

CHAPTER-I

SOCIAL, GENERAL AND ECONOMIC SECTORS (Non-PSU)

1.1 Trend of Expenditure

The comparative position of expenditure incurred by the Government during the year 2015-16 and in the preceding two years is given below in *Table 1.1*.

Table 1.1: Comparative position of expenditure

(₹ in crore)

Disbursements	2013-14			2014-15			2015-16		
	Plan	Non - plan	Total	Plan	Non - plan	Total	Plan	Non - plan	Total
Revenue expenditure									
General services	29.08	2046.54	2075.62	33.56	2336.35	2369.91	31.78	2528.30	2560.08
Social services	1000.59	862.90	1863.49	979.79	949.55	1929.34	1168.83	1021.75	2190.58
Economic services	394.87	1528.27	1923.14	406.94	1684.52	2091.46	544.46	1927.86	2472.32
Grants-in-aid and contributions	287.01	654.02	941.03	281.16	738.38	1019.54	353.94	842.64	1196.58
Total	1711.55	5091.73	6803.28	1701.45	5708.80	7410.25	2099.01	6320.55	8419.56
Percentage of annual increase of Revenue expenditure from year 2013-14						8.92			23.76
Capital Expenditure									
Capital outlay	998.14	10.08	1008.22	1235.60	-1.49	1234.11	1611.14	11.13	1622.27
Loans and advances disbursed	0.16	4.09	4.25	0.19	2.73	2.92	-	2.69	2.69
Repayment of public debts	-	385.06	385.06	-	365.86	365.86	-	439.22	439.22
Total	998.30	399.23	1397.53	1235.79	367.10	1602.89	1611.14	453.04	2064.18
Grand total	2709.85	5490.96	8200.81	2937.24	6075.90	9013.14	3710.15	6773.59	10483.74
Percentage of annual increase of total expenditure from year 2013-14						9.91			27.84

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

The total expenditure of the State increased from ₹ 8,201 crore in 2013-14 to ₹ 10,484 crore in 2015-16 (28 per cent). The revenue expenditure of the State Government increased by 24 per cent from ₹ 6,803.28 crore in 2013-14 to ₹ 8,419.56 crore in 2015-16.

The revenue expenditure constituted 80.31 per cent of total expenditure during past three years (2013-16) and capital expenditure was 19.69 per cent.

1.2 Authority for Audit

The authority for audit by the Comptroller and Auditor General (CAG) is derived from Articles 149 and 151 of the Constitution of India. The Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (CAG's (DPC) Act) further reinforce its authority. The CAG conducts audit of expenditure of the Departments of Government of Goa under Section 13 of the CAG's (DPC) Act. The CAG is the sole auditor in respect of 12 Autonomous Bodies which are audited under the provisions of sections 19 and 20 of the CAG's (DPC) Act. In addition the CAG also conducts audit of bodies/authorities which are substantially funded by the Government, under section 14 of the CAG's (DPC) Act. Principles and

methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

1.3 Planning and conduct of Audit

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

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

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

During 2015-16, in the Social and General Sector Audit Wings, 717 party-days were used to carry out audit of 130 units. The Economic Sector-I Audit Wing conducted audit of 29 units utilising 381 party days and the Economic Sector-II Audit Wing audited 43 units utilising 310 party days. The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.4 Lack of responsiveness of Government to Audit

1.4.1 Inspection reports outstanding

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

As of June 2016, 367 IRs (1,303 paragraphs) were outstanding for want of compliance. Year-wise details of IRs and paragraphs outstanding are detailed in *Appendix 1.1*.

1.4.2 Response of Departments to the draft paragraphs

Seven draft paragraphs and one performance audit report were forwarded (June and September 2016) to the Principal Secretaries/Secretaries of the concerned departments. The Government's replies of these draft paragraphs and performance audit report were required to be received within six weeks. But reply of only one draft paragraph (paragraph 1.10) has been received (November 2016).

1.4.3 Follow up on Audit Reports

Timeline for follow up of Audit Reports was prescribed in the Internal Working Rules of the Public Accounts Committee of the Goa Legislative Assembly. According to it, the Administrative Departments were required to furnish Explanatory Memoranda (EM) to the Accountant General for vetting. The EMs in respect of the paragraphs included in the Audit Reports were to be furnished to the State Legislature within three months from the date of tabling of Audit Report.

Twelve Departments as detailed in *Appendix 1.2* had not submitted EM for 26 paragraphs pertaining to Audit Reports for the years 2011-12 to 2014-15 (November 2016).

DEPARTMENT OF URBAN DEVELOPMENT

1.5 Performance Audit on Revenue Collection and Management of own funds by Urban Local Bodies in Goa

Executive Summary

The Goa Municipalities Act, 1968 and the City of Panaji Corporation Act, 2002 empower Urban Local Bodies (ULBs) in Goa to levy and collect different types of taxes and fees. There was, however, no uniformity in application of tax rates for levy and collection of taxes and fees. Periodical survey was not carried out to ensure coverage and assessment of all eligible properties. Municipal assets were not productively utilised for generating revenue. Consequently, own revenues generated were inadequate to meet the operational and administrative expenditure of ULBs. Low tax collection and huge arrears affected revenue mobilisation. The extent of Government assistance declined with non-utilisation of grants received. Internal control system in ULBs was inadequate which rendered them vulnerable to fraud.

Highlights

- The Urban Development Department's instructions to adopt plinth-area rates notified by Goa Public Works Department (PWD) for working out property tax were not followed by the ULBs. The method of assessment of property tax differed from one ULB to another ULB. This resulted in non-realisation of revenue of ₹ 11.54 crore.

(Paragraph 1.5.7.2)

- The ULBs did not follow the directions of the Department of Urban Development to adopt PWD-notified rates for estimating the cost of construction and computing the license fee. This resulted in lower

estimation of property cost and construction licence fee involving loss of revenue of ₹ 6.52 crore. Besides, construction licences in respect of 1,029 properties were not renewed annually. This led to non-collection of revenue of ₹ 13 crore.

(Paragraph 1.5.7.4)

- Audit observed that 1,519 shops in seven ULBs were leased out without renewing agreements and their rent was recovered at the lower rates. This resulted in short realisation of revenue of ₹ 9.89 crore.

(Paragraph 1.5.7.5)

- We found that no tangible action was taken to collect rent and evict the municipal property at Panaji from illegal occupation. This deprived the Corporation of City of Panaji (CCP) of revenue of ₹ 4.28 crore in respect of 296 shops.

(Paragraph 1.5.7.6)

- Land admeasuring 1,594 m² continued to be under illegal occupation in Panaji. This resulted in loss of revenue of ₹ 2.16 crore in the shape of rent to the CCP. In Ponda there was delay of three years in allotting the market space. This deprived the ULB revenue of ₹ 1.41 crore.

(Paragraphs 1.5.7.7 and 1.5.7.8)

- The lease agreements of municipal land allotted to petroleum companies were not renewed by the ULBs on their expiry. The rentals were not collected resulting in short recovery of ₹ 15.31 crore.

(Paragraph 1.5.7.9)

- Audit found 15 mobile towers in two ULBs were erected without obtaining permission. In four ULBs permission granted in respect of 71 towers was not renewed. This led to non-recovery of renewal fee and property tax of ₹ 1.38 crore.

(Paragraph 1.5.7.10)

- Audit found that no targets were fixed for collection of arrears. The tax arrears increased from ₹ 33.90 crore in March 2012 to ₹ 62.10 crore in March 2016 i.e by 83 per cent.

(Paragraph 1.5.9.4)

- The Thirteenth and the Fourteenth Finance Commissions prescribed some conditions for release of performance grants. These conditions were not fulfilled by the ULBs. This deprived them of performance grants of ₹ 28.26 crore pertaining to the period 2011-2015.

(Paragraph 1.5.9.5)

- ULBs were unable to undertake major public development works or create capital assets without the support of State Government. No service-level benchmarks were found to have been formulated for measuring service delivery of ULBs.

(Paragraph 1.5.10.1)

- Deficiencies were noticed in preparation, maintenance and audit of accounts of the Municipalities. Audit noticed instances of fraud, misappropriation of ₹ 52.91 lakh indicating inadequate internal control.

(Paragraph 1.5.11)

1.5.1 Introduction

The Urban Local Bodies (ULBs) provide civic services and public infrastructure facilities that help in growth of urbanisation in India. The 74th Constitutional Amendment Act of 1992 provides for enabling the ULBs to function as institutions of local self-governance.

Goa has one Municipal Corporation and 13 Municipal Councils¹. Panaji, the State capital, is administered by the Corporation of City of Panaji (CCP). The 13 other major towns are administered by Municipal Councils (MCs). The Goa Municipalities Act, 1968 and the City of Panaji Corporation Act, 2002 govern the functioning of MCs and CCP respectively.

To discharge the civic functions properly and to cater to the requirements of economic development, the ULBs need to tap revenue resources effectively. This would help sustain their operations and improve service delivery. Thus, ULBs need adequate finances to fulfill their envisaged role as institutions of local self-governance.

1.5.2 Organisational structure

The Secretary (Urban Development) is the administrative head of the Department of Urban Development (Department), which oversees the functioning of ULBs. The Director of Urban Development and other officials assist him. CCP has an elected Mayor, who is assisted by a Commissioner appointed by the State Government. The MCs are led by elected Chairpersons, who are aided by Government-appointed Chief Officers. The Commissioner and the Chief Officers are supported by a Deputy Commissioner (in CCP), Municipal Engineers and other staff (*Appendix-1.3*).

The Mayor/Chairperson presides over the meetings of ULBs and decides plans and programmes for ULBs in consultation with the Councilors. The decisions taken in the meetings are executed by the Commissioner/Chief Officer.

1.5.3 Audit objectives

The Performance Audit was conducted with a view to

- i) assess whether sustainable revenues were generated to meet the expenditure on civic amenities and municipal establishment;
- ii) examine the dependency on and the extent of Government transfers and assignments; and
- iii) evaluate the revenue mobilisation efforts and financial management.

1.5.4 Audit scope and methodology

The Performance Audit covered a period of five years from 2011-12 to 2015-16. The most populous MCs, three each in the North Goa District² and the South Goa District³, were selected along with CCP for audit. The records at the Department and the ULBs were scrutinised from April 2016

¹Margao, Mormugao, Mapusa, Ponda, Bicholim, Sanquelim, Pernem, Valpoi, Cuncolim, Quepem, Curcholem, Sanguem and Canacona

²Mapusa MC, Bicholim MC and Sanquelim MC

³Margao MC, Mormugao MC and Ponda MC

to July 2016. Audit scrutiny covered the expenditure and utilisation of grants-in-aid received from the Government.

A joint physical inspection of 72 selected properties was arranged (October 2016) by seven ULBs. The inspection was carried out by officers of the ULBs and the Audit team to verify the status of properties assessed to tax.

The audit objectives, scope and methodology were explained in an 'Entry Conference' held (June 2016) with the Secretary (Urban Development). The audit findings were discussed with the Secretary (Urban Development) in an 'Exit Conference' (December 2016). The responses of the Department and the audited entities received during 'Exit Conference' and at other point of time have been incorporated at appropriate places in the Report.

1.5.5 Audit criteria

The following criteria were used to benchmark and finalise audit findings:

- i) The Goa Municipalities Act, 1968 (Municipalities Act) and the City of Panaji Corporation Act, 2002 (Corporation Act).
- ii) The Goa, Daman & Diu Building (Lease, Rent & Eviction) Control Act, 1968 and the Goa Public Premises (Eviction of Unauthorised Occupants) Act, 1988.
- iii) The Goa, Daman & Diu Municipalities (Consolidated Property Tax) Rules, 1971 and Bye-Laws made thereunder.
- iv) Instructions issued by the Government of India and the Government of Goa.
- v) Recommendations of the Thirteenth Finance Commission and the Fourteenth Finance Commission.
- vi) Statement of accounts, Budget Estimates and resolutions passed in the meetings of ULBs.
- vii) Good municipal practices in other States/ ULBs.

Audit findings

1.5.6 Financial planning and budgeting

Budgeting is an important tool of financial planning and control. The Municipalities Act and the Corporation Act require (Section 97 and Section 87 respectively) ULBs to adopt Budget Estimates (BE) prepared by ULBs with the sanction of the Director of Urban Development.

We observed that the actual receipts and payments of ULBs varied considerably from the BE during the period, as shown in **Table-1.5.1**.

Table: 1.5.1: Budget Estimates and actual Receipts (R) and Payments (P) of ULBs

ULB		2011-12		2012-13		2013-14		2014-15		2015-16		Per cent increase/decrease (-) in 2015-16 over 2014-15	
		R	P	R	P	R	P	R	P	R	P	R	P
CCP	BE	48.30	59.97	53.59	64.29	45.61	56.66	51.02	38.86	34.68	43.09	-32	11
	Actual	30.22	24.84	29.75	23.03	30.22	21.83	29.73	22.19	22.95	22.87	-23	3
Margao MC	BE	53.91	46.51	63.27	58.09	66.70	59.52	71.11	62.85	69.62	67.00	-2	7
	Actual	17.78	17.22	21.42	17.68	14.64	17.23	19.93	21.86	26.42	20.34	33	-7
Mormugao MC	BE	34.74	33.59	30.65	30.75	34.70	33.79	31.86	42.29	53.54	48.55	68	15
	Actual	13.56	14.70	15.47	11.55	12.87	13.63	16.55	16.19	13.78	14.52	-17	-10
Mapusa MC	BE	17.94	17.94	26.67	24.66	80.82	79.89	86.07	86.07	87.11	85.00	1	-1
	Actual	12.32	8.32	20.50	11.94	19.91	16.82	17.40	18.27	21.16	24.52	22	34
Ponda MC	BE	22.59	22.59	34.17	34.17	27.67	27.67	38.45	37.83	38.29	36.81	Nil	-3
	Actual	8.14	6.01	7.80	5.35	6.00	7.83	7.31	6.92	7.77	8.70	6	26
Bicholim MC	BE	14.90	14.89	11.38	11.38	8.83	8.83	10.96	10.96	10.72	10.72	-2	-2
	Actual	10.14	9.25	10.02	7.80	7.21	6.32	4.93	6.58	7.16	6.86	45	4
Sanquelim MC	BE	21.69	21.69	18.26	18.54	11.02	11.02	6.01	6.01	6.39	6.37	6	6
	Actual	3.20	3.24	12.34	9.83	8.42	7.90	7.03	4.90	2.37	3.62	-66	-26
Total	BE	214.07	217.18	237.99	241.88	275.35	277.38	295.48	284.87	300.35	297.54	2	4
	Actual	95.36	83.58	117.3	87.18	99.27	91.56	102.88	96.91	101.61	101.43	-1	5
Variation of actual to BE (per cent)		55	62	51	64	64	67	65	66	66	66		

(Source: Budget Estimates and Statements of Receipts and Payments of ULBs)

The actual receipts and payments for all the five years were much less than the BE. This indicated that ULBs did not prepare the BE by analyzing the trend and pattern for previous periods. No annual development plan, as required under section 184F of the Municipalities Act, was prepared by MCs for undertaking development works. Thus, the use of budget as a tool of financial planning and control was not achieved. The Department did not review the BE with reference to previous years' receipts and payments. It also did not direct the ULBs to prepare the BE on realistic terms.

1.5.7 Municipal revenues

The 74th Constitutional Amendment Act of 1992 entrusted the State Legislature with the responsibility of determining the revenue base of ULBs. As such, the State Government has an important role to play in revenue generation of ULBs.

The resource base of ULBs consisted of own tax and non-tax revenues; Government grants-in-aid; assignments and devolutions. The ULBs received grants-in-aid from State and Central Governments through the Department. They also received grants recommended by the Union Finance Commissions.

Table 1.5.2 shows the trend of revenue receipts of seven ULBs for the period from 2011-12 to 2015-16.

Table 1.5.2: Trend of revenue receipts of ULBs during 2011-16

MUNICIPAL REVENUE	2011-12	2012-13	2013-14	2014-15	2015-16 ⁴	TOTAL
<i>(₹ in crore)</i>						
I. Tax revenues						
Property/ house tax	14.29	15.73	19.87	21.20	20.62	91.71
Advertisement tax	0.84	0.87	1.59	1.86	0.48	5.64
Tax on trades	0.94	1.19	1.93	2.23	1.39	7.68
Total (I)	16.07	17.79	23.39	25.29	22.49	105.03
II. Non-tax revenues						
Construction licence fee	14.57	14.74	14.32	13.88	13.08	70.59
Rent from lease of property	4.19	4.55	6.01	5.74	7.56	28.05
Market occupancy fee	2.85	2.23	3.02	2.54	3.20	13.84
Garbage tax	0.40	0.80	3.04	5.01	3.19	12.44
Other fee ⁵	4.13	4.67	7.79	8.69	7.97	33.25
Total (II)	26.14	26.99	34.18	35.86	35.00	158.17
III. Other receipts						
Fines/penalty	0.24	0.55	0.44	1.22	1.15	3.60
Interest on municipal fund	2.94	6.84	9.64	8.71	13.53	41.66
Total (III)	3.18	7.39	10.08	9.93	14.68	45.26
Total own revenues (I+II+III)	45.39	52.17	67.65	71.08	72.17	308.46
IV. Government transfers and assignments						
Plan grant (capital/development works)	33.29	21.83	16.68	7.02	8.87	87.69
Non-plan grant (salary and Dearness Allowance/non-capital works)	1.12	7.28	0.40	7.95	2.94	19.69
Compensation in lieu of octroi	5.92	22.67	7.81	6.79	7.13	50.32
Total (IV)	40.33	51.78	24.89	21.76	18.94	157.70
Total revenues (I+II+III+IV)	85.72	103.95	92.54	92.84	91.11	466.16
Increase/decrease (-) in total revenues over the previous year (per cent)		21	(-) 11	0	2	

(Source: Statements of Receipts and Payments of ULBs)

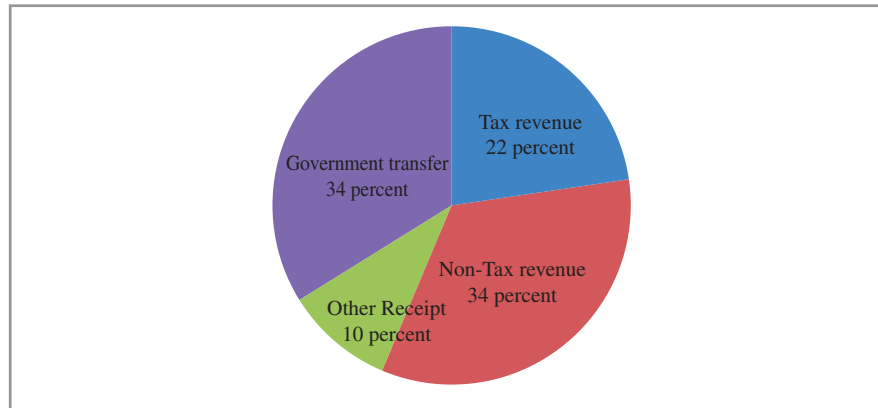
The increase of total revenues by 21 per cent during 2012-13 over the year 2011-12 was mainly due to release of compensation in lieu of octroi for 2011-12 in 2012-13 by the State Government.

Property tax and construction licence fee were the main source of tax and non-tax revenues respectively. The composition of revenue sources of ULBs for the period 2011-16 is depicted in **Chart 1**.

⁴ The annual accounts of CCP have not been finalised for 2015-16 (as of October 2016).

⁵ Other fee includes fee for granting permission/NOC for erection of mobile towers, compensation received for notified properties, dog tax, pay parking fee, fair tax, birth and death registration fee, property transfer fee, etc.

Chart 1: Revenue composition of ULBs during 2011-16



(Source: Statement of Receipts and Payments of ULBs)

We observed that own revenues of ULBs increased from 53 per cent in 2011-12 to 79 per cent in 2015-16 while the Government transfers and assignments to ULBs decreased from 47 per cent to 21 per cent during the same period.

The Compound Annual Growth Rate⁶ (CAGR) for seven ULBs for the period 2011-16 worked out (for total own revenues) to 9.72 per cent. The average annual per capita own revenue⁷ was ₹ 2,103, the lowest being ₹ 792 (Mormugao MC) and the highest being ₹ 5,356 (CCP).

Tax revenues

1.5.7.1 Non-levy of compulsory taxes

The Municipalities Act requires (Section 101) MCs to impose the following compulsory taxes, subject to general or special orders of the State Government:

- consolidated property tax (comprising of a general tax, a water tax, a lighting tax and a general sanitary tax) on lands or buildings or both situated within municipal area;
- tax on professions, trades, callings and employment;
- theatre tax and
- tax on advertisements other than newspaper advertisements.

We noticed that MCs levied only property tax, trade tax and advertisement tax but did not impose theatre tax and tax on professions, calling and employment. The Corporation Act requires (Section 104) CCP to impose cess on animals or goods brought for sale, consumption or use within the city, in addition to levy of the property tax. We noted that CCP levied property tax but did not impose any cess on animals or goods brought within Panaji city.

⁶ $CAGR = ([FV/PV]^{1/n}) - 1$,

where FV is the Final Value (₹ 72.17 crore), PV is the Preliminary Value (₹ 45.39 crore) and 'n' is the number of years (five). It denotes the annual compounded yield on investment over a period. Increased generation of revenue would result in higher CAGR.

⁷ Computed as annual average of total own revenues of each ULB / Population of each ULB (i.e., ₹ 107.18 crore/40,017 = ₹ 5,357 for CCP; ₹ 71.58 crore/87,650 = ₹ 1,633 for Margao MC; ₹ 37.39 crore/94,393 = ₹ 792 for Mormugao MC; ₹ 51.75 crore/39,989 = ₹ 2,588 for Mapusa MC; ₹ 21.10 crore/22,664 = ₹ 1,862 for Ponda MC; ₹ 12.69 crore/16,986 = ₹ 1,494 for Bicholim MC; ₹ 6.77 crore/13,651 = ₹ 992 for Sanquelim MC).

The ULBs stated that the taxes were levied since inception and they would impose all compulsory taxes on receipt of orders from competent authority. We, however, observed that no steps were taken by the Government to operationalise the statutory provisions for levy of compulsory taxes.

1.5.7.2 Non-uniformity in levying Property Tax

The Municipalities Act requires (Section 101) MCs to levy consolidated property tax on lands and buildings⁸ based on their rateable value⁹. Section 110 of the said Act provides for deduction of 10 *per cent* from the annual rent expected to be earned on letting out the property. The rate of property tax ranged from six *per cent* to 12 *per cent* depending on the category of ULBs¹⁰. The imposition and assessment of property tax by CCP is governed by Sections 104 and 109 of the Corporation Act.

The Department instructed (January 2000/December 2007) all ULBs to adopt plinth-area rates notified by Goa Public Works Department (PWD) for deriving the estimated cost of buildings. We observed that despite these instructions, the estimated cost of properties and the assessment of property tax differed from one ULB to another, as mentioned below:

- **Deviation by CCP:** CCP assessed properties to tax based on location or zone¹¹ in which the property was situated. It adopted a plinth-area rate of ₹ 9,000 per m² for all types of properties though PWD had notified (May 2009) the rate of ₹ 9,000/₹ 9,500¹² per m² for residential properties and ₹ 11,000 per m² for commercial properties. It applied a lower tax rate of eight *per cent* instead of the minimum 10 *per cent* stipulated in the Goa Municipalities (Consolidated Property Tax) Rules, 1971. The revenue foregone as a result of application of lower rate amounted to ₹ 3.69 crore in respect of 1,107 residential properties and 624 commercial properties that were newly added in Panaji city during 2011-16 (*Appendix 1.4*).
- **Deviation by Margao MC:** Margao MC decided (February 1998), by a resolution passed in Council meeting, to assess properties to tax at plinth-area rates notified by PWD in 1997. It, however, adopted PWD notified rates of 1983, which was far less than the latest/revised rates. The revenue foregone due to application of pre-revised rates was ₹ 3.77 crore (*Appendix 1.4*).
- **Deviation by other ULBs:** The other five ULBs¹³ passed resolutions in Council meetings to levy monthly rates, ranging from ₹ 4.40 per m² to ₹ 14 per m² for assessment of residential properties to tax. They also

⁸ Property tax is leviable on lands or buildings or both situated in municipal area other than those belonging to Government or duly registered freedom fighters.

⁹ The amount of rent for which such land or building might reasonably be expected to let or for which it is actually let, whichever is greater, deducted by a sum equal to 10 *per cent* of the said annual rent in lieu of all allowances for repairs.

¹⁰ ULBs are categorized into 'A', 'B' and 'C' based on the number of Wards and the population served.

¹¹ The municipal area was demarcated into commercial, residential, industrial, institutional, recreational and agriculture zones

¹² ₹ 9,000 per m² for Type I to III and ₹ 9,500 per m² for Type IV to V ('E' Type)

¹³ Mormugao MC, Mapusa MC, Ponda MC, Bicholim MC and Sanquelim MC.

decided to levy rates ranging from ₹ 10 per m² to ₹ 24 per m² for assessing the commercial properties to tax. These rates were far less than PWD-notified plinth-area rates. Revenue of ₹ 4.08 crore (*Appendix 1.4*) was foregone due to non-application of plinth-area rates in these ULBs.

Thus, the ULBs could have earned tax revenue of ₹ 11.54 crore if they followed Government instructions for adopting uniform plinth-area rates for property tax assessment.

In the Exit Conference, Secretary (Urban Development) stated that steps would be taken for implementing the Government directives.

We recommend that the ULBs should follow a uniform tax structure for assessment of property tax, as instructed by the Government.

1.5.7.3 Tax for removal of garbage

The Municipalities Act authorised (Section 101) MCs to impose and collect a general sanitary tax as part of the consolidated property tax.

We observed that the ULBs in Goa collected tax for door-to-door collection and removal of garbage in municipal area. Information furnished by five ULBs¹⁴ revealed that they incurred an expenditure of ₹ 20.78 crore during 2011-16 on payment of wages and supply of bags, boots, gloves, jackets *etc.* for collecting garbage. Their income from receipt of sanitary tax and sale of garbage was only ₹ 2.74 crore. Thus, the ULBs could not recover the operational cost of providing the service of removing garbage.

Non-tax revenues

1.5.7.4 Short-collection of Construction Licence Fee

The Municipalities Act and the Corporation Act empowered (Section 184 read with Section 323 and Section 256 read with Section 322, respectively) the ULBs to collect fee for issuing construction licences and approving building plans. The Department directed ULBs to follow PWD-notified rates for estimating the cost of construction and computing the licence fee. We observed that licence fee was not computed uniformly and the licences granted were not renewed in time, as mentioned below:

➤ ***Disparity in imposition of construction licence fee:*** The estimation of cost of construction and computation of licence fee varied across ULBs. Four¹⁵ ULBs did not reckon PWD-notified rates for additions to building infrastructure such as provision for lifts, internal service connection for water supply, electricity, fire fighting and sanitation while computing the cost of construction of buildings. This resulted in lower estimation of property cost and construction licence fee, resulting in loss of revenue of ₹ 6.52 crore.

¹⁴ Mormugao MC, Mapusa MC, Ponda MC, Bicholim MC and Sanquelim MC.

¹⁵ Margao MC, Mormugao MC, Mapusa MC and Bicholim MC.

Margao MC and Mormugao MC replied that steps would be taken to recover service connection charges in licence fee. Other ULBs were yet to provide a reply (October 2016).

➤ ***Non-renewal of construction licence:*** The construction licences issued by ULBs were required to be renewed annually. The licences had to be revalidated after the third year from the date of issue, on payment of prescribed fee¹⁶.

We observed that 1,029 out of 2,026 licences issued during 2011-16 were not renewed annually. Further, occupancy certificates¹⁷ were not issued for such properties during the period. The licences were, thus, due for renewal/revalidation. The renewal fee foregone in such cases was ₹ 13 crore. Physical inspection of 21 properties by Audit and municipal authorities confirmed that ULBs did not survey properties to collect the renewal/revalidation fee due.

Mapusa MC replied that steps would be taken to renew licences and collect applicable fee. Other ULBs were yet to furnish a reply (October 2016). In the Exit Conference, Secretary (Urban Development) asked the Director of Urban Development to ensure compliance of the Government directives.

It is recommended that the ULBs should follow the Government instructions on application of PWD-notified plinth-area rates for computing construction licence fee. The licences granted should be renewed annually and applicable renewal fee should be collected from licencees.

1.5.7.5 Non-renewal of lease agreements of shops in municipal market

The Municipalities Act empowered (Section 88) the executive heads of MCs to lease immovable municipal property for a period not exceeding three years. The lease could be extended beyond three years with the permission of the Director of Urban Development. The Director could decide on the annual increase in rental. The Goa Municipalities (Amendment) Act, 1996 prescribed renewal of expired leases of commercial establishments at a monthly rental between ₹ 30 and ₹ 40 per m². The Department issued (September 2004) instructions for leasing out municipal property beyond three years with an annual rental increase of 10 *per cent*.

We observed that 1,519 shops in seven ULBs were leased out without renewing agreements and at lower rentals. This resulted in non-reliasion of revenue of ₹ 9.89 crore, as shown in ***Table 1.5.3***.

¹⁶ Fee on revalidation varied from 20 *per cent* to 60 *per cent* of the licence fee levied.

¹⁷ Occupancy certificates are issued by ULBs in respect of completed properties that are ready to be occupied, on submission of completion certificate by property-owner.

Table 1.5.3: Statement showing short recovery of rent from shopkeepers

ULBs	Number of shops with expired lease	Short recovery (₹ in crore)	Reasons for short collection
CCP	23	2.57	No reason was available on record for non-renewal of leases.
Margao MC	525	1.46	
Mormugao MC	358	3.19	As per resolutions passed in Council meetings, rental was required to be increased annually by 10 per cent but it was increased only by five per cent without assigning any further reason.
Mapusa MC	263	1.51	Records revealed that enhanced lease rentals as fixed by ULBs from time to time were not paid due to opposition from the Merchants' Association.
Ponda MC	41	0.55	No reason was available on record for non-renewal of leases.
Bicholim MC	293	0.50	Records revealed that enhanced lease rentals as fixed by ULBs from time to time were not paid due to opposition from shopkeepers.
Sanquelim MC	16	0.11	No reason was found on record for non-renewal of leases.
Total	1519	9.89	

(Source: ULB records)

We noticed that the rent collected from shops/stalls in municipal markets was between ₹ 15 and ₹ 70 per m² per month. On the other hand, the market occupancy fee collected from vendors and hawkers was between ₹ 90 and ₹ 600 per m² per month. Thus, the rent received from permanent shopkeepers was less than those of vendors/hawkers though the latter occupied less market space and displayed wares in open area.

We also found that the average annual sales turnover of shopkeepers in municipal markets varied from ₹ 1.77 lakh to ₹ 2.19 crore in Mormugao MC, from ₹ 4.55 lakh to ₹ 1.83 crore in Mapusa MC and was ₹ 57.74 lakh in Bicholim MC. Out of 90 shops test checked in four ULBs¹⁸, 36 shops were found to be paying Value Added Tax (VAT) but they did not pay the rent at prescribed rate to ULBs. This indicated that the shopkeepers took advantage of the laxity of ULBs to collect rent.

In the Exit Conference, the Secretary (Urban Development) asked the Director of Urban Development to take appropriate steps in recovering the rental fixed by ULBs.

1.5.7.6 Irregular allotment of shops in new Panaji Municipal Market

The municipal market¹⁹ at Panaji was re-developed by Goa State Infrastructure Development Corporation Ltd. (GSIDC) in two phases. The first phase was completed in July/August 2003 and the second phase in January 2007.

¹⁸ CCP, Mormugao MC, Mapusa MC and Bicholim MC.

¹⁹ Land plots admeasuring 13,778 m².

Mention was made in the Comptroller & Auditor General's Audit Report for the Government of Goa for the year 2010-11 regarding irregularities in allotment of shops in the new municipal market. Pursuant to this, CCP obtained (August 2014) approval of the State Government for executing 'leave and licence agreements' and collecting PWD-assessed rentals from shopkeepers. The Hon'ble High Court of Bombay at Goa, while disposing of a Public Interest Writ Petition, also directed²⁰ (July 2015) CCP to recover rent and act against illegal occupants within six months.

We found that no tangible action was taken to collect rent at prescribed rates and free the municipal property from illegal occupation. This deprived the ULB of revenue of ₹ 4.28 crore in respect of 296 shops. The municipal asset has, thus, been a source of profit for private traders, with no revenue accruing to CCP. Further, the ULB was liable to pay ₹ 2.77 crore towards electricity and water charges for the new market complex.

1.5.7.7 Unauthorised occupation of municipal land at Panaji

CCP leased out (November 1975) municipal land²¹ to M/s Rao and Company for building a cinema house, for a period that was extendable up to 30 years. The lease expired in November 2005. In June 2006, CCP decided not to renew the lease further and to take the land in its possession. It terminated (April 2007) the lease and issued (April 2010) eviction notice to the occupant. It also decided (November 2014) to compensate the occupant a sum of ₹ one crore towards the value of property. The offer (July 2015), however, got no response and a notice of eviction was again issued (April 2016) but to no avail. No further action was taken and the occupant continued to enjoy possession of the municipal property till date (October 2016) without paying any rent. This resulted in loss of revenue of ₹ 2.16 crore to the ULB.

1.5.7.8 Non-allotment of shops in new Ponda Municipal Market

The municipal market at Ponda was re-developed²² (September 2013) by Goa State Urban Development Agency (GSUDA). The market had space for 195 shops but only 41 shops were allotted. The remaining 154 shops remained to be leased out till date (August 2016). ULB records revealed that it could not receive completion certificate and revised plan approval from South Goa Planning and Development Authority (SGPDA) for the market complex. This was due to non-payment of infrastructure tax and plan deviation charges of ₹ 78 lakh²³ demanded by SGPDA. According to the ULB, the amount was payable by GSUDA. It had also approached GSUDA for payment but there was no response. Thus, the delay of three years in allotting the market space deprived the ULB of revenue of ₹ 1.41 crore for the period 2013-16.

It is recommended that the ULB may take up the matter with SGPDA for obtaining completion certificate and plan approval for allotment of shops. It may simultaneously take up the matter with GSUDA at the apex level for settlement of the matter.

²⁰ Judgment in Public Interest Writ Petition No.23 of 2014.

²¹ Land admeasuring 1,594 m² at Panaji.

²² The municipal market at Upper Bazar, Ponda was re-developed under the Government-sponsored scheme of Integrated Development of Major Towns (IDMT).

²³ Infrastructure tax of ₹ 74 lakh and plan deviation charges of ₹ four lakh.

1.5.7.9 Lease of municipal land to petrol pump agencies on low rentals

The ULBs allotted municipal land to petroleum companies²⁴ for operating petrol pumps/oil installations and executed lease agreements. The agreements were, however, not renewed on expiry and rentals with 10 per cent annual increase were not collected. This resulted in short-recovery of ₹ 15.31 crore as indicated in *Table 1.5.4*.

Table 1.5.4: Lease of land by ULBs to oil companies on rent

	CCP	Margao MC	Mormugao MC	Mapusa MC
No. of oil installations/petrol pumps	Five (petrol pumps)	Four (petrol pumps)	Three (oil storage installations)	Three (petrol pumps)
Year of expiry of lease	2004 (two petrol pumps) and 2015 (three petrol pumps)	1999	1993 and 2009	2006 (two petrol pumps) and 2007 (one petrol pump)
Total area (m²)	1690	1496.38	17108.70	819.00
Rental to be collected (₹ per m² per month)	616	62.50	25 with 10% annual increase	70
Rental collected (₹ per m² per month)	36	30	25 with 5% annual increase	55
Short-recovery (₹ in crore)	3.04	2.37	9.51	0.39
Reasons for short-recovery	Records revealed that the enhanced lease rentals fixed by ULBs from time to time were not paid by petrol pump agencies. No reasons were available on record for non-renewal of leases.			

(Source: ULB records)

Thus, it could be seen from the preceding paragraphs (1.5.7.5 to 1.5.7.9) that municipal revenue of ₹ 33.05 crore was foregone due to inability of ULBs to renew leases, collect resolved rentals and lease out available market space. The municipal assets, which were meant to generate revenue for ULBs, were not employed effectively to earn revenue.

We observed that four ULBs²⁵ did not have separate head of account to record and monitor expenditure on maintenance and upkeep of municipal markets. In the absence of adequate data, the recovery of market maintenance cost could not be ascertained.

On being pointed out by Audit, CCP issued eviction notices to all petrol pump agencies under the Public Premises Unauthorised Eviction Act, 1988. It asked them to vacate the premises occupied by them. Mormugao MC and Margao MC stated that they have initiated action to renew lease agreements and recover outstanding rent. Mapusa MC notified petrol pump agencies to pay the arrears of rent or face revocation of lease.

We recommend that the ULBs should take steps to renew the leases of municipal property. Efforts should be taken to utilize all municipal assets productively for revenue generation.

²⁴ Indian Oil Corporation Ltd., Hindustan Petroleum Corporation Ltd. and Bharat Petroleum Corporation Ltd.

²⁵ Margao MC, Mormugao MC, Mapusa MC and Sanquelim MC.

1.5.7.10 Fee for grant of permission for erection of mobile towers

The ULBs were empowered (Section 323 of the Municipalities Act and Section 322 of the Corporation Act) to charge fee for granting permission for erection of mobile towers. The permission so granted was valid for one year unless renewed.

We observed that as of March 2016, 15 mobile towers in two ULBs, viz., Ponda MC and Bicholim MC, were erected without obtaining permission. In four ULBs²⁶, permission granted in respect of 71 towers was not renewed. This led to non-recovery of renewal fee of ₹ 57 lakh.

Further, ULBs did not collect tax on the property leased out for erection of mobile towers despite an enabling provision (Section 109 of the Municipalities Act). This deprived five ULBs of revenue of ₹ 81 lakh during the period 2011-16 as shown in **Table 1.5.5**.

Table 1.5.5: Details of permission granted for erection of mobile towers

	CCP	Margao MC	Mapusa MC	Mormugao MC	Bicholim MC	Ponda MC
Total number of towers	48	18	39	21	8	11
Towers erected without permission/ licence	-	-	-	-	4	11
Towers without renewal of permission/ licence	34	18	16	-	3	-
Fee recoverable at resolved rates on renewal (₹ in lakh)	30.99	11.40	13.95	0.50	-	-
Property tax recoverable (₹ in lakh)	32.01	7.45	18.81	20.49	2.13	-

(Source: Information furnished by ULBs)

The ULBs replied (June 2016) that they have issued notices to mobile tower companies to make payments. Ponda MC stated that it has asked Goa Electricity Department to disconnect power supply to mobile towers as they were erected without obtaining permission/NOC.

1.5.7.11 Pay parking and market occupancy (SOPO) fee

CCP awarded rights of collecting fee for market occupancy, pay parking and traditional fairs (known as SOPO fee²⁷) by inviting annual tender. The terms of tender required the successful bidder (contractor) to sign written agreement, furnish bank guarantee and Earnest Money Deposit (EMD). The bid amount was required to be paid in 12 equal monthly instalments by way of post-dated cheques at the time of signing the contract.

The highest price received against the tender floated (December 2012) for 2013-14 was ₹ 78.89 lakh. No written contract was, however, executed. The post-dated cheques were also not presented and encashed in time by the dealing official at CCP. The first cheque was presented in bank in July 2013 but dishonoured. This was brought to the notice of higher authorities only in August 2014. A pre-dated (February 2014) agreement was subsequently signed and bank guarantee furnished for the requisite amount. In January 2015, CCP decided to forfeit bank guarantee and EMD for recovering its dues but it became time-barred. The higher authorities of CCP failed to take

²⁶ CCP, Margao MC, Mapusa MC and Bicholim MC.

²⁷ Fee collected for regulating slaughter of pigs and occupancy of market in municipal area.

necessary steps to avert the dues becoming irrecoverable. The ULB received ₹ 37.45 lakh against returned cheques, leaving ₹ 41.44 lakh irrecoverable.

We observed that the ULB was aware of the shortcomings in collection of SOPO fee revenue in 2013-14 but committed the same lapse during 2014-15 and 2015-16, as discussed below:

The contractor approved for the year 2014-15 deposited (February 2014) 12 post-dated cheques for ₹ 6.93 lakh each and guarantee bond for ₹ 8.33 lakh against the bid amount of ₹ 83.21 lakh. He did not execute any contract. The dealing official at CCP delayed presenting of cheques in bank. The official also did not inform the higher authorities about the dishonouring of cheques. The ULB recovered ₹ 35.85 lakh including forfeiture of bank guarantee against ₹ 83.21 lakh. It could not recover an amount of ₹ 47.36 lakh.

The contractor approved for the year 2015-16 submitted six post-dated cheques amounting to ₹ 30 lakh against the tendered amount of ₹ 62 lakh but did not execute agreement. The ULB did not obtain performance guarantee for the requisite amount. It recovered ₹ 23.33 lakh by forfeiting EMD of ₹ 1.80 lakh and encashing four post-dated cheques. The balance amount ₹ 38.67 lakh remained irrecoverable.

Thus, the failure of ULB to safeguard its financial interests and to take timely action led to non-recovery of revenue of ₹ 1.27 crore in three successive years. The matter was pointed out (February 2016) by Audit and the ULB suspended (July 2016) the dealing official and initiated disciplinary action against him.

1.5.8 Government transfers and assignments

Grants-in-aid

The ULBs received ₹ 107.37 crore as grants-in-aid from State and Central Governments during the period 2011-16. The assistance was given for payment of salary²⁸ and execution of development works. The receipt of grants decreased from ₹ 40.33 crore in 2011-12 to ₹ 18.94 crore in 2015-16. It was uneven during the period reviewed, as mentioned below:

- **Salary grants:** CCP did not receive salary grants for four years (2011-12 and from 2013-14 to 2015-16) while Mapusa MC and Bicholim MC were deprived of assistance for three years (2011-12, 2013-14 and 2015-16). Margao MC did not receive salary grants for two years (2013-14 and 2014-15) and Ponda MC during 2013-14. There was, thus, no assured receipt of salary grants. No reasons were found on record for non-receipt of salary grants.
- **Development grants:** CCP did not receive development grants for three years in a row (2013-16) while Ponda MC did not get development grants during 2012-13. The other five ULBs received development grants in all the years during the period. We noticed that development grants were not released to CCP and Ponda MC due to non-utilisation of grants and non-furnishing of utilisation certificates for previous years.

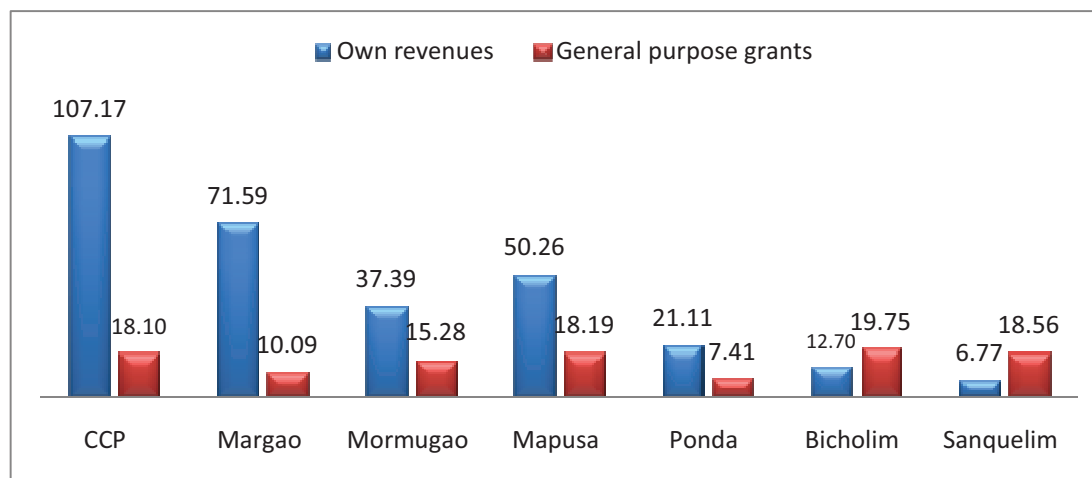
²⁸ Grants were provided for paying salary to government officials working in ULBs (in common cadre as well as on deputation) and dearness allowance to municipal staff.

1.5.8.1 Per capita receipt of grants

The average annual *per capita* receipt of general purpose²⁹ grants-in-aid was more in the least populous ULBs³⁰. The most populous ULBs of Mormugao MC and Margao MC had the least *per capita* assistance of ₹ 186 and ₹ 115 respectively. The pattern of assistance was, thus, not based on sound rationale. The Union Finance Commissions have also used area and population served by ULBs as the major factors for deciding aid to local bodies.

Chart: 2 shows own revenues generated and general purpose grants received by ULBs during the five-year period.

Chart 2: Own revenues and grants of ULBs during 2011-16 (₹ in crore)



(Source: Statement of Receipts and Payments of ULBs)

1.5.8.2 Area-wise receipt of grants

In terms of the area administered by ULBs, the average annual receipt of general purpose grants in larger ULBs³¹ was less than that in ULBs with smaller area.

We observed that Mormugao MC and Ponda MC generated less revenue during the period. These were compensated by sufficient government grants. No norms for release of grants by the State Government to the ULBs were available on record. The uneven release of grants affects the ULBs that need it the most.

Compensation in lieu of octroi

Octroi on petrol, diesel and cooking gas was collected by ULBs at different rates prior to 2001-02. The collection of octroi was abolished by the

²⁹ Grants received for carrying out development works and providing core services including waste management.

³⁰ Annual average of general purpose grants /population of ULB (*i.e.*, ₹ 16.88 crore/40,017 = ₹ 844 for CCP; ₹ 5.05 crore/87,650 = ₹ 115 for Margao MC; ₹ 8.78 crore/94,393 = ₹ 186 for Mormugao MC; ₹ 16.26 crore/39,989 = ₹ 813 for Mapusa MC; ₹ 4.68 crore/22,664 = ₹ 413 for Ponda MC; ₹ 18.73 crore/16,986 = ₹ 2,205 for Bicholim MC; ₹ 17.30 crore/13,651 = ₹ 2,535 for Sanquelim MC).

³¹ Annual average of general purpose grants /area of ULB (*i.e.*, ₹ 16.88 crore/8.12 km² = ₹ 41.58 lakh for CCP; ₹ 5.05 crore/15.05 km² = ₹ 6.71 lakh for Margao MC; ₹ 8.78 crore/27.37 km² = ₹ 6.42 lakh for Mormugao MC; ₹ 16.26 crore/11.32 km² = ₹ 28.73 lakh for Mapusa MC; ₹ 4.68 crore/5.22 km² = ₹ 17.93 lakh for Ponda MC; ₹ 18.73 crore/14.53 km² = ₹ 25.78 lakh for Bicholim MC; ₹ 17.30 crore/14.72 km² = ₹ 23.51 lakh for Sanquelim MC).

Government of Goa with effect from April 2001. Consequently, the State Government compensated ULBs by levying an additional two *per cent* tax on petrol and diesel. The additional tax levied was distributed amongst ULBs, Zilla Panchayats and Village Panchayats in the ratio of 3:3:2.

The State Government collected ₹ 151.43 crore as additional tax on petrol and diesel during the period and assigned compensation of ₹ 50.32 crore to the seven ULBs. There was, however, no norm for assignment of compensation. For instance, Mapusa MC with six petrol pumps received compensation of ₹ 5.70 crore while Mormugao MC with five petrol pumps received ₹ 11.17 crore during the period. CCP and Margao MC received ₹ 11.17 crore each though both had eight petrol pumps in their municipal limits.

1.5.9 Revenue mobilisation by ULBs

Mobilisation of revenues by ULBs suffered due to narrow property tax base, low collection of taxes and the inability to access performance grants, as stated below:

Levy of tax

1.5.9.1 Coverage of properties

The adoption of Geographical Information System (GIS) to map properties in a city significantly improves its coverage for assessment to tax. It provides the municipal administration with a visual spatial tool for identifying the location and status of properties within their jurisdiction. The use of GIS was proposed in the budget speech of the Hon'ble Chief Minister-cum-Finance Minister of Goa for the year 2012-13.

Mapusa MC engaged (July 2014) an agency for creating GIS-enabled monitoring system at a cost of ₹ 2.89 lakh in one Ward³². It, however, did not take it to its logical end, citing the report submitted by the agency as unreliable. No further action was taken in the matter. This deprived the ULB of a comprehensive database of properties and a more accurate assessment of property values. It also deprived the ULB of an annual estimated increase of ₹ 70 lakh in property tax revenue anticipated by the ULB in that Ward.

1.5.9.2 Survey of properties

All properties in municipal limits were required (Section 120 of the Municipalities Act and section 114 of the Corporation Act) to be surveyed on at least once in four years (for MCs) and once in five years (for CCP). We observed that:

- None of the ULBs except Mapusa MC surveyed the properties as prescribed under the municipal Acts. The survey by Mapusa MC during 2014 revealed 264 illegal constructions in six Wards. Of these, 15 properties were later regularised by imposing tax. No action was taken on the remaining properties, thereby defeating the purpose for which the survey was undertaken.
- Information furnished by ULBs revealed 3,925 illegally constructed properties during the period. The ULBs issued Show Cause Notice to occupants and demolished 30 such properties during the period.

³²Ward no.15

However, no action was taken on the remaining large number of illegal constructions.

- A joint site inspection was carried out (October 2016) in seven ULBs by Audit and municipal authorities. The inspection covered 72 properties, which were issued construction licences in 2011-12 and 2012-13 and not renewed/revalidated thereafter (as of March 2016).

The joint inspection revealed that construction of 11 properties was completed and the buildings were also occupied. Such properties were, however, not assessed to tax as the ULBs were unaware of the same in the absence of periodical survey. Of the remaining properties, 29 were issued occupancy certificates between April 2016 and October 2016 and 21 properties were under construction. Two properties were not traceable and nine properties were not constructed at all.

- Audit cross verified the tax base of ULBs with the data of electricity consumers in municipal area. Analysis revealed that the number of electricity consumers in five ULBs exceeded the number of properties assessed. This signified the exclusion of eligible properties and the scope for widening the ULB tax base, as given in **Table 1.5.6**.

Table 1.5.6: Statement showing difference in number of properties

ULB	Number of properties assessed to tax (1)	Number of electrical consumers (2)	Difference (3)	Variation (as per cent of electricity consumers) (4)
CCP	23054	32499	9445	29
Margao MC	51085	62847	11762	19
Mormugao MC	40547	NA	NA	NA
Mapusa MC	20453	24331	3878	16
Ponda MC	12209	14899	2690	18
Bicholim MC	5001	7121	2120	30
Sanquelim MC	4731	4339	-392	0.09

(Source: Col. (1) - Information furnished by ULBs; Col. (2) - Information furnished by Goa Electricity Department)

It could be seen from the above table that ULBs have to make extra efforts to bring all properties in the tax net by conducting surveys, physical inspection, independent verification and GIS-mapping of properties.

In Exit Conference, the Secretary (Urban Development) agreed to the audit findings and stated that survey of properties would be beneficial.

We recommend that the ULBs should survey and inspect all properties at least once in four/five years and assess all eligible properties to tax.

Collection of tax

1.5.9.3 Property tax collection efficiency

The Jawaharlal Nehru National Urban Renewal Mission (*JnNURM*)³³ envisioned the implementation of GIS-based tax assessment to achieve 100 *per cent* coverage of eligible properties. It also envisaged the collection efficiency of 85 *per cent* within a period of seven years (2005-2012). The collection efficiency is the quotient of tax collected against the total tax demanded.

As per the information furnished by the seven ULBs, the tax collection efficiency varied from seven *per cent* to 62 *per cent* during the period 2011-16. It was lower than the norm set under *JnNURM*. Thus, the ULBs need to strengthen their monitoring and evaluation system to achieve the desired efficiency level and mobilize revenue.

1.5.9.4 Arrears in collection of revenues

Timely and proper collection of taxes is an essential factor in strengthening the revenue regime of ULBs. It assumes as much significance as levy of appropriate tax. Failure to collect taxes adversely affects the financial health of ULBs. The aggregate amount of taxes demanded, collected and outstanding in respect of seven ULBs as on 31 March 2016 is illustrated in *Chart 3*.

Chart 3: Revenue collection and arrears in ULBs during 2011-16



(Source: Information furnished by ULBs)

The ULBs did not prepare any age-wise report on the tax arrears. As such, efforts for recovering arrears prior to 2011-12 could not be ascertained. There were no targets and special collection efforts for collection of arrears. Statutory penal provisions such as issuing warrants and attachment and sale of properties were not invoked to curb mounting arrears. The tax arrears rose by 83 *per cent* from ₹ 33.90 crore in March 2012 to ₹ 62.10 crore by March 2016.

1.5.9.5 Inability to claim performance grants

The Thirteenth Finance Commission (2011-2015) divided grants to ULBs into two components. A general basic grant was disbursed annually in two instalments subject to submission of utilisation certificates for previous instalment drawn. Besides, a general performance grant would be released on

³³ Launched by the Ministry of Urban Development, Government of India in December 2005, *JnNURM* set GIS-mapping of properties as one of the mandatory reforms.

fulfillment of eight³⁴ conditions linked to governance and financial reforms. The conditions for accessing performance grants were, however, not met by the State Government and the ULBs. This resulted in forfeiture of performance grants of ₹ 28.26 crore during 2011-15.

The Fourteenth Finance Commission (2016-2020) prescribed three³⁵ conditions for ULBs to be eligible for performance grants from 2016-17. We observed that ULBs did not take steps to get their annual accounts audited and measure and publish service-level benchmarks. Thus, they were not in a position to access the performance grants of ₹ 8.62 crore for 2016-17 and ₹ 35.35 crore for 2017-20.

It is recommended that ULBs should take steps to get their accounts audited and measure and publish service-level benchmarks to access the performance grants.

1.5.9.6 Delay in release of grants by State Government

The Fourteenth Finance Commission recommended release of grants by State Governments to ULBs within 15 days of it being credited to their account. In case of delay, interest would be paid from its own funds. We observed delay of 16 to 39 days in release of 15 grants by the Department during the period 2011-16 despite the facility of electronic transfer of funds. The grants were released to ULBs without paying any interest and the delay resulted in non-availability of timely assistance to the ULBs.

1.5.9.7 Absence of bye-laws for levy and collection of taxes and fees

The ULBs were required (Section 105 of the Municipalities Act and Section 386 of the Corporation Act) to formulate their own Bye-Laws, by resolution(s) passed in special meeting(s) with the previous approval of the State Government. The Bye-Laws would specify the type, rate and mode of levying and collecting each type of tax and fee.

We found that four ULBs³⁶ did not frame any Bye-Law while the remaining three ULBs³⁷ formulated bye-laws only for levy and collection of tax/fee for building construction and sale of articles in public street. The absence of Bye-Laws resulted in non-uniformity in application of tax rates and lack of authority to collect the taxes and fees fixed by ULBs.

1.5.10 Municipal Expenditure

The expenditure incurred by ULBs can be broadly classified into:

- (a) revenue expenditure comprising of establishment, administrative and Operations & Maintenance (O&M) expenditure and

³⁴ Supplement to budget document, audit system, establishing local body ombudsman, electronic transfer of grants in five days, prescribing qualification to SFC members, empowering ULBs to levy property tax without hindrance, constitution of Property Tax Board and benchmarks for service delivery.

³⁵ Submission of audited annual accounts that relate to a year not earlier than two years preceding the year of award, increase in own revenues over the preceding year as reflected in audited accounts and measuring and publishing of service level benchmarks.

³⁶ Mormugao MC, Ponda MC, Bicholim MC and Sanquelim MC.

³⁷ CCP, Margao MC and Mapusa MC.

(b) capital expenditure consisting of development and infrastructural outlay.

The composition and trend of aggregate municipal expenditure revealed that the expenditure on municipal administration and establishment exceeded other expenditure, as given in *Table 1.5.7*.

Table 1.5.7: Composition of municipal expenditure of ULBs during 2011-16

Expenditure component	Expenditure items	Expenditure (₹ in crore)	Expenditure (per cent to total expenditure)
Capital expenditure	Development works, buildings, calamity relief, electrical lights and fixtures, installing traffic signals, furniture and equipment <i>etc.</i>	100.61	22
Operations & Maintenance expenditure	Repairs and maintenance, insurance, bulk purchases, petrol and lubricant, upkeep of motors <i>etc.</i>	22.40	5
Establishment & Administrative expenditure	Salary and wages, stationery and printing, rates and taxes, travelling allowance, LTC, honoraria, telephone, legal expenses, books and periodicals, office maintenance, PF/gratuity pay out <i>etc.</i>	296.46	64
Other expenditure	Miscellaneous expenses not included above	41.16	9
		460.63	100

(Source: Statements of Receipts and Payments of ULBs)

1.5.10.1 Lack of own revenues for public services

Own revenues of ULBs increased from ₹ 45.39 crore to ₹ 72.17 crore (59 *per cent*) during the five-year period. The total own revenues of the seven ULBs amounted to ₹ 308.46 crore during the period 2011-16.

We observed that the expenditure incurred by ULBs on municipal establishment, O & M and other items was ₹ 360.02 crore for the period 2011-16. Thus, ULBs were unable to undertake major public development works or create capital assets without the support of State Government.

No service-level benchmarks were found to have been formulated for measuring service delivery of ULBs. The annual accounts of ULBs indicated that the services rendered by ULBs were limited to carrying out minor improvement works. These included repairs to internal roads, gutters, gardens and footpaths, street lighting and door-to-door collection of garbage.

For sound financial health, ULBs should generate own revenues to meet expenses on establishment and other recurring revenue expenditure. It would be in the interests of ULBs if service-level benchmarks are formulated for measuring service delivery of ULBs.

1.5.10.2 Utilisation of own revenues for public services

Among the components of municipal expenditure, the expenditure on capital/development works assumes the most importance. We noticed that only 22 *per cent* of the total expenditure was spent as capital expenditure by ULBs during the period. Further, the capital expenditure declined from ₹ 21.72 crore in 2011-12 to ₹ 18.88 crore in 2015-16.

The operating ratio³⁸, an indicator of the financial status of local bodies' operations, was unfavourable at 1.17³⁹ for the period reviewed. The average *per capita* O&M expenditure⁴⁰ of the seven ULBs was ₹ 710 for the five-year period while salary as a percentage of own revenues was 79 *per cent*.

1.5.10.3 Non-utilisation of grants

The terms of release of grants required the ULBs to utilise the assistance within one year for the intended purpose and furnish utilisation certificates thereof. Unutilised grants were required to be refunded to the Government immediately.

We observed that the ULBs did not utilize ₹ 20.53 crore (19 *per cent*) out of ₹ 107.44 crore received as grants during 2011-16. CCP and Bicholim MC refunded unutilised grants amounting to ₹ 2.19 crore and ₹ four lakh respectively to the Government during 2011-16.

A one-time grant aggregating ₹ 18 crore⁴¹ was given (2011-12) to seven ULBs in commemoration of golden jubilee celebration of the State. The assistance was released for creating basic infrastructure and development projects or providing core public services. The ULBs, however, utilised (as of March 2016) only ₹ 7.31 crore despite extension of time⁴² by the sanctioning authority. The unutilised amount of ₹ 10.69 crore has been parked in fixed deposit account with various banks for the last five years.

The ULBs replied (October 2016) that they would utilise the balance grants and refund unutilised amount to the Government.

1.5.11 Internal control

1.5.11.1 Preparation of accounts

All ULBs were required⁴³ to prepare a Balance Sheet, an Income and Expenditure Account and Receipts and Payment Account on accrual system. We observed that none of the ULBs except CCP prepared accounts on accrual system.

As part of financial reforms under the aegis of *JnNURM*, CCP migrated to Accrual Based Double Entry System for Accounting (ABDEAS) during 2013-14. The implementation (September 2013) of the new system was faulty as legacy data was not integrated into the new system. The actual account balances as per the registers maintained in CCP differed from the balances in the new statement of accounts. Incorrect closing balances were carried over to subsequent years. Thus, the accounts for 2012-13, 2013-14, 2014-15 and 2015-16 were not prepared properly. The ULB did not approve and certify the accounts for these years.

³⁸ Quotient of revenue expenditure and revenue income.

³⁹ Revenue expenditure ₹ 360.02 crore / Own Revenues ₹ 308.46 crore = 1.17. Operating Ratio less than unity represents favourable financial status.

⁴⁰ Total O&M expenditure ₹ 22.40 crore / Total Population of seven ULBs 315350 = ₹ 710.

⁴¹ Grant released by the Directorate of Arts & Culture, Government of Goa. CCP received ₹ five crore; Margao MC and Mormugao MC received ₹ three crore each; Ponda MC, Mapusa MC and Bicholim MC received ₹ two crore each and Sanquelim MC received ₹ one crore.

⁴² Utilisation of grant was extended on four occasions till September 2015.

⁴³ As per the National Municipal Accounts Manual and the Goa Municipal Account Code.

1.5.11.2 Deficiency in maintaining cash book

The Receipt and Payment Rules, 1983 stipulates (Rule 13) that all monetary transactions should be entered in the cash book as soon as they occur. They should be attested by the Head of the Office in token of check. He should also verify the cash balance at the end of each month and record a signed and dated certificate to that effect.

We observed that balances in cash book of Margao MC and Sanquelim MC were not verified and signed by the Chief Officer during the period under review. Further, the (closing) balance as per cash book of Mapusa MC was ₹ 18.24 crore while bank statements as on 31 March 2016 revealed a balance of ₹ 4.29 crore. The difference persisted in previous periods too and remained to be reconciled since 2010-11. No vouchers/records could be traced in support of the transactions. Similarly, the balance as per cash book of Mormugao MC as on 31 March 2016 was ₹ 5.92 crore while the balance in bank accounts was ₹ 7.47 crore. This left an amount of ₹ 1.54 crore to be reconciled.

We observed that daily reconciliation of bank and cash books was not carried out in any ULB, which rendered accounting of municipal fund open to doubt.

1.5.11.3 Audit of accounts

Under Section 100 of the Municipalities Act and section 102 of the Corporation Act the ULBs were required to get their accounts audited.

We noticed that the annual audit by the Directorate of Accounts (Government of Goa) was limited to a test-check of transactions and vouchers. The Directorate did not audit all account balances in the Statement of Receipt and Payments and provide an assurance thereon. The annual accounts prepared by ULBs were, thus, not certified for accuracy and completeness.

1.5.11.4 Vulnerability to fraud

Adequate monitoring and evaluation is essential for an effective control over transactions and processes of any organization. The following instances of fraud, misappropriation and inappropriate practices occurred due to inadequate control and oversight:

- Hand-written receipts were issued by a daily-wage clerk at CCP for the amount collected by him towards trade tax. He did not remit the collected amount with the ULB and misappropriated ₹ 0.31 lakh (December 2013).
- CCP received (January 2014) a demand draft of ₹ 50 lakh from M/s Tata Consultancy Services as EMD in a tender for e-governance project. The demand draft was not deposited in the bank and later reported as lost.
- Demand drafts (numbering 17) for ₹ 0.87 lakh were received by CCP towards the cost of tender documents, fees and EMD. These were neither accounted for nor deposited with the bank, rendering them time-barred.
- The computer password of a clerk at CCP was breached by another person when the clerk was on leave for a day. This resulted in embezzlement (February 2014) of ₹ 8,565 collected towards house tax and sanitation fees on that day.

- The cash book of Sanquelim MC was not drawn daily and its entries did not match the bank deposits. This led to misappropriation of ₹ one lakh due to non-deposit of daily cash in bank. It also resulted in embezzlement of ₹ 0.65 lakh due to erroneous/non-accounting of revenue receipts on several days during 2015-16.

CCP replied that the misappropriation of ₹ 50 lakh was being inquired into by the Vigilance Department. It stated that biometric system has now been adopted for authentication of access to computer systems. The fact, however, remained that ULBs were yet to adopt complete automation of tax collection and accounting functions. Most transactions were carried out without adequate supervision and control, which rendered the system vulnerable to fraud.

We recommend that ULBs should take steps to reconcile their cash book with bank statements on a daily basis. They should strengthen the internal control system to prevent fraud and misappropriation of municipal fund.

1.5.12 Conclusion

Generation of sustainable revenues is necessary for ULBs to meet the expenditure on civic amenities and municipal establishment. The ULBs in Goa did not adopt a uniform tax structure for assessment of property tax and levy of licence fees and lease rentals. They did not take steps for timely renewal of licences, permissions and leases. Municipal assets were not gainfully employed for generating adequate revenues. As a result, the ULBs were deprived of revenue of ₹ 65.49 crore during the period. Own revenues were insufficient to meet the administrative and operational expenditure.

The ULBs were dependent on Government transfers and assignments for sustaining municipal operations and meeting capital expenditure. The extent of Government assistance declined over the period due to non-utilisation of grants for previous period. The release of grants and compensation to ULBs was uneven during the five-year period.

Revenue mobilization is essential for augmenting revenues of ULBs. The tax base was however, narrow in the absence of periodic survey and low coverage of properties. The ULBs were unable to collect tax arrears of ₹ 62.10 crore. They could not fulfill the conditions prescribed by the Union Finance Commissions for accessing performance grants of ₹ 36.88 crore. The ULBs did not measure and publish service-level benchmarks for core services.

Cash book of some ULBs were not certified and reconciled for several years, resulting in huge differences in cash balances. The annual accounts were not audited for accuracy and completeness of municipal receipts and payments. Monitoring and evaluation was inadequate, leading to weak internal control and misappropriation of ₹ 52.91 lakh from municipal fund.

PUBLIC WORKS DEPARTMENT

1.6 Lack of transparency in awarding the work of Water Supply Scheme

The Department prepared reasonable cost statement after opening the single offer by altering items in the estimate. The Goa State Works Board rejected the offer but, the Department awarded the work to the same bidder after negotiation. We observed that the reasonable cost was worked out by adopting items different from the tender items. This violated Para 20.4.3 of the CPWD manual and led to acceptance of single offer at exorbitantly higher rate.

Public Work Department (PWD) took up the work “Improvement of water supply scheme in Mormugao Constituency phase-I”. The work was technically sanctioned (October 2012) by the Chief Engineer-I for ₹ 4.78 crore. Administrative approval was accorded (February 2013) for ₹ 5.12 crore. The Executive Engineer, Division IX, Margao invited (March 2013) tenders at an estimated cost of ₹ 4.58 crore. In response only single bid from M/s Sheth and Sura Engineering Pvt. Ltd. for ₹ 6.46 crore (40.94 per cent above the estimate) was received (April 2013).

According to Para⁴⁴ 20.4.3 of the CPWD manual, the tender accepting authority shall satisfy himself about the reasonability of rates before accepting a tender. The reasonability of rates shall primarily be assessed on the basis of justified rates *i.e.*, prevailing market rates. Further, the items used for working out justified rates should conform to standards/specification laid down in the tender document. As per Sub-para 20.4.3.2, the tenders above five per cent over the justified cost should not be accepted except on peculiar situation and in special circumstances. In such cases variation up to 10 per cent is allowed with reasons placed on record.

We observed that PWD prepared (May 2013) a justification statement after one month of opening tender. This justified cost was worked out at ₹ 5.88 crore against the estimated cost of ₹ 4.58 crore. A comparison of the estimates and the justification rates framed by the Department revealed that the quantity and rates of a few items were modified.

For instance, one item valued at ₹ 0.62 crore⁴⁵ was replaced by two items valued at ₹ 2.19 crore⁴⁶. Thus, the increase in justified cost on this item alone was ₹ 1.57 crore which constitute 34 per cent of the total estimated cost. The tender was recommended to Goa State Works Board (GSWB) for acceptance.

The GSWB in its meeting held in June 2013 rejected the tender being a single tender and being the first call of tender. The Government however, directed (June 2013) the PWD to negotiate with the contractor stating that there was

⁴⁴ Para refers to Section and Sub-sections in the CPWD Manual.

⁴⁵ Item No.4 for providing and laying 1,097 cubic metre (m³) “M30 grade Ready Mix Concrete (RMC)” at an estimated rate of ₹ 5,673 per m³ (₹ 0.62 crore).

⁴⁶ Item No. 4 for providing and laying 36.23 m³ of “M30 grade RMC” at the rate of ₹ 5,673 per m³ and Item No. 4a for providing and laying 1,060.77 m³ of “M30 grade RMC for 5 metre height straight wall” at the rate of ₹ 20,495 per m³.

urgency for completion of work. The PWD negotiated the offer for ₹ 6.23 crore, this was still more than five *per cent* above the justified cost.

PWD further increased (July 2013) the justified cost to ₹ 6.15 crore by adding VAT and Labour Welfare Cess (LWC) components. Thus the work was awarded (November 2013) to the contractor at a cost of ₹ 6.23 crore which was 36 *per cent* above the estimated cost of ₹ 4.58 crore.

This had resulted in acceptance of the single tender at a higher value even after rejection of tender by the GSWB.

The Executive Engineer stated (August 2016) that one item valued at ₹ 62 lakh consist of RMC⁴⁷ of M30 grade for control room and Reservoir. As GSR 2012 contains specific item for reservoir the rates of the same were adopted to have realistic comparison and the value of the item was enhanced to ₹ 1.57 crore.

The reply was not tenable as the RMC of M30 grade was a single item in the estimate and also tendered as a single item. It was bifurcated only to match the rate offered by the contractor. This also violated the provisions of CPWD manual which specify that ‘the justification of tenders should be prepared based on the items and quantity that conform to standards/specification laid down in the tender document’. Adoption of the rate of different item that was not ordered for execution made the entire process of tendering non-transparent. Further the contractor actually executed the original item contained in the tender document and not the items considered in the justified cost.

The matter was reported to Government in June 2016 and their reply is awaited (November 2016).

1.7 Allotment of work at higher rates due to non-updation of GSR

The Department did not consider reduction of supply rates of pipes during the period 2008-12. It adopted the rates of GSR 2008 and awarded two tenders in 2012 and 2013. Consequently the Department paid exorbitantly higher rates than the prevailing market rates at which the pipes were procured by the contractors.

According to Para 2.5.1 (h) of the CPWD manual the detailed estimate shall be prepared based on applicable schedule of rates. Further as per Para 4.3 of the CPWD manual the schedule of rates of each kind of work commonly executed should be maintained up-to-date. This helps the Department to evaluate offers keeping in view the rates prevailing in the market.

Division-IX, Public Works Department (PWD) took up two⁴⁸ works of improvement of water supply schemes in the year 2012-13. The estimates of ₹ 1.66 crore and ₹ 0.83 crore were prepared in July 2011 based on GSR 2008. Supplying 200mm and 250mm diameter (dia) of Ductile Iron (DI) pipes were the major part (66 *per cent* to 82 *per cent*) of estimated cost of these two works, respectively.

⁴⁷ Ready Mix Concrete

⁴⁸ Work No. 1 ‘Providing, laying, testing and commissioning of 200 mm dia Ductile Iron (DI) pipeline in Margao’ and work No. 2 ‘Replacement of old 200mm dia AC pipelines with 250 mm dia DI pipelines from PHE tank up to Bogda Police Station in Marmugao Constituency’.

These works were tendered in June 2012 and January 2013 respectively. The works were awarded to two contractors⁴⁹ in September 2012 and June 2013 for ₹ 1.74 crore and ₹ 0.67 crore respectively.

We observed that, after the issue of GSR 2008 the market rates of pipes had been reduced considerably. GSR 2012 prepared after four years recorded a reduction of 17 per cent⁵⁰ over the GSR 2008. In respect of another work⁵¹ tendered in December 2010 the procurement rate of 200 mm DI pipes was ₹ 1,435 per metre against GSR 2008 of ₹ 2,987 per metre. Similar reduction was observed in respect of three⁵² other works on the procurement of various diameters of pipes tendered during 2010 and 2011. Despite reduction in the market rates the PWD had not updated the GSR 2008 for four years and adopted in preparation of estimate.

Scrutiny of the files revealed that the contractors of these two works had placed supply orders (September 2012 and July 2013) to two suppliers⁵³. They procured 200mm and 250mm DI pipes for the respective works. The tendered rates (paid to contractors) and the rates paid by the contractors to manufacturers of pipes (market rates) are given below:

(Amount in ₹)

Item No.	Item Description	Quantity procured (In metre)	Tendered rate per metre	Rates at which the contractor procured	Amount paid to contractor	Amount paid by the contractor to pipe supplier	Excess amount paid
	1	2	3	4	5 (2x3)	6 (2x4)	7 (5-6)
1	DI pipes of 200 mm dia for work No.1	3690	3105	1720	11457450	6346800	5110650
2	DI pipes of 250 mm dia for the work No.2	1699.50	3647.63	1901.27	6199147	3231208	2967939
Total					17656597	9578008	8078589

(Source: Details collected by Audit from the department's records)

As seen from the above, the rates of pipes procured by the contractor were lower than the payment made to them by 45 per cent and 48 per cent respectively. The Department paid ₹ 51.11 lakh over and above the market rates in respect of first work and ₹ 29.68 lakh in respect of second work.

Thus non-updation of GSR 2008 for four years had resulted in award of work at higher rates over the prevailing market rate. This further resulted in gain to the contractors on the item of supplying DI pipes for the work over the procurement rate totalling ₹ 80.79 lakh.

⁴⁹ M/s Sheth and Sura Engineers Pvt. Ltd. and Wibro Constructions.

⁵⁰ ₹ 2,987 and ₹ 4,012 for 200mm and 250mm DI pipes as per GSR 2008 and ₹ 2,474 and ₹ 3,318 respectively as per GSR 2012.

⁵¹ Phase III of the Taleigao Sewerage Scheme .

⁵² Phase I, Phase II and Phase IV of Taleigao Sewerage Scheme.

⁵³ M/s Lanco Industries Ltd. and M/s Jindal Saw Ltd.

The matter was reported to the Government in August 2016 and their reply is awaited (November 2016).

1.8 Fraudulent payment by altering measurements

The initial measurements recorded on a road work executed by PWD Division XVIII were altered subsequently by inserting additional figures in the measurements leading to extra payment of ₹4.85 lakh.

The Measurement Books (MB) are very important records to be maintained very carefully and accurately. The measurements are to be recorded in ink and no entry is to be erased or overwritten. If a mistake is made, it should be corrected by crossing out the incorrect words or figures and inserting the correction. Such corrections should be initialled with date by the officer recording/checking measurements.

According to Para 7.5 of the CPWD Manual all items of work in a project shall be measured and recorded by the Junior Engineer-in-charge of the work. As per Para 7.7 of the Manual the recorded MB should be submitted to the Assistant Engineer for carrying out a test check of measurements. The sub-divisional clerk is required to check the calculation of quantities and the bill. The measurement books are then signed by the Assistant Engineer. The corrections if any, are made in red ink and brought to the notice of the Assistant Engineer or Executive Engineer and the person recording the measurements.

PWD Division XVIII, Ponda had taken up the work “Improvement of internal roads in Collem Village Panchayat in Sanvordem constituency”. The work was awarded (May 2012) to M/s. A. S. Naik Construction at a tendered cost of ₹ 4.47 crore. The work was completed in March 2014 and payment made so far was ₹ 4.45 crore and the final bill of ₹ 1.79 lakh has not been paid (August 2016).

During scrutiny of measurement book, we observed that the measurements originally recorded (on item No. 3 of providing full grout) were overwritten. The quantities recorded in some pages of measurement book No. 3441 were overwritten by inserting/altering the figures recorded earlier. The figure of 7 metre was changed to 67 metre in page 59, 18 metre to 78 metre in page 62, 12.50 metre to 112.50 metre in page 63 and 13 metre to 113 metre in page 85. These overwritings were not made in red ink. These were without dated initials of any officer. This resulted in additional payment of ₹ 4.85 lakh to the contractor.

After the matter was reported (December 2015) to the Executive Engineer, the Division recovered (February 2016) the amount from the contractor. The Executive Engineer further stated (September 2016) that the work relating to checking of bills was not entrusted earlier to the official who has carried out the scrutiny of said bill. The official has also been warned to avoid such type of negligence in future. There was no malafied intension to benefit the agency. However, the fact remains that additional payment of ₹ 4.85 lakh, though recovered, was irregularly made to the contractor.

The matter was reported to the Government in July 2016 and their reply is awaited (November 2016).

DEPARTMENT OF TOURISM

1.9 Excess payment of service tax due to non-availing of CENVAT credit

The Department of Tourism paid service tax totalling ₹ 5.15 crore to various service providers for the input services availed by the DoT. It also remitted ₹ 1.40 crore towards service tax collected by it for providing services. The DoT however did not avail the CENVAT credit while submitting return thereby forgoing ₹ 1.40 crore refund.

The provisions relating to Service Tax were brought into force with effect from July 1, 1994 vide chapter V of the Finance Act, 1994. Initially service tax was introduced on three services⁵⁴ which gradually increased to 119 services. By introduction of CENVAT Credit Rules, 2004 the Government has allowed setting off of input taxes paid on input services used for providing taxable output service.

Tourism is a major sector in the State's economy. The Department of Tourism (DoT) is the authority responsible for regulating and providing various services for promoting tourism trade in the State. The DoT being a registered dealer⁵⁵ under the Service Tax Act, was required to file half yearly returns before 25th of the month following the particular half year.

The DoT has been providing various services to the tourists and other stake holders involved in the tourism trade. These services include renting of immovable property, granting permission for various events⁵⁶, licensing of Shacks and Deck beds, etc. The DoT also collected service tax totalling ₹ 1.40 crore⁵⁷ from the service providers. The taxes collected were remitted to Government account during the period 2013-14 to 2015-16.

The DoT also received input services⁵⁸ from various agencies and was therefore entitled to CENVAT credit. The DoT paid service tax totalling ₹ 8.72 crore⁵⁹ to the agencies during 2013-14 to 2015-16. The major service tax payments were made to M/s Drishti Lifesaving Pvt. Ltd. for providing beach safety and lifeguarding services totalling ₹ 7.70 crore⁶⁰.

DoT had not filed the service tax returns up to year 2013-14. On receipt of notice (April 2015) from the Central Excise Department it filed the half yearly returns for the year 2014-15 in April 2015. The half yearly returns for the year 2015-16 were filed in October 2015 and June 2016. The DoT however did not claim CENVAT credit aggregating to ₹ 8.72 crore in the respective years.

⁵⁴ Telephone Services, Non-Life Insurance Services and Stock Brokers' Services

⁵⁵ STC No. AAALDOB02BSD001

⁵⁶ Sun Burn Event, Super Sonic Event, Electronic Dance Music (EDM) festivals

⁵⁷ ₹ 59.77 lakh on event fee and ₹ 80.28 lakh on Shack and Deck beds

⁵⁸ Beach safety and lifeguarding, Lease rent for office premises, Public Relations Services, Brand Consultancy Services etc.

⁵⁹ ₹ 2.23 crore, ₹ 2.90 crore and ₹ 3.59 crore during the years 2013-14, 2014-15 and 2015-16 respectively

⁶⁰ ₹ 2.06 crore, ₹ 2.73 crore and ₹ 2.97 crore during 2013-14, 2014-15 and 2015-16 respectively.

The credit if availed could have been eligible for adjustment of ₹ 1.40 crore of Service Tax paid by DoT on output services for the years 2013-14 to 2015-16.

As per provisions⁶¹, output service provider shall not take credit after six months of the date of issue of documents under sub rule (1) of Rule 9. This proviso of CENVAT Credit Rules, 2004 was amended in March 2015 where the period of six months has been extended to one year.

Due to time barring provisions, the time for availing credit of earlier period *i.e* 2013-14 and 2014-15 has lapsed. Thus, inaction on the part of DoT to avail the CENVAT credit in the corresponding years resulted in loss of refund claim of ₹ 1.40 crore.

After being pointed out by audit the DoT requested (May 2016) the Commissioner of Service Tax to allow them CENVAT credit for the earlier period as a special case. He also requested the Commissioner to inform them about the procedure for claiming CENVAT credit for the year 2015-16.

The matter was reported to the Government in August 2016 and their reply is awaited (November 2016).

DEPARTMENT OF INFORMATION AND PUBLICITY

1.10 Avoidable expenditure of ₹ 68 lakh on advertisements

State Government has not framed its media policy on advertisements. It was paying much more for advertisements in local newspapers as compared with Government of India.

The Department of Information and Publicity (DIP) is responsible for creating awareness among people about various programmes of Government. It also conveys greetings to people on auspicious occasions. For this the Department releases advertisements in local newspapers on State/National days and various festivals.

Directorate of Advertising and Visual Publicity (DAVP), is the nodal agency of the Government of India (GoI) for advertising. The DAVP releases advertisements for various ministries and organisations of GoI including public sector undertakings and autonomous bodies. The Government advertisements are aimed to create awareness among citizens of the State and without any profit motive. In view of this the DAVP has fixed rates for advertisements based on the circulation/readership of each newspaper. Once fixed, these rates are valid for all advertisements until next revision.

The GoI had circulated a model guideline for framing an appropriate advertisement policy by State Governments in June 2014. This *inter alia*, included the fixation of rates.

We observed that the Government of Goa had not prescribed/fixed any standard rates for advertisement in each newspaper based on their circulation. In the absence of the rates the Department paid the rate claimed by the newspapers on each occasion of advertisement.

⁶¹ As per Notification No. 21/2014 Central Excise (N.T.) dated 11 July 2014.

We scrutinised the files pertaining to advertisements released by the DIP for 12 planned occasions⁶² during the period from April 2013 to October 2015. During this period the DIP had paid a total of ₹ 83 lakh to 13 newspaper agencies as advertisement charges. Of these, 10 newspaper agencies were empanelled by DAVP for GoI advertisements. As per the rates⁶³ prescribed by the DAVP for these newspapers, the amount payable on the advertisements released by the Department would work out to ₹ 15 lakh only. Thus the State Government paid ₹ 68 lakh more as compared to the rates fixed for GoI.

The Government stated (July 2016) that the DAVP rates are not binding on all States and concerned State can formulate its own policy. The Government was in the final stages of formulation of advertisement policy which was pending for want of some clarification from Finance Department. The State being geographically small with less population these dailies are small business establishments with less circulation. Therefore, the advertisement policy of DAVP *vis-à-vis* their rates were not suitable for the State. As regards comparison of DAVP rates it stated that the Department had several interactions with the media houses but they have not agreed to DAVP rates.

The reply is not tenable as the 10 local dailies accepted GoI advertisements for publication in Goa at DAVP rates during 2013-16. The DIP could have explored the possibility of placing its advertisements through DAVP. This could have saved an amount of ₹ 68 lakh. Further, the reply indicates that the Government has delayed finalising the policy by two years.

PUBLIC HEALTH DEPARTMENT

1.11 Non-utilisation of medical equipment

The Government installed equipment worth ₹ 2.64 crore in the upgraded primary health centres at Sanquelim and Bicholim in March 2013. These were not utilised so far due to delay in appointment of staff required to operate the equipment.

The Government decided (February 2008) to upgrade the Primary Health Centres (PHCs) at Sanquelim and Bicholim with higher bed capacity⁶⁴. The upgradation works were entrusted to Goa State Infrastructure Development Corporation (GSIDC).

New building for Sanquelim PHC was constructed by GSIDC in January 2013 at a total cost of ₹ 13.78 crore. It had the facilities like air condition, lift, steel operation theatres (OTs), medical gas and vacuum system, mortuary cabinets, fire fighting and alarm system *etc.*

Similarly, the GSIDC completed (April 2013) the building of Bicholim PHC at a total cost of ₹ 9.33 crore. It also had facilities like air condition, steel OTs, medical gas and vacuum system *etc.*

⁶² Republic Day, Gudi Parva, Goa Statehood Day, Goa Revolution Day, Eid ul Fitra, Gandhi Jayanti, Independence Day, Diwali, National Press Day, Goa Liberation Day, Tripurari Poornima and Christmas.

⁶³ Ranging from ₹ 9.97 to ₹ 24.64 per square centimetre

⁶⁴ New buildings with 70 beds for Sanquelim and 30 beds for Bicholim.

The buildings constructed with new medical equipment and facilities were taken over (April 2013) by Director of Health Services (DHS). We observed that the DHS has not been utilizing the facilities in full. The OTs costing ₹ 2.02 crore⁶⁵ and medical gas and vacuum system costing ₹ 0.62 crore⁶⁶ have not been put to use so far due to non-appointment of doctors and technicians. Guarantee period of these equipment have expired between December 2014 and February 2016.

We further observed that the creation of infrastructure for the PHCs commenced in January 2008. But the Public Health Department (PHD) commenced (August 2012) process of sanction of post after four years. The PHD took another two and half years to resolve queries of Administrative Reforms Department (ARD) for sanction of posts. The PHD proposed 29 posts (August 2012) for Bicholim PHC and 174 posts for Sanquelim PHC. The Government however, approved only nine posts⁶⁷ for Bicholim PHC in November 2014 and 34 posts⁶⁸ for Sanquelim PHC in August 2015. The staff are yet to be recruited in Bicholim PHC. Out of six staff recruited for Sanquelim PHC two are deputed to other hospitals (July 2016).

Thus, delay in initiating action to adequately staff the PHCs resulted in non-utilisation of OTs and other equipment worth ₹ 2.64 crore for the last three years. With the defect liability/warranty period expiring before the equipment being put to use the Department lost the cover for replacement if required. Further, the public is yet to avail (September 2016) the benefits of this investment of ₹ 2.64 crore from public exchequer.

The matter was reported to Government in June 2016 and their reply is awaited (November 2016).

1.12 Avoidable expenditure of ₹ 2.23 crore due to non-revision of contract demand of High Tension electricity connection at GMC

GMC increased the contract demand of its HT electricity connection from 1,000 KVA to 3,947 KVA in the year 2008 for new infrastructure projects. Despite completion of infrastructure projects the maximum monthly consumption recorded was only 1,934 KVA during 2008-16. This resulted in payment of excess electricity bill of ₹ 2.23 crore.

The contracted demand of High Tension (HT) electricity connection⁶⁹ provided (1991) to Goa Medical College (GMC) was for 1,000 KVA. To provide adequate power for various infrastructure projects⁷⁰ being undertaken in GMC, the contract demand was increased fourfold to 3,947 KVA in March 2008.

⁶⁵ ₹ 1.37 crore in Sanquelim and ₹ 0.65 crore in Bicholim hospital

⁶⁶ ₹ 0.35 crore in Sanquelim and ₹ 0.27 crore in Bicholim hospital

⁶⁷ Jr. Gynecologist, Staff nurse, Lab. Technician, X-ray technician, UDC

⁶⁸ Surgeon, Radiologist, Anaesthetist, Ophthalmic Surgeon, Orthopedic Surgeon, ENT surgeon

⁶⁹ No. HTC 179

⁷⁰ 450 bedded ward block, New AC Plant, Library, renovated OPD and Foyer, Sewage Treatment Plant under Phase I; Auditorium, New Nurses/Girls/Boys Hostels and Yatri Nivas under Phase II and Street Lighting under Phase III

The contracted demand estimated by the GSIDC⁷¹ for Phase I, II and III projects were 2,186 KVA, 441 KVA and 100 KVA respectively. All the projects under Phase I and Yatri Nivas under Phase II were completed and commissioned prior to year 2009-10. The total power load estimated for these projects was 2,302 KVA. Other projects⁷² under Phase II and Phase III (with estimated load 425 KVA) and some additional infrastructures⁷³ were also constructed during the subsequent period up to March 2016.

We had observed that even after commissioning of Phase I projects the maximum consumption recorded during the period 2008-10 was only up to 1,406 KVA. This constituted only 36 *per cent* of the contracted demand. This means only 406 KVA was the actual additional demand against the estimated demand of 2,302 KVA.

As per the Electricity Tariff applicable, HT consumers have to pay demand charges at the rate of 75 *per cent* of the contracted demand or actual consumption recorded whichever is higher. The need to revise the contracted demand in the light of the reduced actual demand was reported through our subsequent inspection reports.

The Assistant Engineer in charge of the electrical maintenance of GMC stated (July 2012) that reduction of contract demand should be made in consultation with GSIDC. He stated that the GSIDC should take stock of ongoing and proposed works for reducing contract demand to avoid excess billing. We noticed (November 2015) that the GMC has not taken any concrete steps to assess the status of the projects or revise the contract demand so far. The monthly consumption recorded on completion of Phase I projects (2008-09) was 1,406 KVA. The demand estimated for balance projects then was 425 KVA. The maximum monthly consumption recorded after eight years of revision *ie.*, in the year 2015-16 was 1,934 KVA. Considering this the GMC could have revised the contract demand to a maximum of 2,000 KVA in the year 2008-09 itself. This could have saved electricity charges amounting to ₹ 2.23 crore as detailed below:

⁷¹ Goa State Infrastructure Development Corporation (GSIDC) is the agency for creating physical infrastructure in the GMC campus

⁷² Auditorium, Hostels and Street lighting

⁷³ Forensic block, Lecture Halls

Year	Contracted demand (CD) (in KVA)	Maximum of monthly consumption during the year (in KVA)	Energy charges billed (@75 per cent of the CD (in KVA)	Consumption chargeable for contract demand of 2000 KVA (minimum 75 per cent)	Difference between consumption chargeable as per CD of 2000 KVA and CD of 4000 KVA (in KVA)	Rate per KVA during the year (in ₹)	Avoidable electricity charges (₹) (col 6 x col 7 x 12 months)
1	2	3	4	5	6=(4-5)	7	8
2008-09	3947	1252	2960	1500	1460	150	2628000
2009-10	3947	1406	2960	1500	1460	150	2628000
2010-11	3947	1483	2960	1500	1460	150	2628000
2011-12	3947	1446	2960	1500	1460	150	2628000
2012-13	3947	1506	2960	1506	1454	175	3053400
2013-14	3947	1590	2960	1590	1370	175	2877000
2014-15	3947	1814	2960	1814	1146	200	2750400
2015-16	3947	1934	2960	1934	1026	250	3078000
Total excess electricity charges paid							22270808

(Source: Compiled from the monthly electricity bills)

The Dean, GMC stated (December 2015) that, the excess payment was due to early increase in the contract demand without ensuring timely completion of projects by the GSIDC. He further stated that they will review the matter and suggest suitable reduction in the contract demand to avoid further excess billing.

The reply however does not indicate justification for inaction by GMC as the matter was reported by audit since the year 2009. If the GMC had applied for reduction of load immediately after the initial period of one year it could have saved the excess electricity bills for the subsequent periods. The fact remains that the assessment of energy requirement to fourfold in March 2008 by the GSIDC was faulty. Further inaction on the part of GMC to review and reduce the contracted demand despite being pointed out by audit led to avoidable expenditure of ₹ 2.23 crore up to March 2016.

The matter was reported to Government in June 2016 and their reply is awaited (November 2016).