218.87	226.24	7980.43	1187.72	283.76	8528.70	942.09	343.22	8940.97
Grand total	2145.98	4082.91	12764.21	2297.93	4657.05	14012.20	2192.45	5154.20	15002.31

(Source: Finance Accounts of the State for the respective years)

1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure of the Departments of Government of Goa under Section 13¹ of the C&AG's (DPC) Act. The C&AG is the sole auditor in respect of 12 autonomous bodies which are audited under sections 19(2)², 19(3)³ and 20(1)⁴ of the C&AG's (DPC) Act. In addition the C&AG also

¹ Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts.

² Audit of the accounts of Corporations (not being companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations.

³ Audit of corporation established by law by the legislature of a State or U.T in public interest on the request of the Governor of the State or the Administrator of the U.T after giving reasonable opportunity to the concerned corporation to make representations in respect of the proposal for such audit.

⁴ Audit of accounts of any body or authority not covered under Section 19 on the request of the Governor, on such terms and conditions as may agree upon between the C&AG and the Government.

⁵ Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure or any body of authority where the grants or loans to such body or authority from the consolidated fund of the State in a financial year is not less than ₹ one crore.

conducts audit of bodies/authorities under section 14⁵ of the C&AG's (DPC) Act which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

1.4 Organisational structure of the Office of the Accountant General, Goa

Under the directions of the C&AG, the Office of the Accountant General, Goa conducts audit of Government Departments/Offices/Autonomous Bodies/Institutions under them, which are spread all over the State. The Accountant General is assisted by a Group Officer.

1.5 Planning and conduct of Audit

Audit process starts with the assessment of risks faced by various Departments of Government based on expenditure incurred, criticality/complexity of activities, the levels of delegated financial powers, assessment of overall internal controls and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the head of the Departments. The Departments are requested to furnish replies to the audit findings within one month of receipt of the Inspection Reports. Whenever replies are received, audit findings are either settled or further action for compliance is advised. The important audit observations arising out of these Inspection Reports are processed for inclusion in the Audit Reports, which are submitted to the Governor of State under Article 151 of the Constitution of India.

During 2012-13, in the Social Sector Audit Wing, 771 party-days were used to carry out audit of 114 units and one Performance audit. The Economic Sector Audit wing conducted audit of 35 units utilising 389 party days and the General Sector audit wing 53 units utilising 367 party days. The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.6 Significant audit observations

In the last few years, Audit has reported several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected Departments which impact the success of programmes/activities and functioning of the Departments. Similarly, the deficiencies noticed during compliance audit of the Government Departments/organisations were also reported upon.

1.6.1 Performance audits of programmes/activities/Departments

This present report contains three Performance audits. The highlights are given in the following paragraphs:

1.6.1.1 Performance audit of 'Water supply schemes in the State'

- The Capital expenditure of ₹ 329.01 crore incurred under the Japan International Co-operation Agency (JICA) project during the period 2009-13 was not shown in the accounts of the State Government. The gap between the cost of operation of water supply schemes and the revenue generated was ₹ 480.50 crore over the period 2008-13.

(Paragraphs 2.7.2 and 2.7.3)

- Delay in tendering of works under JICA project resulted in additional burden of ₹ 166.37 crore to the State Government. Delays in acceptance of tender had resulted in additional liability of ₹ 69.02 crore on account of price escalation. Failure to capitalise on the forest approval given earlier resulted in a delay in start of work and consequent liability of ₹ 16.65 crore.

(Paragraphs 2.9.2, 2.9.3 and 2.9.4)

- Improper planning and lack of co-ordination within the PWD resulted in idle investment of ₹ 2.50 crore. Replacement of water meters with automatic meter reading component led to an unreasonable extra burden of ₹ 21.89 crore. Lack of planned preventive maintenance works led to irregularities in tendering of maintenance works costing ₹ 65.99 crore.

(Paragraphs 2.9.5, 2.9.6 and 2.10.1)

- Unaccounted water constitutes 35 per cent of the water produced resulting in short collection of revenue of ₹ 77.37 crore per annum. The percentage of replacement of damaged water meters over the last five years ranged from three per cent to 21 per cent only.

(Paragraphs 2.11.3 and 2.11.4)

1.6.1.2 Performance audit report on 'Levy and collection of stamp duty and registration fee'

- Though the Government formulated and notified rules in June, 2003 for fixation and annual revision of locality-wise minimum true value of properties, the values fixed in 2003 were not revised till 2013 facilitating undervaluation of properties.

(Paragraph 4.2.6.3)

- Ownership of properties was transferred by agreement for sale with possession. The stamp duty evaded in respect of 875 cases of agreements for sale with possession registered with three Sub-Registrar offices during 2010-2012 amounted to ₹ 4.98 crore.

(Paragraph 4.2.6.5)

- Re-transfer of ownership of properties acquired by “agreement for sale” was allowed without concluding the sale deed. Evasion of stamp duty in respect of 18 such cases amounted to ₹ 39.10 lakh.

(Paragraph 4.2.6.6)

- Two transactions were split into four each to avoid payment of stamp duty at higher rate, resulting in evasion of stamp duty and registration fee totaling ₹ 10.91 lakh.

(Paragraph 4.2.6.7)

1.6.1.3 Performance audit report on ‘Loan recovery performance of EDC Limited’

- Out of total principal outstanding of ₹ 474.09 crore to the Company as on March 2013, ₹ 142.30 crore (30.02 per cent) represented NPA.

(Paragraph 5.2.9)

- In nine out of 15 cases test checked, where the Company had settled the accounts under OTS the total waiver amounted to ₹ 1,361.52 lakh.

(Paragraph 5.2.12)

- Due to delayed recovery action the value of the security obtained had deteriorated by 23.46 per cent to 99.80 per cent amounting to ₹ 8.25 crore in 26 cases test-checked by audit.

(Paragraph 5.2.15)

1.6.2 Compliance audit of transactions

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the Government Departments/organisations. Some of the significant deficiencies are as under:

- Audit against propriety/Expenditure without justification.
- Non-compliance with rules.

1.6.2.1 Audit against propriety/Expenditure without justification

- **Avoidable expenditure**

Despite availability of surplus pipes and fittings valuing ₹ 1.46 crore, the Division procured additional pipes costing ₹ 62.98 lakh for maintenance work.

(Paragraph 3.1.1)

- **Undue benefit to contractors**

The rates for supply of pipes for works of gravity sewer lines paid to the contractors were exorbitantly higher than the prevailing market rates at which the pipes were procured by the contractors. Consequently the contractors gained a profit of ₹ 11.40 crore on supply of pipes alone at the cost of public exchequer.

(Paragraph 3.1.2)

- **Extra expenditure due to improper planning**

The PWD awarded the work of laying 3,780 meter of 250 mm dia. pipeline to supply water to Amona village from a tapping point situated at Pansewadi Maina junction. Subsequently the Department decided to change the tapping point and re-aligned the pipeline to another tapping point at Navelim Junction necessitating additional pipeline of 1,680 meters and additional cost of ₹ 1.06 crore

(Paragraph 3.1.3)

- **Irregularities in contract for supply of medical gases**

There was abnormal increase in the consumption of medical gases and significant variation in the quantities of oxygen indicated as received at the Goa Medical College by the security staff and the administrative staff.

(Paragraph 3.1.4)

- **Avoidable extra Expenditure**

The Director of Women and Child Development did not lift the food grains allotted by Government of India at BPL rates under the Wheat Based Nutrition Programme but procured the foodgrains from Marketing Federation at much higher rates, resulting in avoidable extra expenditure of ₹ 1.34 crore.

(Paragraph 3.1.5)

1.6.2.2 Non-compliance with rules

- **Non receipt of funds due to non-compliance with conditions**

Non-compliance of the conditions laid down by the Thirteenth Finance Commission for qualifying for the performance grants resulted in the State being deprived of funds amounting to ₹ 21.22 crore.

(Paragraph 3.2.1)

- **Loss of interest due to idling of Government funds**

Government of India released ₹ four crore for setting up of State Institute of Hotel Management and Catering Technology in March 2010. The fund which could not be utilised immediately was kept in current account of State Bank of India for a period of 38 months resulting in loss of interest of ₹ 87.88 lakh.

(Paragraph 3.2.2)

1.6.3 Audit of Revenue Receipts

- **Irregular allowance of exemption**

Exemption to the tune of ₹ 20.13 lakh was granted without 'H' Form or invalid forms on export of iron ore.

(Paragraph 4.3)

- **Loss of revenue**

The Department did not collect renewal fees from Five Star Hotels with Electronic amusement/slot machine license amounting to ₹ 1.06 crore.

(Paragraph 4.4)

- The decision of the Government to levy concessional rate of road tax merely on the basis of its registration being done in the name of individuals resulted in a large number of vehicles normally used only for commercial purposes being registered in the names of individuals by paying only the concessional rates of Tax.

(Paragraph 4.5)

- There was short levy of license fee due to failure to verify the registration status of the licensees (₹1.45 crore).

(Paragraph 4.6)

- Despite having the details of transactions by the unregistered dealers, the Department did not take any action to recover Value Added Tax and penalty from them ₹ 34.09 crore.

(Paragraph 4.7)

1.6.4 Audit of commercial and trading activities of the Government

- **Avoidable payment of Income Tax**

The Goa State Infrastructure Development Corporation Limited treated interest on mobilisation advance paid out of funds provided by the State Government as own income resulting in avoidable payment of Income Tax of ₹ 1.31 crore.

(Paragraph 5.3)

- **Short recovery of surrender charges**

The Goa Industrial Development Corporation (GIDC) recovered surrender charges at lower rates compared to the rates applicable for surrender of plots resulting in short recovery of ₹ 40.81 lakh.

(Paragraph 5.4)

- **Reimbursement of differential Sales Tax based on false document**

Goa Electricity Department failed to ensure genuineness of document submitted in support of claim for differential Sales Tax resulting in payment of ₹ 3.46 crore based on a false document.

(Paragraph 5.5)

- **Non-recovery of charges for short supply of energy**

The Department failed to raise bills on Goa Energy Private Limited (GEPL) for shortfall in power supply below the minimum commitment of 14 MW.

(Paragraph 5.6)

- **Irregular refund of EMD**

The Goa Electricity Department refunded Earnest Money Deposit and failed to initiate legal action against the supply contractor who resorted to fraudulent practices to secure contract by submitting forged records.

(Paragraph 5.7)

1.7 Lack of responsiveness of Government to Audit

1.7.1 Inspection reports outstanding

The Accountant General (AG) arranges to conduct periodical inspections of Government Departments to test-check their transaction and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These are followed up with IRs which are issued to the Head of the offices inspected with copies to the next higher authorities. Half yearly report of pending IRs are sent to the Secretaries of the concerned Departments to facilitate monitoring of action taken on the audit observations included in these IRs.

As of June 2013, 344 IRs (1,337 paragraphs) were outstanding for want of compliance. Year-wise details of IRs and paragraphs outstanding are detailed in *Appendix 1.1*.

1.7.2 Response of Departments to the draft paragraphs

The draft paragraphs and performance audit reports were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned Departments between June and September 2013 with the request to send their responses within six weeks. Reply of the Government (Civil, Commercial and Revenue) featured in this Report have not been received.

1.7.3 Follow-up on Audit Reports

As per the provisions contained in the Internal Working Rules of the Public Accounts Committee of the Goa Legislative Assembly, Administrative Departments were required to furnish Explanatory Memoranda (EM) duly vetted by the Office of the Accountant General, Goa within three months from the date of tabling of Audit Reports to the State Legislature in respect of the paragraphs included in the Audit Reports.

Eight Administrative Departments as detailed in *Appendix 1.2* did not comply with these instructions and had not submitted EMs for 12 paragraphs pertaining to Audit Reports for the period 2008-09 to 2010-11 even as of September 2013.

1.7.4 Paragraphs to be discussed by the Public Accounts Committee

Thirty six Audit Paragraphs (excluding General and Statistical) were pending discussions by the Public Accounts Committee as of September 2013. Details are shown in *Appendix 1.3*.