CHAPTER – IV

TRANSACTION AUDIT

This chapter contains audit paragraphs on loss to the Government, infractuous and wasteful expenditure, avoidable expenditure, idle investment and idle establishment that came to notice during the audit of transactions of the Government Departments. It also contains comments on lack of response to audit findings.

4.1 Loss to Government

FOREST DEPARTMENT

4.1.1 Short recovery of cost of compensatory afforestation

Short recovery of cost of compensatory afforestation resulted in loss of Rs. 26.36 lakh to the State Government

Government of India, Ministry of Environment and Forests permit diversion of forest land for non-forest purposes subject to Compensatory Afforestation (CA) at the user's cost. The approval for such diversion is granted by the Ministry in two stages. After first stage approval in principle, the user agency has to deposit the cost of CA with the department. Further, since the CA is done in a phased manner by raising plantation over 1/10th of area every year, the user agency has to pay the additional costs, if any, for raising CA as per prevailing wage structure. The State Forest Department fixes the rates for CA and had been obtaining undertakings from the user agencies to pay such additional costs. The rate of recovery for CA from user agencies was revised by the State Government from Rs.28,325 to Rs.44,430 per hectare with effect from 1st October 1997.

Audit scrutiny (November 2003) revealed that the North Goa Forest Division had done compensatory afforestation in an area of 164 hectares on behalf of private mining companies during the period 1998-99 to 2001-02 for which these companies had deposited Rs.46.36 lakh (during 1994-96) at the rate of Rs.28,325 which was prevalent prior to 1st October 1997. As the CA was done after 1997-98 in the above area, the cost recoverable from these companies as per the revised rate of Rs.44,430 worked out to be Rs.72.72 lakh. The Dy. Conservator of Forests therefore proposed (December 2001) to recover the difference amounting to Rs.26.36 lakh from these companies. The Conservator of Forests did not agree to the proposal on the ground that payments received prior to 1st October 1997 were to be calculated at the pre-revised rate of Rs.28,325 per hectare only.

The decision of the Conservator of Forests to recover the cost at the pre-revised rate only was not correct as the afforestation was done after October 1997 and the user agencies were bound to pay the revised cost as CA was to be done in a phased manner spread over 10 years (from the date of receipt of cost of CA) for which undertaking had been furnished by the user agencies. Further, scrutiny revealed that the average actual expenditure incurred by the Division on CA during 1995-96 to 2002-03 was Rs.48,869 per ha which also necessitated the application of the revised rates. Thus, non-recovery of cost of compensatory afforestation at the revised rates resulted in loss of Rs.26.36 lakh to the State Government.

The matter was referred to the Department in May 2004; their reply has not been received (July 2004).

4.2 Avoidable/unfruitful expenditure

PUBLIC WORKS DEPARTMENT

4.2.1. Avoidable expenditure due to delay in acceptance of tender and subsequent retendering of work

Failure to finalise tenders within the validity period of the quotes led to avoidable expenditure of Rs. 88 lakh.

The State Government accorded (April 2002) administrative approval and expenditure sanction for laying 1422 mm. dia (OD) MS pipeline for the Selaulim Water Supply Scheme for Rs. 9.98 crore. In order to expedite the work the tenders were invited separately for each of the four stretches of the work.

The State PWD follows the CPWD Manual and the Goa State Works Board (GSWB) has been constituted for acceptance of tenders for works estimated to cost more than Rs.70 lakh and where quotes received are above five *per cent* of the estimated costs.

Tenders for the second and third stretches were within five *per cent* of the estimated cost and the lowest offers of these two stretches were accepted by the Chief Engineer. The offers for the first stretch and the fourth stretch were more than five *per cent* above the estimated cost. The validity of these tenders was upto 28 July 2002.

In respect of the first stretch, instead of submitting the tender to GSWB for obtaining their approval, the department decided to hold negotiations with second and third lowest tenderers without obtaining express approval from GSWB as the performance of lowest tenderer was found unsatisfactory by the Executive Engineer (Works Division XVII) whereas the second lowest did not submit his revised offer in time. The third lowest tenderer offered to reduce his rates from Rs. 1.79 crore to Rs. 1.70 crore and the Chief Engineer (CE) submitted (December 2002) the proposal for acceptance of that rate to GSWB. However, GSWB did not agree to the proposal (Feb.2003) and decided to call the lowest tenderer for negotiation. During negotiations (March 2003), the lowest tenderer agreed to reduce the quoted rates for all items provided that the rate of the item "Manufacturing and supply of 1422 mm. dia. OD MS pipe" was enhanced by 30 *per cent* over the rates quoted earlier since the price of pipes had escalated. The quoted amount thus offered by lowest tenderer worked out to Rs. 1.90 crore i.e 16.94 *per cent* above the original estimated cost. Since the tenderer had modified his original offer the GSWB rejected (March 2003) the same and ordered recall of tenders.

Fresh tenders were called in March 2003. The estimate was also revised to Rs. 2.04 crore, on account of increase in price of M.S pipes. The lowest offer during the second call was Rs. 2.14 crore and this was accepted and the work order was issued (December 2003). Thus, due to non acceptance of tender within the validity period of the quotes resulted in avoidable expenditure of Rs. 44 lakh (Rs. 2.14 – Rs. 1.70 crore).

In respect of the fourth stretch of the work, estimated to cost Rs.1.84 crore, tenders were simultaneously called for in April 2002. The validity of rates offered was upto 28 July 2002. The first three lowest tenderers quoted Rs.2.05 crore, Rs.2.06 crore and Rs.2.07 crore i.e. 11, 12 and 13 *per cent* above the estimated cost, respectively. Audit scrutiny revealed that the Executive Engineer requested all the tenderers to extend the validity period. The lowest tenderer conditionally extended his validity. Chief Engineer therefore sought (August 2002) the approval of GSWB for holding negotiations with second lowest tenderer through Special Secretary (Finance). The Finance Department advised (September 2002) the CE to resubmit the proposal through Secretary (PWD). However, the PWD Technical Committee♣ decided (September 2002) to reject the lowest conditional offer and conducted negotiations with the second lowest tenderer who reduced his rates from Rs.2.06 crore to Rs.2.05 crore. The GSWB in its meeting held in December 2002 rejected the proposal and directed the CE to call the lowest tenderer for negotiations. As the lowest tenderer did not agree to reduce the offer due to hike in steel prices, the GSWB directed the CE to call for fresh tenders.

Estimates were revised to Rs.2.37 crore considering the market rates of MS pipes as on March 2003. Fresh tenders were called for (October 2003) and the lowest offer of Rs.2.49 crore was accepted by the CE (January 2004).

Thus, non-adherence to the prescribed procedures resulted in delayed acceptance of tender and avoidable excess expenditureof Rs.44 lakh (Rs. 2.49 – Rs. 2.05 lakh).

Thus, in both the above cases the State PWD failed to finalise the tender within the validity period of the quotes received and negotiated with tenderers other than the lowest one without obtaining the Board's approval. This resulted in avoidable expenditure of Rs.88 lakh due to revision of estimates and retendering.

♣ Comprising of CE(PWD), Superintending Engineer , Superintending Surveyor of Works and Joint Director of Accounts as members.

The Government stated (Nov.2004) that tenders were referred to GSWB from the beginning and acted as per the instructions of GSWB only. The reply is not tenable as minutes of the meeting of the GSWB held, revealed that Board had negotiated with the third lowest and second lowest tenderers respectively without express authority to do so.

4.3 Idle Investment/Idle Establishment/Blockage of funds

PUBLIC WORKS DEPARTMENT

4.3.1 Blocking of funds for more than two years due to administrative lapses.

Failure of the State Public Works Department to coordinate among its own Divisions and other State agencies resulted in blockage of Rs.37.61 lakh for more than two years and denial of sufficient water supply to the public.

The Executive Engineer, Works Division – III PHE, PWD in order to meet the increased demand for water in Ponda Town decided (November 2000) to replace the existing water pipe lines with 160 mm. diameter PVC distribution mains. The work was decided to be executed under the Plan Scheme “Minimum Needs Programme” and the pipeline was to be laid along the Municipal and PWD roads in Ponda Town.

The Executive Engineer tendered the work estimated to cost Rs. 66.85 lakh in March 2001 and the work order was issued to the lowest bidder ‘A’ for Rs. 53.48 lakh in January 2002. The stipulated dates for commencement and completion of the work were 1 February 2002 and 1 May 2002 respectively.

Audit scrutiny (February 2004) revealed that though tenders were called in March 2001 and were scheduled to be opened in April 2001, the reasonable rate statement which was to be approved by Chief Engineer before opening the tender was submitted by the Executive Engineer to the Superintending Engineer only in October 2001 and got approved from Chief Engineer in November 2001. Hence the tender opening was postponed to December 2001 and the work order was issued in January 2002. The work did not commence till November 2002 as the Ponda Municipal Council had not given the requisite permission for undertaking the work during monsoon to avoid inconvenience to general public. The contractor started the work in November 2002 (after getting NOC from Ponda Municipal Council in November 2002) only to be stopped by the Roads Divisions in December 2002, who demanded Rs. 53.24 lakh towards the cost of redoing the roads as the roads had been renovated by them in April/May 2002. The contractor was paid Rs. 50.22 lakh (Rs. 37.61 lakh in March 2002 and Rs. 12.61 lakh in Feb.2004) for the cost of pipes and the contract was closed by the Executive Engineer in February 2004.

The Government stated (January 2005) that the contractor had to be paid for the supplies made by him. They further stated that the PWD had taken action to obtain NOC before commencement of the work and they are now considering restarting of the work. Thus mainly on account of improper planning and lack of coordination, the scheme which was to serve the vital public interest of ensuring supply of drinking water could not be implemented and the funds to the tune of Rs. 37.61 lakh remained blocked for more than two years.

DIRECTORATE OF STATE LOTTERIES

4.3.2 Unproductive establishment expenditure

Continuation of Directorate of State Lotteries, after stoppage of lottery business, resulted in unproductive establishment expenditure of Rs.40.45 lakh.

The Directorate of State Lotteries was established by the State Government in February 1995. The lottery business was being conducted by the Department by appointing a sole distributor under an agreement for sale of tickets and a minimum guaranteed net payment to the State Government.

The sole distributor appointed for a period of three years with effect from 3rd September 2000 was to continue till 3rd September 2003. However the State Government decided to discontinue the lottery business with effect from 4th September 2002. Though lottery business was stopped in September 2002, the Directorate of State Lotteries continued to function with 18 employees which was reduced to 11 since February 2003. The Government did not take any further action to redeploy the staff elsewhere.

Continuation of the Directorate after stoppage of the lottery business resulted in unproductive establishment expenditure amounting to Rs.40.45 lakh (Rs.26.22 lakh on pay and allowances and Rs.14.23 lakh on other expenses) for the period from February 2003 to September 2004 (allowing the period of six months from September 2002 as a reasonable one for the Directorate to wind up to operations and to close down).

It was stated (January 2005) that the Government decided to retain nine officials namely the Director, Jt. Director of Accounts, Asst. Director (Lotteries), Asst. Accounts Officer, Head Clerk, UDC/Cashier, LDC, Jr. Steno and Peon to handle urgent matters such as PAC, reports audit paras, budget, court cases and other routine matters. The reply was not acceptable as these matters could be handled by the Finance Department in consultation with the Law Department, and exclusive staff were not needed to be continued indefinitely.

4.4 General Paragraphs

4.4.1 Lack of response to audit findings

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

A review of the IRs issued up to December 2003 pertaining to 35 departments showed that 693 paragraphs relating to 333 IRs were outstanding at the end of June 2004. Of these, 76 IRs containing 92 paragraphs were more than five years old. Failure to comply with the issues raised by Audit facilitated the continuation of serious financial irregularities and loss to the Government.

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