CHAPTER-V

Government Commercial and Trading Activities

5.1 Overview of State Public Sector Undertakings

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Goa, the State PSUs occupy a moderate place in the state economy. The State PSUs registered a turnover of Rs.459.33 crore for 2008-09 as *per* their latest finalised accounts as of July 2009. This turnover was equal to 2.42 *per cent* of State Gross Domestic Product (GDP) for 2008-09. Major activities of Goa State PSUs are concentrated in Infrastructure development sector. The State PSUs earned a profit of Rs.92.98 crore in the aggregate for 2008-09 as *per* their latest finalized accounts. They had employed 3,324 employees[♣] as of 31 March 2009. The State PSUs do not include two prominent Departmental Undertakings (DUs) which carry out commercial operations but are a part of Government departments. Audit findings of these DUs have also been incorporated in this Chapter.

5.1.2 As on 31 March 2009, there were 17 PSUs as *per* the details given below. None of the companies included in these PSUs was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs[Ψ]	Total
Government Companies	15	NIL	15
Statutory Corporations	2	NIL	2
Total	**17**	**NIL**	**17**

5.1.3 During the year 2008-09, no PSUs were established or closed down.

Audit Mandate

5.1.4 Audit of Government companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and Corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as *per* Section 619-B of the Companies Act. However, the State had no 619-B Company.

♣ As per the details provided by 17 PSUs.

Ψ Non-working PSUs are those which have ceased to carry on their operations.

5.1.5 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by Comptroller and Auditor General of India (CAG) as *per* the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as *per* the provisions of Section 619 of the Companies Act, 1956.

5.1.6 Audit of statutory corporations is governed by their respective legislations. CAG is the sole auditor for both the statutory corporations viz. Goa Industrial Development Corporation and Goa Information Technology Development Corporation.

Investment in State PSUs

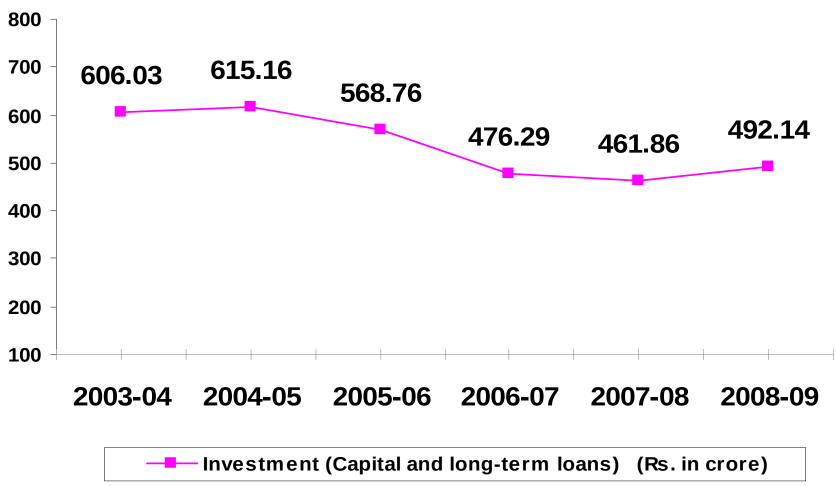
5.1.7 As on 31 March 2009, the investment (capital and long-term loans) in 17 PSUs was Rs.492.14 crore as *per* details given below.

(Amount Rs. in crore)

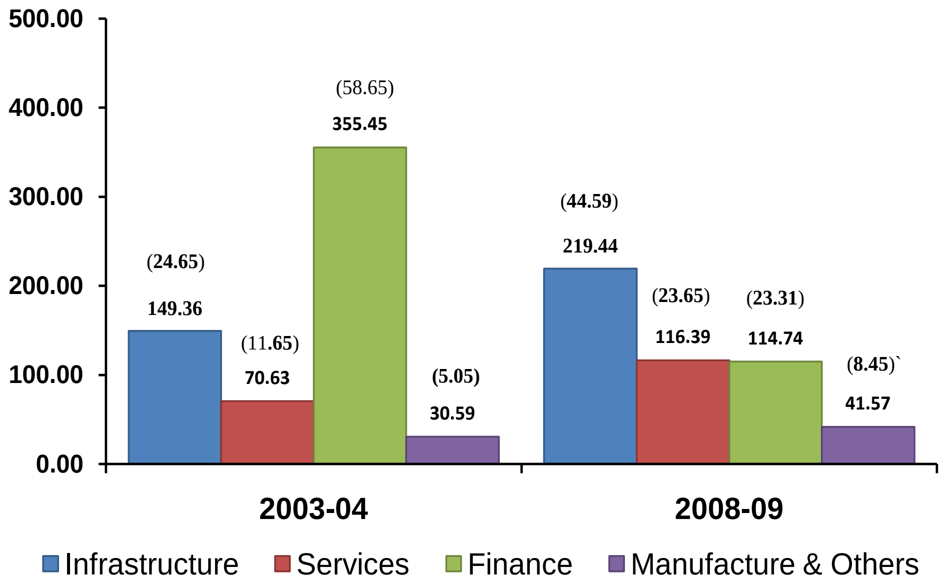
Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	239.14	224.73	463.87	28.27	NIL	28.27	492.14
Non-working PSUs	NIL	NIL	NIL	NIL	NIL	NIL	NIL
Total	**239.14**	**224.73**	**463.87**	**28.27**	**NIL**	**28.27**	**492.14**

A summarised position of Government investment in State PSUs is detailed in ***Appendix 5.1***.

5.1.8 As on 31 March 2009, the 100 *per cent* investment was in State working PSUs. This total investment consisted of 54.34 *per cent* towards capital and 45.66 *per cent* in long-term loans. The investment has dropped by 18.79 *per cent* from Rs.606.03 crore in 2003-04 to Rs.492.14 crore in 2008-09 as shown in the graph below, mainly due to repayment of loans of Rs.295.33 crore during the period by one PSU (viz. EDC Limited).



5.1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2004 and 31 March 2009 are indicated below in the bar chart. The major investment by State Government shifted from Finance Sector to Infrastructure Sector. The investment in Infrastructure grew by 46.92 *per cent* in 2008-09 compared to 2003-04 whereas the investment in Finance sector declined by 67.72 *per cent*.



(Investment:Rs. in Crore and Figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

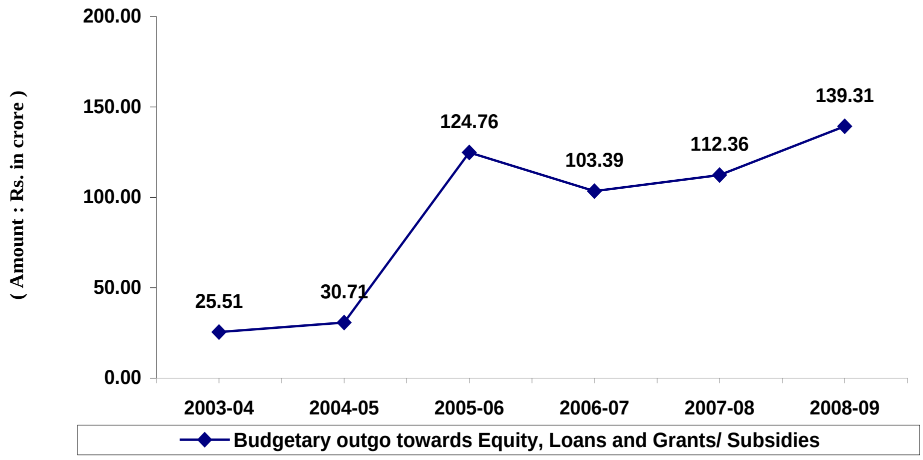
5.1.10 The details regarding budgetary outgo towards equity, loans, grants/ subsidies, guarantees issued in respect of State PSUs are given in ***Appendix 5.3***. The summarised details are given below for three years ended 2008-09.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of PSUs	Amount	No. of PSUs	Amount	No. of PSUs	Amount
1.	Equity Capital outgo from budget	6	28.23	7	26.04	3	4.45
2.	Loans given from budget	1	1.00	-	NIL	2	6.55
3.	Grants/Subsidy received	5	74.16	5	86.32	6	128.31
4.	Total Outgo (1+2+3)[‡]	9	103.39	10	112.36	9	139.31
5.	Guarantee Commitment	3	286.91	3	87.35	4	86.60

[‡] Number of PSUs represents actual number of PSUs which have received budgetary support from the State Government in the form of equity, loans and grants/ subsidy, etc.

5.1.11 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past five years are given in a graph below.



The rising trend of budgetary outgo of the State Government towards Equity contribution, Loans, Grants and Subsidies can be seen up to 2005-06 when the budgetary outgo increased to Rs.124.76 crore as compared to 2003-04 (Rs.25.51 crore) and 2004-05 (Rs.30.71 crore). After marginal decrease of Rs.21.37 crore in 2006-07, the budgetary outgo again showed increasing trend and stood at Rs.139.31 crore during 2008-09.

5.1.12 The guarantee commitment by the State Government against the borrowings of State PSUs was showing a declining trend. Guarantees for Rs.286.91 crore were outstanding as at the end of 2006-07 which came down to Rs.86.60 crore at the end of 2008-09. The State Government is usually levying a one time guarantee fee of 0.5 *per cent* of the amount guaranteed. This, however, was not levied in some cases.

Reconciliation with Finance Accounts

5.1.13 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2009 is stated below.

(Rs. in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	188.99	210.62	21.63
Loans	*	8.88	*
Guarantees	134.61	86.60	48.01

* State Government's loan to State PSUs are extended through the Government Departments. These Government Departments reallocate the loan funds to different PSUs. Hence, PSU wise figures of State Government loans are not available in the Finance Accounts.

5.1.14 Audit observed that the differences occurred in respect of 11 PSUs and some of the differences were pending reconciliation since 1998-99. Though the Director of Accounts, Government of Goa as well as the PSUs concerned were apprised by Audit about the differences stressing upon the need for reconciliation, no significant progress was noticed. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

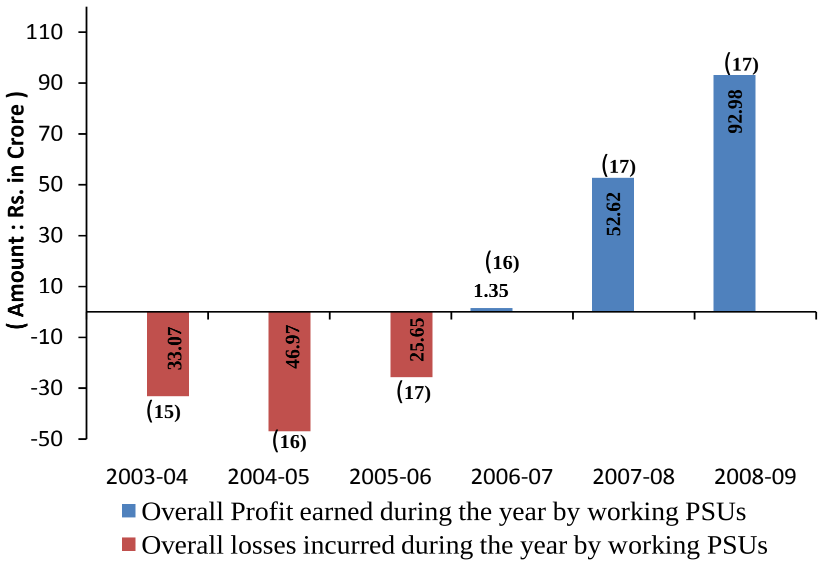
5.1.15 The financial results of PSUs, financial position and working results of working Statutory corporations are detailed in ***Appendix 5.2, 5.5*** and ***5.6*** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSUs turnover and State GDP for the period 2003-04 to 2008-09.

(Rs. in crore)

Particulars	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Turnover§	156.71	210.20	303.74	221.11	350.86	459.33*
State GDP	9301	11482	13354	15023	16901	19014
Percentage of Turnover to State GDP	1.68	1.83	2.27	1.47	2.08	2.42

It can be seen from the above that the extent of PSU activities in the State economy is showing a rising trend.

5.1.16 Profit (losses) earned (incurred) by State working PSUs during 2003-04 to 2008-09 are given below in a bar chart.



(Figures in brackets show the number of working PSUs in respective years)

§ Turnover as per the latest finalized accounts as of 30 September.
* Turnover for 2008-09 as per latest finalized accounts as of 31 July 2009.

During the year 2008-09, out of 17 working PSUs, five working PSUs earned a profit of Rs.109.71 crore and 10 PSUs incurred loss of Rs.16.73 crore. One working PSU did not prepare the profit and loss account while the other one working PSU had not finalised its first accounts. The major contributors to profit were EDC Limited (Rs.83.65 crore) and Goa Industrial Development Corporation (Rs.23.34 crore). The heavy losses were incurred by Kadamba Transport Corporation Limited (Rs.12.71 crore) and Goa Antibiotics Private Limited (Rs.1.70 crore).

5.1.17 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of project, running their operations and monitoring. A review of latest Audit Reports of CAG shows that the State PSUs incurred losses to the tune of Rs.225.91 crore and infructuous investment of Rs.0.28 crore which were controllable with better management. Year wise details from Audit Reports are stated below.

(Rs. in crore)

Particulars	**2006-07**	**2007-08**	**2008-09**	**Total**
Net Profit	1.35	52.62	92.98	146.95
Controllable losses as per CAG's Audit Report*	27.14	158.52	40.25	225.91
Infructuous Investment	0.28	Nil	Nil	0.28

5.1.18 The above losses pointed out by Audit Reports of CAG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the overall profits of the PSUs can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

5.1.19 Some other key parameters pertaining to State PSUs are given below.

(Rs. in crore)

Particulars	**2003-04**	**2004-05**	**2005-06**	**2006-07**	**2007-08**	**2008-09**
Return on Capital Employed (*Per cent*)**	4.83	1.17	3.74	8.49	15.23	21.64
Debt	448.67	442.66	374.30	256.01	216.54	224.73
Turnover	156.71	210.20	307.74	221.11	350.86	459.33
Debt/Turnover Ratio	2.86:1	2.11:1	1.22:1	1.16:1	0.62:1	0.49:1
Interest Payments	57.28	49.84	40.96	34.15	27.63	27.67
Accumulated Profits (losses)	(145.06)	(189.11)	(222.65)	(222.53)	(171.70)	(82.46)

(All PSUs are working PSUs – Figures pertain to all PSUs).

5.1.20 The percentage of return on Capital Employed showed a rising trend from 1.17 *per cent* in 2004-05 to 21.64 *per cent* in 2008-09. The total debt position also showed improvement as total debts declined from Rs.448.67 crore in 2003-04 to Rs.224.73 crore in 2008-09. The outgo of PSUs towards

* Excluding the controllable losses relating to Departmental Undertakings (DUs) pointed out in CAG's Audit Reports for 2006-07 to 2008-09.

** 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.

payment of Interest has also showed declining trend upto 2007-08, which stood at Rs.27.67 crore as on 31 March 2009 with marginal increase during 2008-09. The turnover position also showed an improving trend except for 2006-07 and thus the debt-turnover ratio improved from 2.86:1 in 2003-04 to 0.49:1 in 2008-09. The shortfall in turnover during 2006-07 was mainly due to low turnover achieved by one PSU (viz. Goa State Infrastructure Development Corporation Limited) during 2006-07 (Rs.62.37 crore) as compared to 2005-06 (Rs.133.76 crore). The position of accumulated losses has improved gradually after 2005-06.

5.1.21 The State Government had not formulated any dividend policy for payment of any minimum return by PSUs on the paid up share capital contributed by the State Government. As per their latest finalised accounts, five PSUs earned an aggregate profit of Rs.109.71 crore and three PSUs declared a dividend of Rs.82.94 lakh.

Performance of major PSUs

5.1.22 The investment in working PSUs and their turnover together aggregated to Rs.951.47 crore during 2008-09. Out of 17 working PSUs, the following four PSUs accounted for individual investment *plus* turnover of more than five *per cent* of aggregate investment *plus* turnover. These four PSUs together accounted for 77.69 *per cent* of aggregate investment *plus* turnover.

(Rs. in crore)

PSU Name	Investment	Turnover	Total (2) + (3)	Percentage to Aggregate Investment plus Turnover
(1)	(2)	(3)	(4)	(5)
EDC Limited	95.92	108.10	204.02	21.44
Goa State Infrastructure Development Corporation Limited	169.53	169.17	338.70	35.60
Kadamba Transport Corporation Limited	74.67	57.28	131.95	13.87
Goa Industrial Development Corporation	28.02	36.46	64.48	6.78
Total	**368.14**	**371.01**	**739.15**	**77.69**

Some of the major audit findings of past five years for above PSUs are stated in the succeeding paragraphs.

5.1.23 *EDC Limited*

- Defective appraisal of credit worthiness, inadequacy of securities and indiscrete extension granted to a loanee resulted in non recovery of Rs.6.98 crore. (paragraph no. 7.2.2 of Audit Report 2003-04)
- Disbursal of loans to two units owned by the same promoters, absence of post sanction monitoring and inordinate delay in taking over the

units/assets resulted in non-recovery of Rs.5.04 crore. (paragraph no. 7.4 of Audit Report 2004-05)

- 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. (paragraph no. 7.5 of Audit Report 2006-07)
- 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. (paragraph no. 7.6 of Audit Report 2006-07).

5.1.24 G*oa State Infrastructure Development Corporation Limited*

- Agreement for development and implementation of projects with private participation without adequate feasibility studies resulted in unproductive expenditure of Rs.66.41 lakh. (paragraph no. 7.2.3 of Audit Report 2003-04)
- The Company incurred extra expenditure of Rs.3.11 crore due to change in design of the multiplex and to match the concept of the lead consultant. The road works were awarded at 19.9 *per cent* above estimates which was much higher than the rates for similar works executed by the State Public Works Department. The Company also approved 19.9 *per cent* tender excess for some items which were estimated at market rates resulting in avoidable extra cost of Rs.1.34 crore. (paragraphs no. 7.2.7 & 7.2.16 of Audit Report 2004-05)
- Consultant's fee of Rs.1.67 crore for restoration and facility upgradation of existing Kala Academy without any structural/design change was not justified. The Company also incurred wasteful expenditure of Rs.58.65 lakh towards consultancy fee for projects which did not take off. (paragraphs no. 7.2.26 & 7.2.28 of Audit Report 2004-05)
- Payment of interest free mobilization advance to the contractors of 13 works awarded during 2002-05 resulted in loss of Rs.85.51 lakh towards interest. (paragraph no. 7.3.6 of Audit Report 2007-08)
- Procurement of Sewage Treatment Plant through Contractors instead of direct procurement from the supplier, resulted in extra expenditure of Rs.1.17 crore. (paragraph no. 7.4 of Audit Report 2007-08)

5.1.25 *Kadamba Transport Corporation Limited*

- The mileage obtained from tyres was very low compared to the All India Average during the period 2001-06 resulting in excess consumption/expenditure of Rs.33.90 lakh on tyres. Due to over-aged fleet, the maintenance and repair expenditure increased from Rs.1.51 crore to Rs.2.28 crore during the period. Further, delays in repairs and maintenance of buses at workshops/depots resulted in loss of contribution of Rs.57.93 lakh during the period. (paragraphs no. 7.2.15 to 7.2.18 of Audit Report 2005-06)

5.1.26 *Goa Industrial Development Corporation*

- The Corporation deviated from its mandated role of acquiring and allotting land for industrial units, by acquiring and allotting land to developer companies for development and further allotment by them. (paragraphs no. 7.2.9 & 7.2.13 of Audit Report 2007-08)
- Allotment of plots at tentative rates at Verna Phase IV resulted in loss of Rs.36.89 crore. (paragraph no. 7.2.14 of Audit Report 2007-08)
- The Corporation executed lease deeds with four SEZ allottees for more area than approved by the Board which was rectified by allotting the area at lesser rates resulting in loss of Rs.39.47 crore. (paragraph no. 7.2.15 of Audit Report 2007-08)
- The Corporation extended undue favour to 41 allottees by allotting land at lesser rates resulting in loss of Rs.26.28 crore. (paragraphs no. 7.2.16 to 7.2.20 of Audit Report 2007-08)
- The Corporation has not adopted a policy to periodically revise the lease premium rate for plots. Delay in implementation of its own decision to revise premium rates resulted in loss of Rs.7.07 crore. (paragraphs no. 7.2.27 & 7.2.28 of Audit Report 2007-08)

5.1.27 The above details indicate that the State PSUs are not functioning efficiently and there is tremendous scope for improvement in their overall performance. They need to imbibe greater degree of professionalism to ensure delivery of their products and services efficiently and profitably. The State Government should introduce a performance based system of accountability for PSUs.

Arrears in finalisation of accounts

5.1.28 The accounts of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year under Sections 166, 210, 230, 619 and 619-B of the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as *per* the provisions of their respective Acts. The table below provides the details of progress made by working PSUs in finalisation of accounts by July 2009.

Sl. No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Number of Working PSUs	16	17	16	17	17
2.	Number of accounts finalised during the year	8	21	15	14	16
3.	Number of accounts in arrears	26	21	24	28	16
4.	Average arrears *per* PSU (3/1)	1.63	1.24	1.50	1.65	0.94
5.	Number of Working PSUs with arrears in accounts	16	14	14	14	5
6.	Extent of arrears	1 to 5 years	1 to 5 years	1 to 6 years	1 to 7 years	2 to 6 years

5.1.29 It can be seen from the above that the quantum of arrears in accounts was on the rise during previous two years (viz. 2006-07 and 2007-08) and the average stood at more than one account per PSU during previous four years upto 2007-08. During 2008-09, slight improvement has been noticed in average arrears of PSUs accounts.

5.1.30 The State Government had invested Rs.4.08 crore (Equity: Rs.3.62 crore, loans: Rs.0.42 crore and grants: Rs.0.04 crore) in four PSUs during the years for which accounts have not been finalized, as detailed in ***Appendix 5.4***. In the absence of accounts and their subsequent audit, it can not be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

5.1.31 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit, of the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit. The matter of arrears in accounts was also addressed in the Accountant General's meeting held in September 2009 with the Chief Secretary of the State emphasising upon the need for expediting the backlog of arrears of accounts in a time bound manner.

5.1.32 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Accounts Comments and Internal Audit

5.1.33 Fourteen working companies forwarded their audited 14 accounts to AG during the year 2008-09. Of these, 12 accounts of 12 companies were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of statutory auditors and CAG are given below.

(Amount Rs. in crore)

Sl. No.	Particulars	2006-07		2007-08		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	2	3.89	2	0.32
2.	Increase in loss	5	0.63	4	0.39	5	5.10
3.	Non-disclosure of material facts	4	46.10	7	41.18	6	61.85
4.	Errors of classification	6	155.18	3	21.30	3	24.79

5.1.34 During the year, the statutory auditors had given unqualified certificates for four accounts, qualified certificates for 10 accounts. None of the PSUs were given adverse comments or disclaimer certificates for their accounts by CAG or statutory auditors. The compliance of companies with the Accounting Standards remained poor as there were 14 instances of non-compliance in six accounts during the year.

5.1.35 Some of the important comments in respect of accounts of companies are stated below.

Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited (2007-08)

- The details of 'shares issued for consideration other than cash' was not disclosed as required in schedule VI, part I of the companies act, 1956.
- Audit Committee as required under section 292 A of the Companies Act, 1956 was not constituted, though the paid up capital was Rs.7.50 crore.

Goa Tourism Development Corporation Limited (2007-08)

- Cash in bank included Rs.0.69 lakh representing value of three cheques bounced but not adjusted resulting in understatement of debtors and corresponding overstatement of 'cash at bank'.
- Non-provision of liability towards service tax and interest resulted in understatement of loss for the year by Rs.18.25 lakh.
- The Authorised Share Capital was enhanced from Rs.20.50 crore to Rs.21.50 crore in the 25th Adjourned Annual General Meeting held on 31.03.2008 and hence, exhibition of authorised share capital as Rs.20.50 crore was factually wrong.

Kadamba Transport Corporation Limited (2007-08)

- The Company's liability for payment of Gratuity to its employees is funded through the scheme administered by Life Insurance Corporation of India. Provision was made in the accounts for Rs.12.25 crore only as against the required provision of Rs.16.01 crore resulting in understatement of provision for gratuity expenditure as well as loss for the year by Rs.3.76 crore.
- Non provision for bad and doubtful debts resulted in understatement of loss by Rs.82.96 lakh.

Goa Antibiotics and Pharmaceuticals Limited (2007-08)

- Confirmation of the balance receivable was not available nor the financial ability of the debtor was known for the dues of Rs.8.50 crore.

5.1.36 Similarly, one working statutory corporation forwarded its two accounts to AG during the year 2008-09 and these were subjected to sole audit by CAG. The Audit Reports of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below.

(Amount Rs. in crore)

No.	Particulars	2006-07		2007-08*		2008-09	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	NIL	NIL	NIL	NIL	2	1.21
2.	Increase in loss	2	0.78	NIL	NIL	NIL	NIL
3.	Non-disclosure of material facts	2	4.16	NIL	NIL	2	4.06
4.	Errors of classification	2	11.47	NIL	NIL	2	437.36

It can be seen from the above that the average impact of comments causing 'decrease in profits' increased from 'nil' (2006-07) to Rs.0.61 crore (2008-09) per account. Average money value of the classification errors also increased from Rs.5.74 crore (2006-07) to Rs.218.68 crore (2008-09) *per* audited account.

5.1.37 During the year, both the accounts of the statutory corporation received qualified certificates from Comptroller and Auditor General of India.

5.1.38 Some of the important comments in respect of accounts of Statutory Corporation are stated below.

Goa Industrial Development Corporation (2005-06)

- The Corporation has not accounted for Rs.9.79 crore being the unutilised portion of grants (received from the Government of Goa for implementation of various centrally aided schemes for development of industrial infrastructure for which the Corporation was the nodal agency) as on 31 March 2006 in the accounts and the accounts of the Scheme have been kept separately. This resulted in understatement of Sundry Creditors as well as Cash at Bank by Rs.9.79 crore.
- Liabilities included Rs.137.55 crore being premium amount received/receivable from allottees of land. In the absence of specific conditions in the allotment order/lease agreement for refund of premium collected, accounting the same under liability lacked justification.
- Income and Expenditure Account included Rs.2.83 crore being lease rent collected in the year as well as lease rent receivable for the current year.

* No Separate Audit Report was issued by CAG during 2007-08 on the accounts of statutory corporations.

However, lease rent pending receipt for the previous years was not included and lease rent received in advance was not excluded. Details of such amount were also not available with the Corporation.

Goa Industrial Development Corporation (2006-07)

- Cash at Bank was understated by Rs.30.19 lakh, as 'stale cheques' (cheques issued but not cashed) as on 31 March 2007 have not been written back.
- Accounting of the amount paid to LIC towards Group Gratuity Scheme as 'Investments' instead of as expenditure resulted in overstatement of investments, understatement of expenditure and overstatement of surplus for the year by Rs.45.25 lakh.

5.1.39 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/ internal audit systems in the companies audited in accordance with the directions issued by CAG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 14 companies[£] for the year 2007-08 and 11 companies[µ] for the year 2008-09 are given below.

Sl. No.	Nature of comments made by Statutory Auditors	2007-08		2008-09	
		Number of companies where recommen-dations were made	**Reference to serial number of the companies as *per Appendix 5.2***	**Number of companies where recommen-dations were made**	**Reference to serial number of the companies as *per Appendix 5.2***
1.	Auditors Report & Comments/Draft paras/Mini Reviews not discussed in Audit Committee	2	A-4, 15	4	A-4, 11, 12, 15
2.	No system of making a business plan/ short/long term plan	6	A-1, 8, 9, 11,13,14	8	A-1, 2, 4, 6, 11, 13, 14, 15
3.	Non prescribing of Maximum/Minimum level of stock	6	A-1, 2, 3,10, 11, 12	4	A-1, 2, 13, 15
4.	No ABC analysis adopted to control the inventory.	5	A-1, 2, 3, 11,12	2	A-1, 11
5.	Inadequate scope of Internal Audit	3	A-5, 6, 13	4	A-1, 6, 9, 13
6.	Absence of proper maintenance of Fixed Asset Register	2	A-4, 15	4	A-4, 6, 9, 15

[£] Sr. No. 1 to 15 (except sl. no.7) in ***Appendix*** – 5.2

[µ] Sr. No. 1 to 15 (except sl. no. 3, 5, 7 and 8) in ***Appendix*** – 5.2.

Recoveries at the instance of audit

5.1.40 During the course of audit in 2008-09, recoveries of Rs.1.91 crore were pointed out to the Divisional Officers of Goa Electricity Department, which were admitted by the Department. An amount of Rs.0.36 crore was recovered during the year 2008-09.

Status of placement of Separate Audit Reports

5.1.41 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by CAG on the accounts of Statutory corporations in the Legislature by the Government.

Sl. No.	Name of Statutory corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1.	Goa Industrial Development Corporation	2005-06	2006-07	02-02-2009	Delay in printing the Report

Disinvestment, Privatisation and Restructuring of PSUs

5.1.42 During the year 2008-09 no exercise was undertaken by the Government of Goa for the Disinvestment, Privatisation and Restructuring of PSUs.

Reforms in Power Sector

5.1.43 The Power Sector in the State is managed by the Electricity Department of Goa. The Union Government had set up (May 2008) a "Joint Electricity Regulatory Commission for the State of Goa and for Union Territories", under the Electricity Act 2003. Presently, the Commission is in the process of framing various regulations as mandated in the Electricity Act 2003, to facilitate its functioning.

5.1.44 A Memorandum of Understanding (MoU) was signed in October 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below.

Sl. No.	Milestone	Achievement as of March 2009
1.	Government of Goa will Corporatise its electricity Department by 31 March 2002	Studies were carried out and final report obtained. Decision awaited from Government.
2.	Government of Goa will set up SERC by 31 December 2001 and file tariff petitions.	Has joined Joint Electricity Regulatory Commission (JERC) set up.

3.	The State Government would provide full support to the SERC to enable it to discharge its statutory responsibilities. The tariff orders issued by SERC will be implemented fully unless stayed or set aside by a court order.	Full support being provided
4.	Government of Goa will ensure timely payment of subsidies required in pursuance of State Government's orders on the tariff determined by the SERC.	Not applicable as yet.
5.	Government of Goa will undertake Energy audit and Energy Accounting at all levels to promote accountability and reduce transmission and distribution losses and bring them to the level of 18 *per cent* and achieve break even in current distribution operations in two years and positive returns thereafter. This will be achieved by taking following measures:	Losses reduced to below 18 *per cent*. The Department is achieving substantial operating surplus.
	- Install meters on all 11 KV feeders by 31 December 2001.	Achieved
	- 100 *per cent* metering of all consumers by 31 December 2001.	Achieved
	- Computerised billing at towns by December, 2002.	In process in some towns and balance under implementation.
	- Development of distribution Management Information System.	Will be implemented under Re-structured APDRP during XI Plan.
6.	Goa would achieve 100% electrification of villages by 2002.	Achieved.
7.	Government of Goa will securitise outstanding dues of CPSUs as per scheme approved by Government of India. After the securitisation Government of Goa will ensure that CPSU outstanding does not cross the limit of two months billing.	Achieved
8.	Goa will maintain grid discipline, comply with grid code and carry out the directions of Regional Load Despatch Centre	Maintains Grid discipline

9.	Goa will constitute district level committees to undertake resource planning, monitoring of distribution reforms and rural electrification	DRC was constituted.
10.	Government of Goa will follow the guidelines on captive power policy as issued by Government of India on 11 July 2001.	Following Ministry guidelines.

Discussion of Audit Reports by COPU

5.1.45 The status as on 31 July 2009 of reviews and paragraphs that appeared in Audit Reports (Commercial) and discussed by the Committee on Public Undertakings (COPU) is as under.

Period of Audit Report	**Number of reviews/ paragraphs**			
	Appeared in Audit Report		**Paras discussed**	
	Reviews	**Paragraphs**	**Reviews**	**Paragraphs**
2003-04	-	4	NIL	NIL
2004-05	2	2	NIL	NIL
2005-06	1	7	NIL	NIL
2006-07	1	8	NIL	NIL
2007-08	1	10	NIL	NIL
Total	**5**	**31**	**NIL**	**NIL**

5.1.46 The matter relating to clearance of backlog of discussion of reviews/paragraphs was taken up by Accountant General demi-officially (December 2008) with the Chairperson of COPU requesting to clear the backlog in discussion of Audit Reports.

Departmentally managed Government commercial/quasi commercial undertakings

5.1.47 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 2009.

The *pro forma* accounts of the River Navigation Department were in arrears for the years from 2004-05 to 2007-08 and that of the Electricity Department for the year 2006-07 and 2007-08 (July 2009).

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-5.7***.

SECTION A – PERFORMANCE REVIEW

5.2 KADAMBA TRANSPORT CORPORATION LIMITED

Executive summary

The Kadamba Transport Corporation Limited (Company) provides public transport in the State through its four depots. The Company had fleet strength of 390 buses as on 31 March 2009 and carried an average of 0.77 lakh passengers per day. It accounted for a share of five per cent in public transport with rest coming from private operators. The performance audit of the Company for the period from 2004-05 to 2008-09 was conducted to assess efficiency and economy of its operations, ability to meet its financial commitments, possibility of realigning the business model to tap non-conventional sources of revenue, existence and adequacy of fare policy and effectiveness of the top management in monitoring the affairs of the Corporation.

Finances and Performance

The Company suffered a loss of Rs.17.75 crore in 2008-09. Its accumulated losses and borrowings stood at Rs.105.72 crore and Rs.42.78 crore as at 31 March 2009, respectively. The Company earned Rs.21.70 per kilometre and expended Rs.27.95 per kilometre in 2008-09. Audit noticed that with a right kind of policy measures and better management of its affairs, it is possible to increase revenue and reduce costs, so as to earn profit and serve its cause better.

Declining Share

Of 7615 buses licensed for public transport as on 31 March 2009, the percentage share of the Company declined from 8.22 per cent in 2004-05 to 5.12 per cent in 2008-09. The decline in share was mainly due to its operational inefficiency (leading to non-availability of adequate funds to replace/add new buses).

Vehicle profile and utilisation

Company's fleet of 390 buses consisted of 42 per cent overage buses i.e., more than eight years old due to non replacement of overage buses in time for want of sufficient funds. Company's fleet utilisation at 77.89 per cent in 2008-09 was below All India Average (AIA) of 92 per cent. The Company could not achieve even its own targets of vehicle productivity and load factor though the same were fixed after taking into consideration the local factors and constraints. 78 per cent of its routes were unprofitable due to high cost of operations and non-reimbursement of cost of free/concessional passes/social obligatory trips by the Government.

Economy in operations

Manpower and fuel constitute 76.73 per cent of total cost. Interest, depreciation and taxes account for 11 per cent and are not controllable in the short term. Thus, the expenditure control has to come from manpower and fuel. The expenditure on repairs and maintenance was Rs.9.29 crore (Rs.2.38 lakh per bus) in 2008-09, of which approximately 60 per cent was on manpower. The Company did not attain AIA for consumption of fuel resulting in excess consumption of fuel valued at Rs.9.71 crore.

Revenue Maximisation

The Company incurred a loss of Rs.17.88 crore during 2004-09 due to non-reimbursement of free/concessional passes and cost of operations of obligatory trips, by the Government. Further, the Company has about 1.56 lakh Square metres of land at prime localities. As it mainly utilises ground floor/ land for its operations, the space above can be developed on public private partnership basis to earn steady income which can be used to cross-subsidise its operations. The Company has not framed any policy in this regard.

Need for a regulator

The Company has not formed norms for providing services on uneconomical *schedules. Thus, it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specify operations on uneconomical routes and address grievances of commuters.*

Inadequate monitoring

The fixation of targets for various operational parameters and an effective Management Information System (MIS) for obtaining feed back on achievement thereof are essential for monitoring by the top management. The shortfall in operations is required to be deliberated upon in the Board of Directors with suitable remedial actions to be taken by the depots. However, the Company lacked in these aspects and could not control the cost and increase the revenue.

Conclusion and Recommendations

Though the Company is incurring losses, it is mainly due to its high cost of operations and not due to low fare structure. The Company can control the losses by increasing operational efficiency and also tapping non-conventional sources of revenue. This review contains five recommendations to improve the Corporation's performance. Finalising routes in view of number of buses held, creating a regulator to regulate fares and services and tapping non-conventional sources of revenue by undertaking PPP projects are some of these recommendations.

Introduction

5.2.1 In Goa, the public road transport is provided by Kadamba Transport Corporation Limited (Company), which is mandated to provide an efficient, adequate, economical and properly co-ordinated road transport. The State also allows private operators to provide public transport. The State has reserved certain routes exclusively for the Company while allowed both Company and private operators to operate on some other routes. There are also some routes where only private operators provide the services exclusively. The fare structure is controlled and decided by the Government. This structure is same for both the Company as well as the private operators

The Company was incorporated under the Companies Act, 1956 on 15 October 1980 as a wholly owned Company of the Government of erstwhile Union Territory of Goa, Daman and Diu. On formation of the State of Goa, the Company became a State Government Company in 1987. The Company is under the administrative control of the Transport Department of the Government of Goa. The Management of the Company is vested with a Board of Directors comprising Chairman, Managing Director and 10 other Directors appointed by the Government of Goa. The day-to-day operations are carried out by the Managing Director, who is the Chief Executive of the Company, with the assistance of Deputy General Managers and Depot Managers. The Company has four[♣] Depots and one Central Workshop. The bus body building and tyre retreading operations are carried out through external agencies.

The Company had a fleet strength of 390 buses as on 31 March 2009. The Company carried an average of 0.77 lakh passengers *per* day during 2004-05 to 2008-09. The Company's share in the passenger transport operations in the State was five *per cent* only and the remaining 95 *per cent* was accounted for by private operators. The turnover of the Company was Rs.61.70 crore in 2008-09, which was equal to 0.32 *per cent* of the State Gross Domestic Product. The Company employed 1,907 employees as at 31 March 2009.

A review on the working of the Company was included in the Report of the Comptroller and Auditor General of India for the year 2005-06 (Civil), Government of Goa. The report has not been discussed by COPU till date (August 2009).

Scope of Audit and Audit Methodology

5.2.2 The present review conducted during February 2009 to May 2009 covers the performance of the Company during the period from 2004-05 to 2008-09. The review mainly deals with operational efficiency, financial management, fare policy, fulfillment of social obligations and monitoring by top management of the Company. The audit examination involved scrutiny of records at the Head Office, Central Workshop and all four depots.

[♣] Depots at Porvorim, Panaji, Margao and Vasco

The methodology adopted for attaining the audit objectives with reference to audit criteria consisted of explaining audit objectives to top management, Scrutiny of records at Head Office, Central Workshop and all four depots, interaction with the auditee personnel, analysis of data with reference to audit criteria, raising of audit queries, discussion of audit findings with the Management and issue of draft review to the Management for comments.

Audit Objectives

5.2.3 The objectives of the performance audit were to assess:

Operational Performance

- the extent to which the Company was able to keep pace with the growing demand for public transport;
- whether the Company succeeded in recovering the cost of operations;
- the extent to which the Company was running its operations efficiently;
- whether adequate maintenance was undertaken to keep the vehicles roadworthy; and
- the extent to which economy was ensured in cost of operations.

Financial Management

- whether the Company was able to raise claims and recover its dues efficiently; and
- the possibility of realigning the business model of the Company to tap non-conventional sources of revenue and adopting innovative methods of accessing such funds.

Fare Policy and Fulfillment of Social Obligations

- the existence and adequacy of fare policy; and
- whether the Company operated adequately on uneconomical routes.

Monitoring by Top Management

- whether the monitoring by Company's top management was effective.

Audit Criteria

5.2.4 The audit criteria adopted for assessing the achievement of the audit objectives were:

- all India averages as well as best performance on various performance parameters;
- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial targets/ norms fixed by the Management;

- manufacturers' specifications, norms for life of a bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GOI) and Government of State and other relevant rules and regulations; and
- procedures laid down by the Company.

Financial Position and Working Results

5.2.5 The financial position of the Company for the five years upto 2008-09 is given below.

(Rs. in crore)

PARTICULARS	2004-05	2005-06	2006-07	2007-08	2008-09*
A. Liabilities					
Paid up capital	25.91	28.91	36.59	42.59	45.59
Reserve & surplus (including capital grants but excluding depreciation reserve)	4.61	5.48	5.17	4.91	4.61
Borrowings (loan funds)	29.68	32.44	33.95	37.97	42.78
Current liabilities & provisions	20.56	24.27	25.89	28.53	38.77
Total	80.76	91.10	101.60	114.00	131.75
B. Assets					
Gross block	49.10	51.36	55.19	55.57	56.04
Less: depreciation	27.05	31.30	33.98	34.58	38.00
Net fixed assets	22.05	20.06	21.21	20.99	18.04
Capital works-in-progress (including cost of chassis)	0.05	0.81	0.56	0.00	1.71
Investments	1.35	0.21	0.28	0.40	0.41
Current assets, loans and advances	4.38	5.17	8.08	8.36	5.81
Accumulated losses	52.93	64.85	71.47	84.25	105.72
Total	80.76	91.10	101.60	114.00	131.75

**** (Figures for 2008-09 are provisional)***

The details of working results like operating revenue and expenditure, total revenue and expenditure, net surplus/loss and earnings and cost *per* kilometre of operation are given below.

(Rs. in crore)

No.	Description	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Revenue	49.07	56.10	61.58	57.28	61.70
2.	Operating Revenue[ϕ]	41.28	46.50	47.59	45.41	47.87
3.	Total Expenditure	55.16	62.95	67.35	69.98	79.45
4.	Operating Expenditure[ψ]	52.41	60.62	64.75	66.36	70.87
5.	Operating Profit/ Loss	(-)11.13	(-)14.12	(-)17.16	(-)20.95	(-)23.00
6.	Profit/ Loss for the year	(-)6.09	(-)6.85	(-)5.77	(-)12.70	(-)17.75
7.	Accumulated Profit/ Loss[♣]	(-)52.93	(-)64.85	(-)71.47	(-)84.25	(-)105.72
8.	Fixed Costs					
	(i) Personnel Costs	23.44	25.00	27.43	30.26	35.05
	(ii) Depreciation	4.23	3.44	3.07	3.46	3.74
	(iii) Interest	2.72	2.81	3.09	4.04	4.84
	(iv) Other Fixed Costs	0.92	0.98	1.01	1.22	2.13
	Total Fixed Costs	31.31	32.23	34.60	38.98	45.76
9.	Variable Costs					
	(i) Fuel & Lubricants	18.17	24.32	24.98	23.32	24.90
	(ii) Tyres & Tubes	1.42	1.83	2.11	1.89	2.21
	(iii) Other Items/ spares	1.57	1.55	1.83	2.29	2.40
	(iv) Taxes (MV Tax, Passenger Tax, etc.)	1.13	1.27	1.37	1.30	1.48
	(v) Other Variable Costs	1.56	1.75	2.46	2.20	2.70
	Total Variable Costs	23.85	30.72	32.75	31.00	33.69
10.	Effective KMs operated (in Lakh)	310.49	322.26	306.32	289.39	284.28
11.	Earnings *per* KM (Rs.) (1/10)	15.80	17.41	20.10	19.79	21.70
12.	Fixed Cost *per* KM (Rs.) (8/10)	10.08	10.00	11.30	13.47	16.10
13.	Variable Cost *per* KM (Rs.) (9/10)	7.68	9.53	10.69	10.71	11.85
14.	Cost *per* KM (Rs.) (3/10)	17.77	19.53	21.99	24.18	27.95
15.	Net Earnings *per* KM (Rs.) (11-14)	(-)1.97	(-)2.12	(-)1.89	(-)4.39	(-)6.25
16.	Traffic Revenue[§]	41.28	46.50	47.59	45.41	47.87
17.	Traffic Revenue *per* KM (Rs.) (16/10)	13.30	14.43	15.54	15.69	16.84

[ϕ] Operating revenue includes traffic earnings, passes and season tickets, re-imbursement against concessional passes, etc.

[ψ] Operating expenditure include expenses relating to traffic, depreciation on fleet, repair and maintenance, electricity, welfare and remuneration, licences and taxes and general administration expenses.

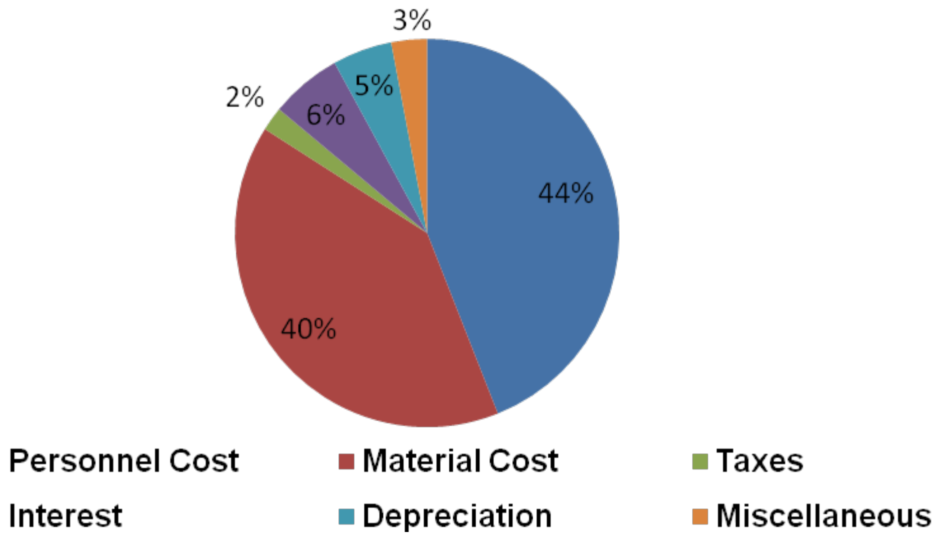
[♣] Accumulated loss includes net prior period expenses accounted each year (2004-05 – Rs 2.96 crore, 2005-06 – Rs 5.07 crore, 2006-07 – Rs 0.85 crore, 2007-08 – Rs 0.08 crore and 2008-09 – Rs 3.72 crore)

[§] Traffic revenue represents sale of tickets including revenue from passes/luggage/parcel, advance booking, reservation charges and contract services earnings.

Elements of Cost

Personnel cost and material cost constitute the major elements of cost. The percentage break-up of costs for 2008-09 is given below in the pie-chart.

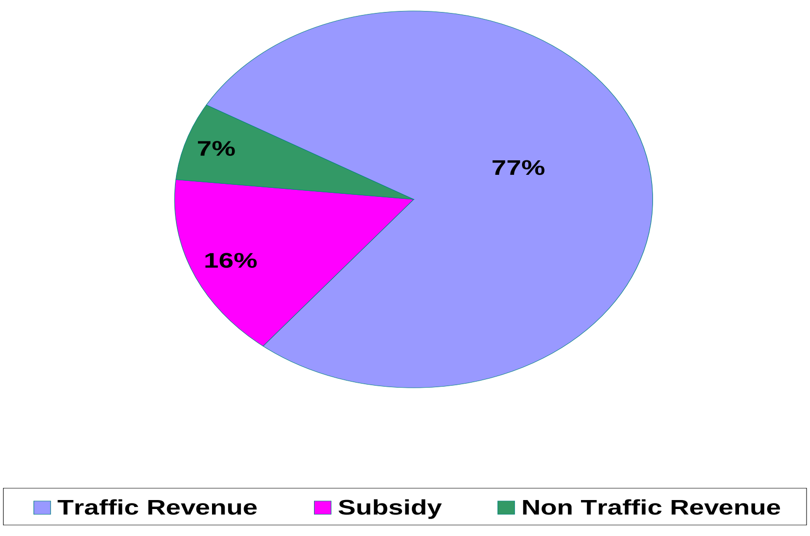
Components of various elements of cost



Elements of revenue

Traffic revenue, subsidy/grant and non-traffic revenue constitute the major elements of revenue. The percentage break-up of revenue for 2008-09 is given below in the pie-chart.

Components of various elements of revenue



Audit Findings

5.2.6 Audit explained the audit objectives to the Company during an 'entry conference' held on 11 February 2009. Subsequently, audit findings were reported (July 2009) to the Company and discussed in an 'exit conference' held on 17 June 2009, which was attended by Managing Director and Deputy General Manager (Traffic). The Company also replied to audit findings in August 2009. The views expressed by them have been considered while finalising this review. The audit findings are discussed below.

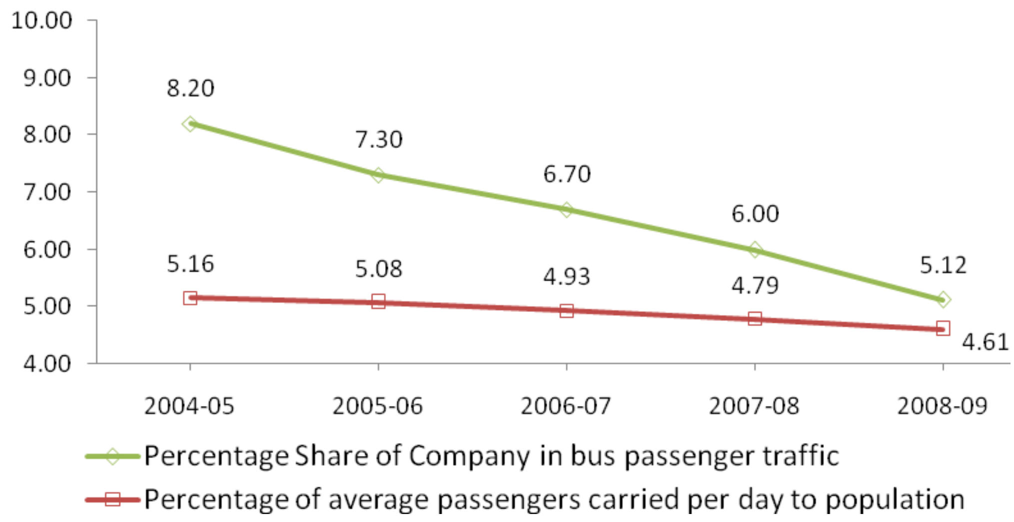
Operational Performance

5.2.7 The operational performance of the Company for the five years ending 2008-09 is given in ***Appendix 5.8***. The operational performance of the Company was evaluated on various operational parameters as described below. It was also seen whether the Company was able to maintain pace with the growing demand of public transport and recover the cost of operations. Audit findings in this regard are discussed in the subsequent paragraphs. These audit findings show that the losses were controllable and there is scope for improvement in performance.

Share of Company in public transport

5.2.8 The State Government does not have a transport policy. However, an ideal transport policy may seek to achieve a balanced model mix of public transport and to discourage personalized transport. The focus will be on increasing mass transport options by providing adequate, accessible and affordable modes like buses, mini-buses, etc.

Line-graphs depicting the percentage share of the Company in the bus passenger traffic of the State and percentage of average passengers carried *per* day by the Company to the population of the State during five years ending 2008-09 are given below:



The table below depicts the growth of public transport in the state:

No.	Particular	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Company's buses	433	414	428	412	390
2.	Private stage carriages	4,834	5,275	5,948	6,495	7,225
3.	Total buses for public transport	5,267	5,689	6,376	6,907	7,615
4.	Percentage share of Corporation	8.22	7.28	6.71	5.97	5.12
5.	Percentage share of private operators	91.80	92.70	93.30	94.00	94.88
6.	Estimated population (lakh)	14.93	15.36	15.81	16.28	16.77
7.	Vehicle density *per* one lakh population	353	370	403	424	454

* *Source: Data with Directorate of Transport Goa*

The Company, however, has not been able to keep pace with the growing demand for public transport as its share decreased from 8.22 *per cent* in 2004-05 to 5.12 *per cent* in 2008-09. There has been a continuous decline in the share of passenger traffic. Reasons for such trend were ***(i)*** inefficient planning of the number of schedules, ***(ii)*** cancellation of scheduled kilometers ***(iii)*** increase in the number of private bus operators and ***(iv)*** reduction in number of buses. These have been discussed in detail in the succeeding paragraphs.

The effective *per* capita KM operated *per* year is given below.

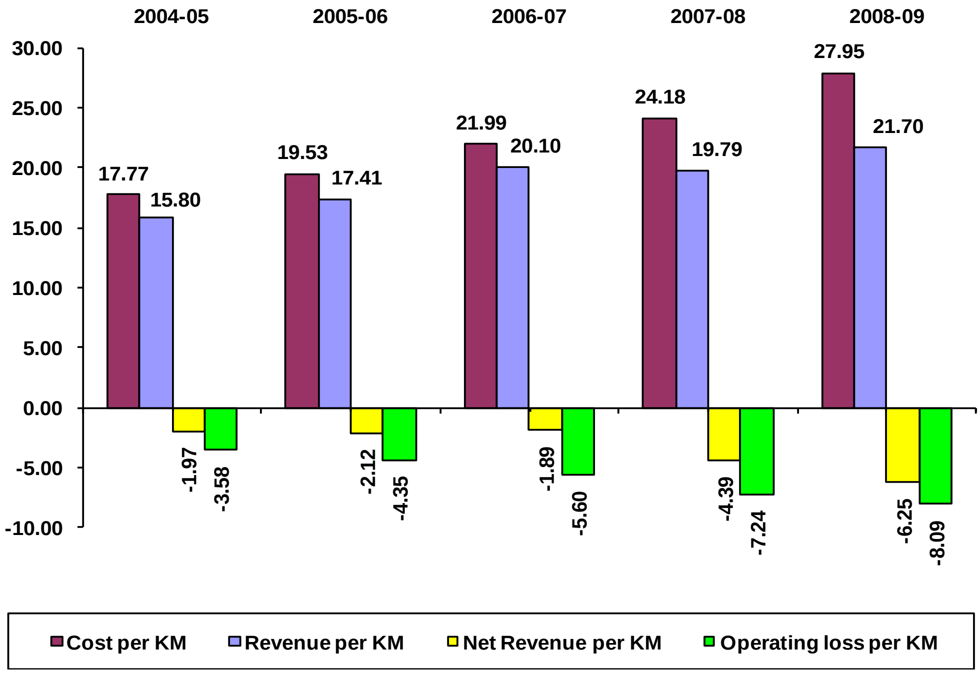
Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
Effective KM operated (lakh)	310.49	322.26	306.32	289.39	284.28
Estimated Population (lakh)	14.93	15.36	15.81	16.28	16.77
Per Capita KM *per* year	20.80	20.98	19.38	17.78	16.95

The above table shows the decline in service by the Company as while estimated population was on increase, effective kilometres operated decreased.

Thereby, the Company could not maintain its share. However, the public transport services available to people increased as the vehicle density increased from 353 in 2004-05 to 454 in 2008-09.

Recovery of cost of operations

5.2.9 The Company was not able to recover its cost of operations. During the last five years ending 2008-09, the net revenue showed a negative trend as given in the graph♣ below:



Above graph indicates the deteriorating performance of the Company over the period. The operating loss too has been increasing. The Company was not able to achieve the All India Averages for cost (Rs.19.94) during 2006-07 to 2008-09. The All India Average for revenue (Rs.18.22) *per* KM was achieved since 2006-07. The deteriorating performance has been impacting the ability of the Company to provide public transport services adequately as it is not able to replace its fleet on time or increase the fleet strength to meet growing demand.

Orissa, Uttar Pradesh and Karnataka registered best net earnings *per* KM at Rs. 0.49, Rs. 0.47 and Rs. 0.34 respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

♣ Cost *per* KM represents total expenditure divided by effective KM operated.
Revenue *per* KM is arrived at by dividing total revenue with effective KM operated.
Net Revenue *per* KM is revenue *per* KM reduced by cost *per* KM.
Operating loss *per* KM would be operating expenditure per KM reduced by operating income *per* KM.

The Management stated (August 2009) that the Company could not absorb the increase in cost of operation due to increase in personnel cost and fuel cost as it was not free to revise fare to match with increase in operational cost.

The Company however, had not resorted to effective cost control measures to balance the operating cost and revenue.

Efficiency and Economy in operations

Fleet strength and utilisation

Fleet Strength and its Age Profile

5.2.10 The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometres, whichever was earlier. The table below shows the age-profile of the buses held by the Company for the period of five years ending 2008-09.

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1	Total No. of buses at the beginning of the year	374	433	414	428	412
2	Additions during the year	82	4	45	25	10
3	Buses scrapped during the year	23	23	31	41	32
4	Buses held at the end of the year (1+2-3)	433	414	428	412	390
5	Of (4), No. of buses more than 8 years old	84	93	102	148	163
6	Percentage of overage buses to total buses (5/4)	19	22	24	36	42

The above table shows that the Company was not able to achieve the norm of right age buses. During 2004-09, the Company added 166 new buses at a cost of Rs.19.66 crore. The expenditure was entirely funded by the State Government. To achieve the norm of right age buses, the Company was required to buy 149 new buses additionally which would cost Rs.28.31* crore approximately. However, the Company did not generate adequate resources through its operations to finance the replacement of buses. It incurred loss of Rs.31.22 crore before charging of depreciation during 2004-09. Thus, the Company's ability to survive and grow depends on its efforts to remove operational inefficiencies, cut costs and tap non-conventional revenue avenues so that it can fund its capital expenditure and be self-reliant.

The overage fleet requires high maintenance and results in extra cost and less availability of vehicles compared to right age fleet, other things being equal.

* Calculated at the rate of the procurement cost of Rs 19 lakh per bus incurred during March 2009.

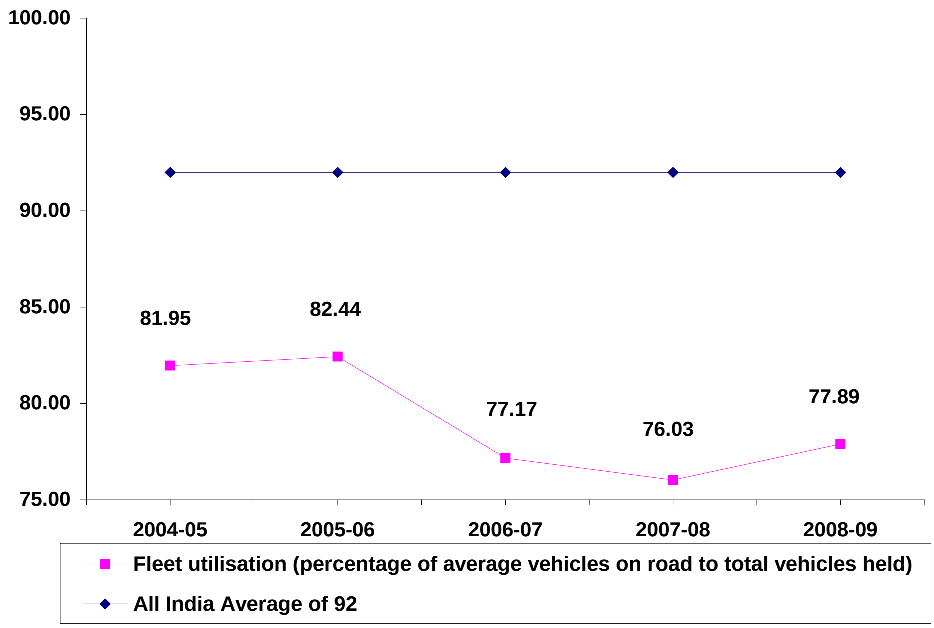
This only goes on to increase operational inefficiency and causes losses which, in turn, affects the ability of the Company to replace its fleet on a timely basis.

The Management stated (August 2009) that the Company has been withdrawing the buses only after 12 years as Government of Goa prescribed norms for disposal of buses on completion of 12 years. It would be eligible for subsidy from Government for replacement of 12 year old buses only. However, even after taking into consideration the norm of 12 years, the Company was having 39 buses exceeding 12 years of age.

Fleet Utilisation

Andhra Pradesh, Tamil Nadu (Kumbakonam) and Tamil Nadu (Coimbatore) registered best fleet utilisation at 99.4, 98.4 and Rs. 98.3 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

Fleet utilisation represents the percentage of buses held by the Company to the buses on road. The Company had not fixed any norms for fleet utilisation. The fleet utilisation of the Company varied from 81.95 *per cent* in 2004-05 to 77.89 *per cent* in 2008-09 as compared to the All India Average∝ of 92 *per cent*, as indicated in the graph given below.



The percentage of fleet utilisation of the Company deteriorated from 81.95 *per cent* in 2004-05 to 77.89 *per cent* in 2008-09. The main reasons which contributed to low fleet utilisation as analysed by audit were as follows:

- Deficient schedule planning leading to under utilisation of buses (**Paragraph 5.2.12**)

∝ All India Average is for the year 2006-07 which has been used for comparison for the period under review.

- Cancellation of scheduled kilometres to the extent of 166.93 lakh kilometre due to shortage of crew/buses (**Paragraph 5.2.12**).
- Docking of buses for repairs over 10 days (**Paragraph 5.2.13**).

From the above, it can be concluded that the Company was not able to achieve an optimum utilization of its fleet strength, which in turn impacted its operational performance adversely.

The Management stated (August 2009) that it has planned to implement schedule docking activity by adding fleet aggregates, special tools, etc., with a view to increase fleet utilisation to 92 *per cent* by 2009-10.

Vehicle productivity

5.2.11 Vehicle productivity refers to the average Kilometres run by each bus *per* day in a year. The vehicle productivity of the Company vis-à-vis the overage fleet for the five years ending 2008-09 is shown in the table below.

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Vehicle productivity (KMs run *per* day *per* bus)	213	207	192	191	195
2.	Overage fleet (percentage)	19	22	24	36	42

Compared to the All India Average of 313 KMs *per* day, the vehicle productivity of the Company has been on lower side for all the years under review. The decline in vehicle productivity over the years was due to deficient schedule planning, and high incidence of repairs and resultant cancellation of scheduled trips. On an average 18 *per cent* of the vehicles held remained docked for repairs at any point of time. The schedules operated during the period under Audit do not reflect any noticeable effort by the Company to improve vehicle productivity with reference to available vehicles and effective deployment.

Tamil Nadu (Villupuram), Tamil Nadu (Salem) and Tamil Nadu (Kumbakonam) registered best vehicle productivity at 474, 469 and 462.8 KMs per day respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

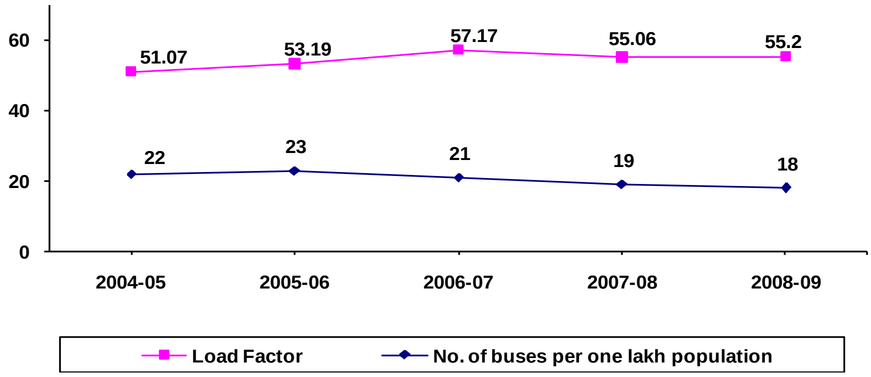
The Management stated (August 2009) that low productivity was attributable to low passenger travel trend (14 kilometres) due to the small size of the State.

The reply is not convincing since the Company could not achieve the scheduled kilometres which had been fixed with due consideration to the constraints.

Capacity Utilisation

Load Factor

5.2.12 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. Even though the load factor of the Company increased marginally from 51.07 *per cent* in 2004-05 to 55.20 *per cent* in 2008-09, it remained lower than the All India Average of 63 *per cent*. A graph depicting the Load factor vis-à-vis number of buses *per* one lakh population is given below.



The Company does not have any policy of fixing route wise receipt targets or offer incentives for achieving better load factor. The decrease in number of buses per one lakh population was attributable to keeping the buses off road on account of repairs, maintenance, scrapping of buses etc. The low load factor despite decrease in number of buses per one lakh population indicated that the Company's buses do not have an influential share in the public transport sector.

The Management stated (August 2009) that decrease in number of buses per one lakh population from 2005-06 onwards and low load factor was due to induction of more private buses in the State and operating on more routes by neighbouring States in these sectors.

The reply is not convincing as the Company had not taken any effective action to tactfully compete with the private operators through efficient fleet operations.

The table below provides the details for break-even load factor (BELF) for traffic revenue as well as total revenue. Audit worked out this BELF at the given level of vehicle productivity and total cost *per* KM.

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM (Rupees)	17.77	19.53	21.99	24.18	27.95
2.	Earning *per* KM at 100 *per cent* Load Factor	26.04	27.13	27.18	28.50	30.51
3.	Break – even Load Factor considering only traffic revenue	68.24	71.99	80.91	84.84	91.61

The break-even load factor is quite high and is not likely to be achieved given the present load factor and the fact that the Corporation is also required to operate uneconomical routes. Thus, while the scope to improve upon the load factor remains limited, there is tremendous scope to cut down costs of operations as explained later.

Route Planning

Appropriate route planning to tap demand leads to higher load factor. The Company however does not have a system to ascertain cost effectiveness of the routes operated nor had ever conducted any survey to ascertain the reasons for low load factor. Many routes are operated as per requests of MLA or demand from local people irrespective of whether or not the operation would be cost effective. Some routes are profitable while others are not. The position in this regard is given in the Table below.

Year	Total No. of routes	No. of routes Making profit	No. of routes not meeting total cost
2004-05	218 (100)	59 (27)	159 (73)
2005-06	218 (100)	59 (27)	159 (73)
2006-07	220 (100)	56 (25)	164 (75)
2007-08	220 (100)	52 (24)	168 (76)
2008-09	220 (100)	48 (22)	172 (78)

(Figures in bracket represent percentage of routes under each head above to total number of routes)

The Company has to deal with increased competition from private operators as well as paucity of funds for expansion and modernisation of its fleet. Though some of the routes now appearing unprofitable would become profitable once the Company improves its efficiency, there would still be some uneconomical routes. Given the scenario of mixed routes, competition from private operators and obligation to serve uneconomical routes, an organisation should decide an optimum quantum of services on different routes so as to optimise its revenue while serving the cause. An analysis of the number of buses held vis-a-vis schedules operated by the Company revealed that based on the norms of holding 10 *per cent* of total buses as spare buses prescribed by ASRTU the Company did not finalise the scheduled kilometres taking into consideration the number of buses held by it. Had the Company decided its schedules properly, it would have run 210.50 lakh kilometre over and above the schedules during review period and earned contribution of Rs.10.67 crore after reducing variable cost. However, the Company has not been able to expand its share of operations by operating more schedules to compete with the private operators.

The Management stated (August 2009) that the Company faced stiff competition from private services who collect less charges as compared to approved fare and also do not adhere to time schedules. The reply is not convincing as the Company had not formulated strategies to compete with private operators and scientifically plan its routes/schedules.

Cancellation of Scheduled Kilometres

A test check of the daily operation records for the months December 2005, April 2006, September 2006, May 2007 and May 2008 of all the depots revealed that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses in running condition, shortage of crew and other factors. The details of scheduled kilometres, effective kilometres, cancelled kilometres, calculated as difference between the scheduled kilometres and effective kilometres along with cause-wise analysis for cancellation are furnished in the table below :-

(in lakh KM)

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Scheduled Kilometres	343.31	362.29	371.80	354.51	353.86
2.	Effective Kilometres	310.49	322.26	306.32	289.39	284.28
3.	Kilometres Cancelled[§]	26.86	31.37	57.08	59.88	63.17
4.	Percentage of cancellation	7.82	8.65	15.35	16.89	17.85
	Cause-wise analysis for cancellations					
5.	Want of buses	5.39	8.93	21.40	24.72	26.28
6.	Want of crew	12.17	11.46	17.11	17.38	22.09
7.	Others	9.30	10.98	18.57	17.78	14.80
8.	Contribution per km (in Rs)	5.62	4.90	4.85	4.98	4.99
9.	Avoidable cancellation (for want of buses and crew) (5+6)	17.56	20.39	38.51	42.10	48.37
10.	Loss of contribution (8 x 9) (Rs. in lakh)	98.68	99.91	186.77	209.66	241.37

(Contribution per KM is the traffic revenue minus total variable cost divided by effective KMs)

It can be seen from the above table that the percentage of cancellation of scheduled kilometres increased from 7.82 in 2004-05 to 17.85 during 2008-09. It remained very high as compared to best performers. It was further observed that cancellation of schedules for want of buses ranged from 20 to 42 *per cent* of the total cancellation whereas cancellation for want of crew ranged from 29 to 45 *per cent* during the same period. As such about 68 *per cent* of the total cancellations were for want of crew and

Tamil Nadu (Salem), State Express Transport Corporation (Tamil Nadu) and Tamil Nadu (Villupuram) registered least cancellation of scheduled KMs at 0.45, 0.67 and 0.78 *per cent* respectively during 2006-07. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

[§] KM cancelled has been worked out by the company after reducing the dead KM buses, which were controllable by the Company. Due to cancellation of scheduled kilometers for want of buses and crew, the Company was deprived of contribution of Rs.8.36 crore during the period under review. The night services for intra-state requirements are being operated only with reference to particular demand and load factor considering the poor financial situation of the Company.

The Management while accepting the Audit findings stated (August 2009) that the Company could not operate the entire scheduled kilometres due to operational constraints such as absenteeism of crew and dependence on overage fleet which were off road. The attempt of the Company to reduce the crew through Voluntary Retirement Scheme was also not fruitful.

Maintenance of vehicles

Preventive Maintenance

5.2.13 Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/other mechanical failures. The Company had Tata and Leyland make buses, for which the following schedule of maintenance has been prescribed by the Original Equipment Manufacturers (OEMs).

- On completion of 16,000/18,000 kilometers for Leyland/Tata buses respectively there should be change of oil, wheel alignment, cleaning of fuel injection pump, engine tuning, brake adjustment etc.
- On completion of 40,000 kilometers there should be overhauling of engine, spring leaves, wheels, brakes, fuel injection pump, cooling system, etc., and change of gear oil, body works, etc.

Audit observed that except for free maintenance services provided by OEM during the warranty period of the vehicle, the Company was not observing preventive maintenance as per schedules prescribed by OEMs. The vehicles were being attended to as and when any problem was reported except daily inspection of engine oil level for top up and greasing. Non adherence to preventive maintenance schedule led to continuous increase in breakdown rate per 10,000 effective kilometers from 0.17 in 2004-05 to 0.20 in 2008-09.

The Management stated (August 2009) that the Company was planning to implement schedule docking.

Repairs & Maintenance

A summarised position of fleet holding, over-aged buses, repairs and maintenance (R&M) expenditure for the last five years up to 2008-09 is given below.

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total buses (No.)	433	414	428	412	390
2.	Over-age buses (more than 8 years old)	84	93	102	148	163
3.	Percentage of over age buses	19	22	24	36	42
4.	R&M Expenses (Rs. in crore)	5.92	6.28	7.29	7.86	9.29
5.	R&M Expenses per bus (Rupees in lakh) (4/1)	1.37	1.52	1.70	1.91	2.38

The above table reveals that the repair and maintenance expenditure *per* bus increased from Rs. 1.37 lakh in 2004-05 to Rs. 2.38 lakh in 2008-09 and has been increasing with the increase in overage buses. It was also observed that share of manpower cost in repair and maintenance expenses *per* bus was high and ranged from 64 to 60 *per cent* during review period.

The Management stated (August 2009) that disposal of 54 over-aged buses by 2009-10 has been planned.

Docking of vehicles for fitness Certificates and repairs

The buses are required to be repaired and made fit before sending the same to Regional Transport Office (RTO) for renewal of fitness certificate under Section 62 of the Central Motor Vehicle Rules 1989. As the date of expiry of the old fitness certificate is known in advance, Management should plan accordingly to get the buses repaired in time so that bus days are not lost due to delay in renewal. It was observed in Audit that the Company did not have any system to monitor and ensure timely repairs.

Test-check in audit of 'Daily Vehicle Position Report' for the year 2004-05 (Margao, Panaji and Vasco depots) and 2007-08 (Porvorim depot) revealed absence of proper monitoring of timely release of buses after repair for fitness certificate or other routine repairs and that there was delay in releasing buses after repairs up to 220 days. In respect of delay involving more than 10 days, the revenue loss was Rs. 70.15 lakh.

The Management stated (August 2009) that monthly fitness certificate plans were given in advance to all depots with details of buses to be docked. Despite the advance intimation of fitness certificate plans, timely completion of repairs and release of buses was not monitored to avoid delays.

Manpower Cost

5.2.14 The cost structure of the organisation shows that manpower and fuel constitute 76.73 *per cent* of total cost. Interest, depreciation and taxes – the costs which are not controllable in the short term account for 11 *per cent*. Thus, the major cost saving can come only from manpower and fuel.

Manpower is an important element of cost which constituted 44 *per cent* of total expenditure of the Company in 2008-09. Therefore, it is imperative that this cost is kept under control and the manpower is utilised optimally to achieve high productivity. The table below provides details of manpower, its cost and productivity.

Gujarat, Tamil Nadu (Villupuram) and Tamil Nadu (Salem) registered best performance at Rs. 6.10, Rs 6.13 and Rs 6.21 cost *per* effective KMs respectively during 2006-07.
(Source : STUs profile and performance 2006-07 by CIRT, Pune)

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total Manpower (Nos.)	1983	2050	2026	1972	1925
2.	Manpower cost (Rs in crore)	23.44	25.00	27.43	30.26	35.05
3.	Effective KMs (in lakh)	310.49	322.26	306.32	289.39	284.28
4.	Cost *per* effective KM (Rs)	7.55	7.76	8.95	10.46	12.33
5.	Productivity *per* day *per* person (KMs)	42.90	43.07	41.42	40.10	40.46
6.	Total buses (Average) (No.)♣	399	427	438	413	398
7.	Manpower *per* bus	4.97	4.80	4.62	4.77	4.84

As seen from the above table, manpower per bus was lower as compared to other State Transport Undertakings. As already discussed in **paragraph 5.2.12**, the buses operated were much less than buses held. Taking this into consideration, manpower per bus on road would be 6.06, 5.82, 5.49, 6.28 and 6.20 respectively. Moreover, the manpower cost *per* effective km increased continuously during the period under review and remained above the All India Average of Rs.7.50 *per* km (2006-07).

Productivity per day *per* person declined over the period under review except 2005-06 and is also considerably less than the All India Average of 52 Kms per day obtained in 2006-07.

The low productivity and higher manpower cost *per* effective kilometre was mainly attributable to non operation of the scheduled distance at its optimum level which also indicated that the available manpower was not gainfully employed.

The Management stated (August 2009) that the increase in staff cost was due to implementation of all Government pay scales to its staff and therefore was not comparable with All India Average. It further stated that the Company has taken efforts to reduce staff cost by outsourcing technical jobs and maintenance activity.

♣ Annual average of monthly data of vehicles held.

The following table provides the details of manpower.

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Total No. of buses at the end of the year	433	414	428	412	390
3.	No. of Drivers	796	783	777	732	712
4.	No. of drivers per bus	1.84	1.89	1.82	1.78	1.83
5.	No. of Conductors	622	628	626	616	613
6.	No. of Conductors *per* bus	1.44	1.52	1.46	1.50	1.57
7.	Other Staff	625	624	611	602	582
8.	No. of other staff *per* bus	1.44	1.51	1.43	1.46	1.49
9.	Pay[♣] of Drivers and conductors (Rupees in crore)	11.55	12.21	13.11	14.42	15.76
10.	Other staff's pay (Rupees in crore)	11.90	12.29	14.32	15.84	19.29

Other staff (non-traffic) constituted 31 *per cent* of the total staff strength. However, staff cost amounted to 55 *per cent* of the total employee cost. The Company has not fixed norm for bus-staff ratio prescribing requirement of crew per bus and other non-traffic staff per bus. The bus-driver and bus-conductor ratio during the period under review remained 1.83 and 1.50 respectively. For traffic staff (conductors and drivers), the Company prescribed eight hours steering duty within a spreadover time of 12 hours. Test check of records in Vasco and Margao depots revealed that certain intra-state schedules have been planned without ensuring optimum utilisation of duty time prescribed for operating crew. The under utilisation of duty hours ranged between 30 minutes to one and half hours.

The Management stated that the state being small, the schedule distance in respect of certain intra-state routes can not be increased beyond a limit necessitating planning of such schedules without fully achieving the prescribed duty time. Further, it was stated that such schedules are planned with less duty hours to avoid operational losses due to poor load factor during lean hours and also to minimise overtime wages.

Fuel Cost

5.2.15 Fuel is a major cost element which constituted 31.34 *per cent* of total expenditure in 2008-09. Control of fuel costs by a road transport undertaking has a direct bearing on its productivity. The Company maintained bus-wise data of fuel consumption. The Table below gives the targets fixed by the Company for fuel consumption, actual consumption, mileage obtained *per* litre (Kilometre *per* litre i.e. KMPL), All India Average and estimated extra expenditure.

[♣] The breakup of pay among drivers and conductors is not available.

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Gross Kilometres (lakh)	316.45	330.93	314.72	294.63	290.70
2.	Target of KMPL fixed by Company	4.70	5.00	4.62	4.70	4.50
3.	Kilometer obtained per litre (KMPL)	4.60	4.47	4.56	4.43	4.36
4.	All India Average in the category[∝]	4.94	4.94	4.94	4.94	4.94
5.	Actual Consumption (lakh litres)	68.75	74.03	69.01	66.44	66.73
6.	Consumption as per All India Average (lakh litres) (1/4)	64.06	66.99	63.71	59.64	58.85
7.	Excess Consumption (in lakh litres)(5-6)	4.69	7.04	5.30	6.80	7.88
8.	Average cost per litre (Rs.)	25.81	27.50	33.13	32.63	32.82
9.	Extra expenditure (Rs. in lakh) (7X8)	121.05	193.60	175.59	221.88	258.62

North East Karnataka State Road Transport, Uttar Pradesh and Andhra Pradesh registered mileage of 5.45, 5.33 and 5.26 KMPL. (Source : STUs profile and performance 2006-07 by CIRT, Pune)

It can be seen from the above table that the mileage obtained *per* litre has continuously shown a declining trend over the period under review. The Company consumed 31.71 lakh litres of fuel in excess during the period under review as compared to All India Average in 2006-07 resulting in extra expenditure of Rs 9.71 crore. The Company could not achieve the targets fixed by it in any of the five years, even when the targets fixed were lower than All India Average (except during 2005-06 when target was higher than All India Average). The high fuel consumption was mainly due to overage of buses, lack of proper maintenance, bad driving habits etc.

The Management stated (August 2009) that fuel efficiency would be improved on disposal of overage buses and on implementation of docking activity by 2009-10. Trainings also were imparted to crew to improve driving habits.

Body Building

5.2.16 The Company does not have its own Body Building unit. The Company got 166 buses fabricated during 2004-05 to 2008-09 through outsourcing. The average cost of fabrication per bus was Rs.5.15 lakh. The Company awarded the work of fabrication by inviting competitive tenders. Participation in tenders however, has been restricted to Goan firms only as per conditions of the State Government for release of subsidy to the Company. This outsourcing arrangement however, helps as the Company is not saddled with huge overheads as in case of repairs and maintenance.

[∝] All India Average of 4.94 KMPL for the year 2006-07 has been taken for all the years for the purpose of comparison.

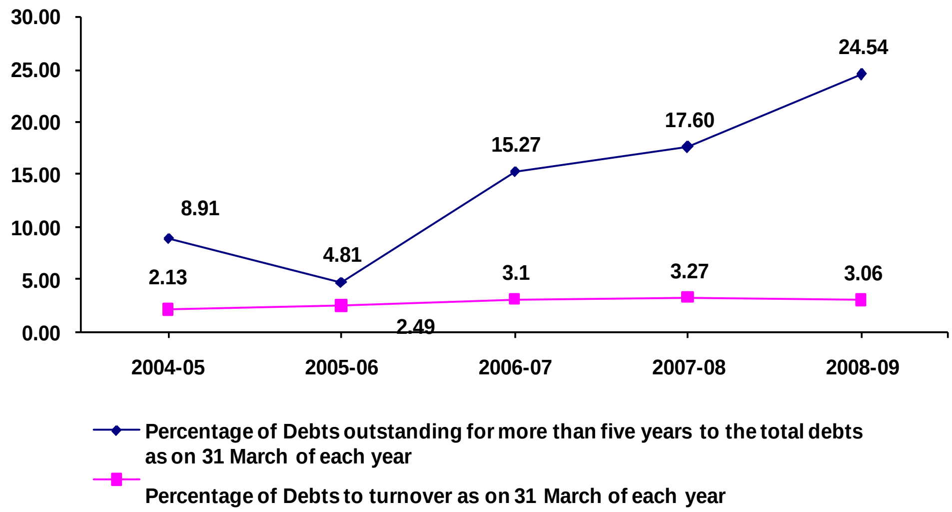
Financial Management

5.2.17 Raising of funds for capital expenditure, i.e., for replacement/ addition of buses happens to be the major challenge in financial management of Company's affairs. This issue has been covered in **Paragraph 5.2.10**. The section below deals with the Company's efficiency in raising claims and their recovery. This section also analyses whether an opportunity exists to realign the business model to generate more resources without compromising on service delivery.

Claims and Dues

The Company gives its buses on hire for which parties were required to pay in advance the charges at prescribed rates *per* kilometre basis at the time of booking. It was, however, noticed during Audit that the destination of the journeys performed was not recorded. Speedometers were not working due to which, the actual charges due could not be worked out. Further, the charges due were also not promptly recovered from the parties. An amount of Rs.1.45 crore was due as on 31 March 2009 from various private agencies out of which Rs.29.17 lakh was pending for more than five years, which indicates ineffective follow up action. Further, the hire charges were fixed in September 2005 at Rs.25 per kilometre subject to a minimum of Rs.2500 for Mini AC Luxury Bus and Rs.60 per kilometre subject to a minimum of Rs.4500 for AC Volvo bus. Despite the continuous increase in operational cost per kilometre the Company did not take any steps to effect periodical increase in hire charges.

An analysis in Audit of the debts outstanding as a percentage of turnover and the percentage of outstanding debts for more than five years to the total debts for the five years ending March 2009 are depicted in the graph below.



From the above, it can be seen that the outstanding dues are continuously increasing as compared to the turnover since 2004-05. Likewise dues of more than five years also went on increasing from 2005-06 onwards and for the last two years it represented about 15 to 25 *per cent* of the total dues. The increase in dues over the years reflects lack of effective pursuance on the part of the Company which needs to be improved.

The Management stated (August 2009) that the recovery of dues was being pursued.

The Company operates a number of social/obligatory trips as per Government directives and has been extending concessions to students, senior citizens, freedom fighters etc. The cost on account of such trips or concessions during 2004-05 to 2008-09 was estimated by the Company at Rs. 48.13 crore against which the Company received Rs. 30.25 crore only from the Government. The Company however, has not formally claimed this amount with supporting data from the Government; nor has maintained records in support of the loss estimated by it. Audit observed that the Company had not properly apprised the Government with convincing documents of the loss incurred by it on account of operating obligatory trips and providing concessions with the result that the cost was only partially reimbursed. The cost estimated but not reimbursed by the Government during 2004-09 was Rs. 17.88 crore

The Management stated (August 2009) that the amount claimed by the Company was only partly sanctioned by Government. The Company however, had not made any attempts to get the balance amount reimbursed by the Government with support of documents.

The Management acknowledged (August 2009) the findings.

Realignment of business model

5.2.18 The Company is mandated to provide an efficient, adequate and economical road transport to public. Therefore, the Company cannot take an absolutely commercial view in running its operations. It has to cater to uneconomical routes to fulfil its mandate. It also has to keep the fares affordable. In such a situation, it is imperative for the Company to tap non-traffic revenue sources to cross-subsidize its operations. However, the share of non-traffic revenues (other than interest on investments) was nominal at 0.11 *per cent* of total revenue during 2004-09. This revenue of Rs.0.24 crore during 2004-09 mainly came from advertisements, stand fees, parking fees and restaurant/shop rentals. Audit observed that the Company has scope for tapping non-traffic revenue sources which it has not tapped as yet.

Over a period of time the Company has come to acquire sites at prime locations in cities and district headquarters. The Company generally uses the ground floor/land for its operations, leaving ample scope to construct and utilise space above. Audit observed that the Company has land (owned/leased by Government) at important location admeasuring 1.56 lakh square metres as shown below:

Particulars	Cities (Municipal areas)	District HQrs	Tehsil HQrs.	Total
Number of sites	1	2	4	7
Occupied Land (sq. Mtrs.)	35,000	72,000	48,836	1,55,836

It is, thus, possible for the Company to undertake projects on public private partnership (PPP) basis for construction of shopping complexes, malls, hotels, office spaces, etc. above (from first or second floor onwards) the existing sites so as to bring in a steady stream of revenues without any investment by it. Such projects can be executed without curtailing the existing area of operations of the Company. Such projects can yield substantial revenue for the Company which can only increase year after year.

Audit observed that the Company has not studied this aspect to assess the likely benefits from such activities. Since substantial non-traffic revenue will help the Company cross-subsidize its operations and fulfil its mandate effectively, the Company may like to study realigning its business model and frame a policy in this regard.

The Management stated (August 2009) that the land in possession of the Company has been either acquired for specific purpose or taken on lease from Government and any proposal to commercially exploit the properties depends on the decision of the Government. It further stated that proposal to construct buildings with a view to commercially exploit the prime sites is under consideration subject to approval of Government.

The Company has not been effectively managing the already built stalls/shops in various bus stands. A test check of utilisation of such stalls/shops at Panaji and Canacona revealed that 26 shops/stalls (16 at Panaji and 10 at Canacona) out of total number of 54 and 34 respectively had remained vacant for varying periods. Based on the lowest rent of Rs. 500 per month being received for other stalls the potential loss of revenue due to non utilisation of 26 stalls/shops was Rs 1.63 crore.

Management stated (August 2009) that three vacant shops at Panaji had been tendered multiple times but was not allotted either due to no response or the rent offered was not sufficient. The remaining shops had not been tendered as the Company expected no response considering location of the shops.

The reply is not convincing as the Company had the option to fix rent for such shops with due regard to the location and tender and allot the same rather than keeping idle.

Fare policy and fulfillment of social obligations

Existence and fairness of fare policy

5.2.19 The Company does not have a fare policy of its own. Section 67 of the Motor Vehicles Act 1988, provide for fixation of fare in respect of the stage carriers operating in the State and revision thereof by the State Government. The fare is uniform for the Company as well as for private operators. During the period under review the fare was revised on three occasions viz., August 2004, April 2006 and October 2008. The details are as follows:

Fare table for ordinary buses

Stages	2004-05	2005-06	2006-07	2007-08	2008-09
First 5 KMs	4.35	4.35	5.00	5.00	5.00
First 10 KMs	6.10	6.10	7.00	7.00	7.00
25 KMs	11.35	11.35	13	13	13
100 KMs	37.60	37.60	43.40	43.40	43.40

There is no scientific basis for fixation of fare as it does not take into consideration the normative cost. Thus, there is a risk of commuters paying for inefficiency of the Company.

The table below shows how the Company could have curtailed cost and increased revenue with better operational efficiency.

No.	Particulars	2004-05	2005-06	2006-07	2007-08	2008-09
1.	Cost *per* KM	17.77	19.53	21.99	24.18	27.95
2.	Revenue *per* KM	15.80	17.41	20.10	19.79	21.70
3.	Loss of revenue due to less vehicle productivity (*per* KM) **	3.69	3.21	2.05	2.85	3.07
4.	Excess cost due to low man-power productivity (*per* KM)††	0.72	0.86	1.57	1.92	2.42
5.	Excess cost due to excess consumption of fuel (*per* KM)	0.38	0.58	0.56	0.75	0.89
6.	Ideal revenue *per* KM (2+3)	19.49	20.62	22.15	22.64	24.77
7.	Ideal cost *per* KM [1-(4+5)]	16.67	18.09	19.86	21.51	24.64
8.	Net revenue *per* KM (2-1)	(-)1.97	(-)2.12	(-)1.89	(-)4.39	(-)6.25
9.	Net ideal revenue *per* KM (6-7)	2.82	2.53	2.29	1.13	0.13
10.	Effective KM (in lakh)	310.49	322.26	306.32	289.39	284.28
11.	Avoidable loss (in Rs crore) [(8-9)x10]	14.87	14.99	12.80	15.97	18.14

** Worked out on the basis of difference of revenue at 63 *per cent* (AIA) load factor vis-à-vis actual revenue earned per km. AIA has been adopted in the absence of target fixed by the Company.

†† Difference of manpower cost per kilometre on the basis of scheduled kilometres and actual kilometres run.

It is evident from the above table that had the Company achieved even its own targets, the operating loss would have turned into operating profit in all the years under review. Moreover, the above Table does not take into account other inefficiencies such as low fleet utilisation, excess tyre cost, defective route planning, etc. Nonetheless, it shows that the net loss could be lower, if the operations are properly planned and efficiently managed, than what they actually are.

The above facts lead to conclude that it is necessary to regulate the fares on the basis of normative cost and it would be desirable to have an independent regulatory body (like State Electricity Regulatory Commission) to fix the fares, specially operations on uneconomic routes and address the grievances of commuters.

The Management stated (August 2009) that the fare policy is governed by Government of Goa as 95 *per cent* of operations are by private operators and that the ideal level of productivity could not be achieved due to the peculiar topography and geographical feature of the State and the travel behavior of the commuters. The reply in regard to low level productivity is not convincing as the productivity targets would be fixed with due consideration to all factors specific to the State. Further, above table shows that with the present fare structure, the Company can earn profit if it manages its operations efficiently.

Adequacy of services on uneconomical routes

The Company had about 22 *per cent* profit making routes as of March 2009 as shown in Table under ***paragraph 5.2.12.*** However, the position would change if the Company improves its efficiency. Nonetheless, there would still be some routes which would be uneconomical. Though the Company is required to cater to these routes, the Company has not formulated norms for providing services on such routes. However, the Company follows a procedure of accepting requests from Village Panchayats or political representatives of areas to operate buses. On receipt of such requests surveys are carried out to ascertain the timings and route demands. Also, after starting the route as per request, the economic viability is assessed and reported to the top management which takes the decisions for continuation/cancellation of the route. In the absence of any norms, the adequacy of services on uneconomical routes cannot be ascertained in Audit. Further, the Company does not have any system of obtaining proper approval from the State Government so as to enforce eligibility of claim or streamline reimbursement process of excess cost of operation on uneconomical routes. In view of the above, the desirability to have an independent regulatory body to specify the quantum of service on uneconomical routes, taking into account the specific needs of commuters, is further underlined.

The Management stated (August 2009) that the operation and addition of routes was mostly as per demands of Panchayats, MLAs, schools. It is, however, desirable to have an independent body to decide the quantum of services of such demands.

Monitoring by top management

MIS data and monitoring of service parameters

5.2.20 For an organisation like a Road Transport Company to succeed in operating economically, efficiently and effectively, there has to be written norms of operations, service standards and targets. Further, there has to be a Management Information System (MIS) to report on achievement of targets and norms. The achievements need to be reviewed to address deficiencies and also to set targets for subsequent years. The targets should generally be such that the achievement of which would make an organisation self-reliant. The Company has a statistical cell headed by a statistical officer which compiles monthly information received from depots for various performance indicators and communicates it monthly to the Managing Director. The Depot wise monthly or yearly targets for various performance parameters are set by the concerned HOD i.e. Dy. General Manager (Technical), Dy. General Manager (Traffic), Assistant Engineer (Civil) and Assistant Financial Controller (Accounts). Audit found the system deficient as the Board of Directors of the Company did not monitor operational performance for corrective action, if any. The performance reported to the HODs was also not effectively monitored as proper record showing analysis of variances and corrective action proposed were not maintained.

The Management stated (August 2009) that though MIS was introduced in 2004 it was not successful in generating reports. Further, it is now planning to introduce a new system for MIS and also to computerise the remaining area.

Conclusion

Operational performance

- The Company could not keep pace with the growing demand for public transport as its share declined from 8.2 *per cent* in 2004-05 to 5.12 *per cent* in 2008-09.

- It could not recover the cost of operations in any of the five years under review. This was mainly due to operational inefficiencies, weak financial management and inadequate/ ineffective monitoring by top management.

- The Company has scope to improve its operations as its performance on important operational parameters such as fleet utilisation, vehicle productivity and load factor was not up to its internal targets and performance of best STU in respective categories.

- The Company did not ensure the economy in operations as its manpower cost and fuel cost were higher than the all India average.

Financial management

- The Company does not have a policy in place to exploit non-conventional sources of revenue.

Fare policy and fulfilment of social obligations

- The Company does not have any fare policy and fares are not based on any scientific norm.
- The Company does not have any yardstick for adequacy of operation of uneconomical routes.

Monitoring by top management

- The Board of Directors did not periodically review the operational performance of the Company for corrective measures, if any.

Though the Company has been incurring losses, it is mainly due to its high cost of operations. On the whole, there is immense scope to improve the performance of the Company. The Company can control the losses by tapping non-conventional sources of revenue. Effective monitoring of key parameters, coupled with certain policy measures can see improvement in performance.

Recommendations

The Company may:

- increase fleet utilization and improve load factor by planning the routes keeping into consideration the number of buses held.
- consider devising a policy for tapping non-conventional sources of revenue on a large scale by undertaking PPP (Public Private Partnership) projects.
- maintain proper records of cost of free or concessional travel facility/social obligatory trips provided and lodge a claim with the Government with supporting documents.
- monitor the important operational parameters to take remedial measures for improvements at top management level.

The Government may:

- consider creating a regulator to regulate fares and also services on uneconomical routes.

SECTION B –TRANSACTION AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

Goa Information Technology Development Corporation

5.3 Wasteful expenditure on formation of the Corporation

Formation of a new corporation and non-execution of any work by it resulted in wasteful expenditure of Rs.28.98 lakh by way of salaries and establishment expenses.

The Corporation was established (Nov. 2006) by the Government of Goa for the purpose of securing and assisting in the rapid and orderly establishment of integrated Info Tech Township/IT park. The Government also constituted (January 2007) the Board of Directors of the Corporation consisting of eight Directors (including the Managing Director), Vice Chairman and Chairman.

Audit scrutiny revealed that, though the Corporation was incorporated with the objectives of executing works related to establishment and organisation of IT park, no such work was taken up by it so far (March 2009). Meanwhile it was observed that such works were being carried out by another Government Company (Info Tech Corporation of Goa Ltd) incorporated by the Government in April 1990. The Corporation had to spend Rs.28.98 lakh on salaries and establishment during 2006-09, even though no work was carried out by it. Thus, the action of the Government in setting up a Corporation and non-entrustment of any work to it resulted in wasteful expenditure of Rs.28.98 lakh. The Management stated (March 2009) that they have been pursuing with the Government for allocating resources for executing the projects. The fact, however, remains that the Corporation has not identified and initiated action for executing any project so far.

The matter was referred to the Government in April 2009; their reply has not been received (August 2009).

Info Tech Corporation of Goa Limited

5.4 Irregular payment of interest free mobilisation advance

Payment of mobilisation advance to contractors violating the manual provisions resulted in loss of Rs.39.61 lakh by way of interest.

Section 31.6 of the CPWD Manual 2003 stipulates that in respect of certain specialised and capital intensive works costing not less than rupees two crore, mobilization advance limited to a maximum of 10 *per cent* of the estimated cost put to tender or rupees one crore whichever is less, shall be sanctioned to the contractors at 10 *per cent* simple interest on specific request and as per the terms of the agreement. The guidelines issued by Central Vigilance Commission and endorsed (June 2006) by Government of Goa also stipulate that mobilisation advances should be interest bearing.

The Company, as per conditions incorporated in the tenders, but in violation of the laid down procedure paid interest free mobilisation advances aggregating to Rs.5.23 crore to the contractors of four works valuing Rs.28.95 crore, awarded during 2006-08. As no interest was recovered on these advances, the Company suffered a loss of Rs.39.61 lakh. Moreover, in respect of three works, mobilisation advance was extended in excess of the limit by Rs.3.56 crore. Management stated (April 2009) that interest free advance was offered to contractors for getting competitive rates. This is not tenable as payment of interest free advance was against the codal provisions and resulted in undue benefit to contractors. Management further assured that the practice of extending interest free advance would be avoided in future.

The matter was referred to the Government in April 2009; their reply has not been received (August 2009).

Goa State Infrastructure Development Corporation Limited

5.5 Extra expenditure on loan processing fee

Payment of processing fee for term loan at abnormally higher rate resulted in extra expenditure of Rs.1.28 crore.

The Company approached (March 2007) EDC Ltd (EDCL), a state Government undertaking, for availing credit facilities for financing its infrastructure development projects. Accordingly a term loan of Rs.115 crore at 10.5 *per cent* interest per annum, repayable in quarterly installments within a period of seven years, was sanctioned (October 2007). The entire loan was to be availed within six months from the date of sanction. The Company had drawn (January 2008 – July 2009) Rs.105 crore as against the sanctioned loan of Rs.115 crore.

Audit scrutiny indicated that EDCL had been collecting usually a processing fee of one *per cent* of loan amount subject to a maximum of rupees one lakh. Accordingly in the instant case initially EDCL demanded (March 2007) rupees one lakh as processing fee. Incidentally, it is pointed out that for the loan availed in an earlier period (October 2006) also EDCL had collected processing fee of rupees one lakh only. In the instant case, however, deviating from its standard policy, EDCL recovered (January 2008) unduly high processing fee of Rs.1.29 crore[‡‡], being one *per cent* on the entire loan amount sanctioned. In the light of the terms and conditions on which credit facility was availed in the earlier year by the Company from EDCL (both being state PSUs) effective negotiation should have been conducted in the instant case to ensure that processing fee was restricted to a maximum of rupees one lakh. Failure to do so resulted in extra expenditure of Rs.1.28 crore. Management stated (August 2009) that its request for reduction of processing fee was not accepted by EDCL.

[‡‡] Including service tax, Rs 14.61 lakh

Government needs to frame a policy to ensure that one PSU is not unduly benefited at the cost of the other as it is an unfair practice causing significant increase in the financial costs of the borrowing PSU.

The matter was referred to the Government in June 2009; their reply has not been received (August 2009).

DEPARTMENTAL COMMERCIAL UNDERTAKINGS

Goa Electricity Department

5.6 Loss of revenue due to erroneous computation of rebate

Erroneous computation of rebate for power factor improvement in respect of HT/EHT consumers resulted in loss of revenue of Rs.4.53 crore.

Clause 13 of the Electricity supply tariff notification issued by the Government of Goa in April 2002 stipulates that *all High Tension and Extra High Tension installation where the power factor is maintained above 0.95 lagging, shall be eligible for a rebate at the rate of one per cent of the energy charges only for every one per cent improvement in the Power Factor*[§§] *above 0.95 lagging*.

Audit scrutiny of the computerised billing records of all HT/EHT consumers of the Department revealed that the rebate for Power Factor was being computed erroneously. As per the Government notification, rebate of one per cent of the energy charges was allowable only when one per cent improvement of power factor was achieved in full and not in part. The Department, however, allowed rebate by rounding off fraction of power factor to the upper stage and thus without achieving the one per cent power factor in full. For instance, the power factor of 0.9761 was being rounded off to 0.98 and rebate of three per cent was allowed, whereas the actual achievement of power factor improvement was less than three and hence eligible rebate was two per cent only.

On being pointed out by Audit (September 2008), the Chief Electrical Engineer stated (January 2009) that necessary changes in the billing software would be made in future for lower rounding off and recovery, wherever applicable, was under process. The loss incurred by the Department due to incorrect computation of power factor and consequent excess granting of rebate in respect of 8076 bills raised during the period from April 2003 to March 2008 worked out to Rs.4.53 crore. The Department has not taken any further action till date.

The matter was referred to the Government in May 2009; their reply has not been received (August 2009).

[§§] Power Factor is computed by dividing Kilo Watts Hour (KWH) by Kilo volt ampere Hour (KVAH).

5.7 Loss of revenue due to non-demanding of interest on arrears

Non-levy of interest on arrears of electricity charges referred to Revenue Recovery Court resulted in loss of Rs.87.52 lakh.

Clause 31 (c) (ii) of the 'Conditions of Supply of Electrical Energy' issued (January 1990) by Government of Goa, stipulates that if a service connection remains under temporary disconnection for a period of six months for non-payment of electricity charges, the connection should be dismantled and the case should be referred to Revenue Recovery Court (RRC) to recover the arrears. It is also stipulated that interest at 18 *per cent* per annum is to be charged to outstanding amount from the date of referring the case to RRC till the arrears are recovered.

Audit scrutiny indicated that while referring the arrear cases to RRC, the Divisions/ Sub-Divisions of the Department were not insisting on the recovery of interest on arrears. As a result, on recovery of arrears effected through RRC, only the original dues were recovered. In short, the amount outstanding and the amount recovered through RRC were the same. It was also noticed, in those cases which were referred to RRC, whenever the Department received payment directly from the consumers, no interest was collected. However, in the cases of delayed payment which are not referred to RRC, the Department collects interest at the rate of 24 *per cent* per annum.

Test check of 14 Sub-divisions of five Electrical Divisions, out of the total 27 subdivisions of seven divisions, of the Department showed that out of 2068 cases referred to RR during the period from April 2004 to March 2008, recovery could be effected in 319 cases only (Principal: Rs.40.35 lakh) and the amount of interest not even demanded in these cases was Rs.9.19 lakh. In 1749 cases (Principal: Rs.166.48 lakh), recovery was pending and the loss of interest on such cases till 31 March 2009 due to non-levy of interest was Rs.78.33 lakh.

The Department should ensure that:

- While raising demand for the pending dues, the notice should include the interest element.
- In cases referred to the RRC, the interest amount should be added, to ensure recovery of the original dues and interest thereon.
- Responsibility for the lapse is fixed.

The matter was referred to the Government in June 2009; their reply has not been received (August 2009).

5.8 Extra Expenditure due to non-acceptance of lowest offer

Rejection of lowest offer for the supply of XLPE cable, on account of minor technical irregularity resulted in extra expenditure of Rs.37.11 lakh.

Electrical Division XI of the Department invited (November 2005) tenders for the work of "Supply, erection, testing and commissioning of 33 KV Under Ground Double Circuit XLPE cable line of 3.2 kms length from Kadamba sub-station to Harbour sub-station at Vasco" at an estimated cost of Rs.3.47 crore. While opening the Techno commercial bids of all the three tenderers who responded to the tender invitation, it was found that one of the tenderer (Nanu Engineers Pvt. Ltd.) had not signed some pages of the tender documents. It was, however, decided to accept their offer also for ensuring better competition. When financial bids were opened (February 2006), the offer of Rs.3.23 crore (7.04 *per cent* below estimate) from K.K. Vidhyut, Ahmednagar (KKV) was found the lowest and the offer of Rs.3.60 crore (3.69 *per cent* above estimate) from Nanu Engineers Pvt. Ltd. (NEPL) was found as the second lowest.

Against one of the items of work (9(a) – cable trench work for 2550 metres), KKV had quoted the rate as Rs.3000 per metre (both in figures and in words) however, the total amount for the item was written as Rs.7,65,000 (Rs.300 x 2550 metres) only. The tenderer (KKV) clarified (February 2006) that the rate of one item was wrongly written as Rs.3000 instead of Rs.300 and thus, the total quoted amount for the work (Rs.3.23 crore) remained unchanged. Accordingly, the Division as well as the Circle Office recommended the acceptance of the lowest offer of KKV. The Technical Advisory Committee (TAC), however, quoting CPWD manual (section 18, clause 3.15.43) opined (April 2006) that the rate (Rs.3000) quoted by the contractor should be taken as correct and not the amount (Rs.7,65,000). Accordingly the amount of the item in the offer of KKV was reworked out by the Department as Rs.76,50,000 (Rs.3000 x 2550 metres) and thus the total amount had risen to Rs.3.92 crore thereby placing KKV to the third lowest position. The Goa State Works Board (GSWB) also approved (May 2006) the proposal of the TAC to accept the second lowest offer (Rs.3.60 crore) of NEPL and accordingly the work was executed through them during 2006-2007. Thus the non-acceptance of lowest offer of KKV resulted in extra expenditure of Rs.37.11 lakh[•].

Audit observed that ignoring the L-1 tenderer (KKV) on minor technical irregularity and placing orders on the second lowest tenderer (NEPL) despite not matching L-1 rate, was not justifiable. The Department should have protected its financial interest and avoided the extra expenditure either by waiving the minor technical irregularity in the offer of the L-1 tenderer or by conducting effective negotiations with the second lowest tenderer, to bring down their quoted amount at par with that of L-1 tenderer.

The matter was referred to the Government in June 2009; their reply has not been received (August 2009).

[•] Rs.359.92 lakh minus Rs.322.81 lakh

5.9 Loss due to non-availment of concessional rate of Central Sales Tax

Failure of the department in availing concessional rate of central sales tax on inter-state purchase of materials resulted in loss of Rs.34.63 lakh.

The Department had been procuring materials from Suppliers within the state for which Value Added Tax (VAT) at the applicable rate was being paid. For inter state purchases, the Department had been paying Central Sales Tax (CST) at the concessional rate of four *per cent* against production of Form D.

As per the amendment made (March 2007) by the Government of India to the Central sales Tax Act, the facility of issuing Form D by Government departments for availing concessional CST was withdrawn. It was also stipulated that the rate of CST on inter-state sale to Government Departments should be at the rate of VAT/State sales tax applicable in the state of the selling dealer. In view of this amendment, the Department had to pay C.S.T. at the full rate on all interstate purchases. Meanwhile, for inter-state sale to registered dealers the rate of CST (against Form-C) was reduced from four *per cent* to three *per cent* with effect from 1 April 2007 and again to two *per cent* with effect from 1 June 2008.

As per the provisions (section 2(k) and explanation (b) thereunder) contained in the Goa VAT Act 2005, Government department whether or not in the course of business sells unserviceable or old stores shall be deemed to be a dealer. Audit scrutiny indicated that, since the department is undertaking sale of unserviceable/old stores, it could have registered with the Commercial Taxes Department as a dealer and continued to avail the concessional rate of CST on interstate purchases by issuing 'Form C'.

The Stores & Workshop Division of the Department made inter-state purchase[♣] of 5995 'Three phase electronic meters' (basic value: Rs.209.83 lakh, at the rate of Rs.3500 per meter), in April-May 2008 paying full rate of CST of 12.5 *per cent* as against the concessional rate of three *per cent* and 4000 meters in June 2008 (basic value: Rs.140 lakh, at the rate of Rs.3500 per meter) paying full rate of CST of 12.5 *per cent* as against the concessional rate of two *per cent*. Thus, failure of the Department in availing the concessional rate of CST by becoming a registered dealer, resulted in extra expenditure of Rs.34.63 lakh[***]

The matter was referred to the Government in June 2009; their reply has not been received (August 2009).

[♣] Tender No 20/07-08

[***] @ 9.5 per cent of Rs 209.83 lakh and @ of 10.5 per cent of Rs 140 lakh

5.10 Loss of revenue due to non-levy of minimum guaranteed amount

Failure to bill the consumer from the deemed date of commencement of power supply resulted in loss of revenue of Rs.12.38 lakh

Electrical Division VI, of the Department received (November 2001) an application from Alpha Impex Pvt Ltd (AIPL) for power supply of 33 KV H.T. with a connected load of 800 KVA for their proposed factory. While approving (July 2002) the application, the Department directed the consumer to execute an agreement which, *inter alia*, stipulated that the consumer shall commence power consumption within a period of three months from the date of intimation of line being ready for charging. The date of commencement of supply shall be deemed as the date of expiry of the three months period from the date of intimation or the date of actual supply whichever is earlier. From the said date of commencement of supply, the consumer shall become liable to pay the Department, the "minimum guaranteed" (MG) amount or the minimum charges viz. 75 per cent of contract demand (800 KVA) as per prevailing tariff, whichever is higher. The MG amount per annum was prescribed as 15 *percent* of the total capital cost[⊗] of arranging power supply to consumer's premise.

The Division completed (October 2003) the required line extension works at a cost of Rs.26.45 lakh and the fact of completion of work / readiness for charging the line was intimated to AIPL on 22 October 2003. The consumer executed the agreement in October 2005 and availed power supply in November 2005 only.

Audit observed that as the prescribed period of three months for availing the power supply was over, AIPL was required to be billed for the M.G. amount (Rs.33,000 per month) or for the minimum charges for the contract demand (Rs.90,000 per month) whichever was higher from January 2004 onwards. The Division, however, billed the consumer from March 2005 onwards only. The loss of revenue due to non-billing for the period from 23 January 2004 to 14 March 2005 amounted to Rs.12.38 lakh[*]. The Department could not claim this revenue due to its failure to insist upon AIPL for the compliance of pre-requisite conditions regarding execution of agreement in time and furnishing of the Bank Guarantee towards Security Deposit.

The Department admitted (March 2009) that commencement of billing was delayed due to non execution of agreement in time and assured that such lapses would be avoided in future. The department also replied that efforts would be made to recover the M.G. amount from the consumer. The fact however remained that the required billing for the period upto March 2005 was omitted.

⊗ To be recovered in seven years

* For Minimum Charges at the rate of 75 *per cent* of contract demand of 800 KVA for 13.75 months@ Rs 150 per KVA

The Department should :

- devise a suitable internal control mechanism to ensure that before taking up any power supply work, all the pre-requisite conditions for power supply have been complied with by the consumers and billing is commenced from the stipulated time; and

- fix responsibility for the lapse on the part of department officials.

The matter was referred to the Government in May 2009; their reply has not been received (August 2009).

Panaji **(DEVIKA)**
The **Accountant General, Goa**

Countersigned

New Delhi **(VINOD RAI)**
The **Comptroller and Auditor General of India**