CHAPTER – IV

AUDIT OF TRANSACTIONS

This chapter contains audit paragraphs on loss to the Government, avoidable/excess expenditure, idle investment and blockage of funds that came to notice during the audit of transactions of the Government Departments. The chapter also contains comments on lack of response to audit findings.

4.1 Loss to Government

HOUSING DEPARTMENT

4.1.1 Financial loss to the Government on formation of a parallel Company for Housing Schemes

Injudicious decision of the State Government to form a parallel Company for undertaking the activities which were already being executed by the Goa Housing Board resulted in financial loss and burden of Rs.29.29 crore on the public exchequer.

The Goa Housing Board was established in 1968, by the State Government for executing housing schemes for all the sections of the Society, with priorities to housing schemes for socially and economically weaker sections of the society. Nevertheless the Government approved the formation of another body the "Goa Construction Housing and Finance Corporation Ltd." (Company) (September 1993) with a budgetary support of Rupees two crore with the main aim of executing Housing Schemes for Higher Income Groups. The idea to float the above corporation by the then Minister for Housing was opposed (August 1993) by the Finance Department as the Goa Housing Board was already well established in the business of executing Housing Schemes. However the Government overlooked this advise and the Company was created with an aim to tap NRI funds.

The Company took up two major projects i) Low income group housing project at Colvale, for which they raised loans of Rs.12 crore from LIC/GIC during the period from 1994-95 to 1999-2000 and ii) Construction of 66 flats at Porvorim, called "Paraiso de Goa" for Higher Income group, for which funds were to be raised from the Goa State Cooperative Bank.

The Company could not utilise the loans borrowed from LIC/GIC as the land on which these tenements were to be constructed was not acquired. The Company diverted the entire loan for construction of the super luxury apartments at Porvorim. The Company started (December 1997) construction of 66 super luxury apartments at Porvorim meant for the NRIs and High Income Group. The project originally scheduled for completion in August 1999, was actually completed only in March 2003 at a cost of Rs. 10.93 crore due to architectural design changes and slow progress of work.

Due to costly construction design adopted for the buildings and consequent fixation of high sale price (Rs. 16500 per sq. mtr.) the demand for the flats was

very low. Consequently the Company had to reduce the sale price to Rs. 10,000 per sq.mtr. (June 2002), which was Rs. 4250 per sq. mtr. lesser than the actual cost incurred on construction of the flats. The Company thus incurred a huge loss of Rs. 4.12 crore on sale of 63 flats under the scheme.
As the Company was continuously incurring losses since 1995-96 which accumulated to Rs.6.68 crore as on 31 March 2001 and failed to utilise its assets and fulfill the objectives for which it was created, namely tapping of NRI funds for Housing Sector, the Government decided (January 2002) to wind up the Company and transfer its assets and liabilities to the Housing Board. The Assets and liabilities of the Company were transferred to the Goa Housing Board with effect from 1 March 2004.

Thus the Company, instead of tapping NRI Funds profitably, diverted loans received from financial institutions meant for providing housing to the economically weaker sections of the society for the construction of houses for NRI/higher income group and even on this had incurred a loss of Rs.4.12 crore; the sole scheme that was taken up. In addition the Goa Housing Board was saddled with the loan liability of Rs.13.87 crore as on April 2001 and interest burden of Rs.8.74 crore for the period from 2001-02 to 2004-05 at the rate of13 *per cent* per annum on this scheme. Thus injudicious decision of the Government to form a parallel Company for undertaking the activities which were already being executed by the Goa Housing Board resulted in heavy burden of approximately Rs.29.29[♣] crore as on March 2005, on the public exchequer.

4.2 Violation of contractual obligations, undue favour to contractors, avoidable expenditure

INFORMATION AND PUBLICITY DEPARTMENT

4.2.1 Unjustified Expenditure on conducting IFFI 2004

The expenditure of Rs 1.78 crore incurred on the State Government consultant was not entirely justified due to non performance and overlap of functions with the Director of Film Festivals, Government of India. Further the failure of the Entertainment Society of Goa in deciding the scope of work and rejecting the lowest offer for event management resulted in loss of Rs. 39 lakh. Delay in settlement of final bills resulted in non recovery of Rs. 1.67 crore from the agency.

Goa was the venue for the International Film Festival (IFFI-2004) as decided (June 2003) jointly by the Ministry of Information and Broadcasting, GOI and the Government of Goa. The State Government constituted a Core Committee[*] in October 2003 to oversee and take all policy decisions on the conduct of the

♣ Loan balance Rs.13.87 crore, Interest Rs.8.74 crore and Accumulated loss Rs.6.68 crore.

* The Core Committee comprised of the Chief Minister, Minister for Urban Development, Health, Town and Country Planning, Revenue, Tourism and Art & Culture, one MLA and Government Officials being the Chief Secretary, Secretary to the C.M, Director Information & Publicity and M.D GSIDC. All other Ministers, the Chairman Kala-Academy and Mr. Aleixo Sequeira (MLA) were special invitees.

International Film Festival of India-2004 (IFFI). The infrastructure development for IFFI was to be executed by the Goa State Infrastructure Development Corporation (GSIDC). The Director of Information and Publicity (DIP), Goa was to coordinate with the Directorate of Film Festivals, New Delhi (DFF) for conducting the event. The State Government set up (May 2004), a society called the Entertainment Society of Goa (the society) for the purpose of conducting/coordinating the event management of the IFFI.

HOK Inc., a company incorporated in Canada, had been appointed as the Lead consultant by the GSIDC for planning of infrastructure projects and facilities for the IFFI. Scrutiny revealed that HOK had suggested to the Core Committee in its meeting held on 6 March 2004 that during IFFI there should be community involvement and various small festivals could be held simultaneously which may reflect Goan art and culture, dance, music and fire works *etc.*, and that they had experience and expertise in conducting and organizing such events. The Core Committee agreed to this suggestion and asked HOK to submit their proposal for organizing the festival, to give the IFFI in Goa a uniqueness of its own and help in creating a niche in the world Film Festivals. HOK then submitted their proposal (March 2004) for production of IFFI at a cost of $ 748500 (Rs. 4 crore approx.). The State Government thereafter consulted (March 2004) the DFF, New Delhi, who clarified (March 2004) that most of the works proposed by HOK were the prerogative of the DFF for which they had separate specialized units but if the State government desired they could engage a consultant to take care of hospitality, transportation, accommodation, and publicity campaigns.

Based on HOK's revised proposal (30 March 2004), which they were asked to submit, the DIP entered into an Agreement (28 April 2004) with them, for providing suitable assistance and advice to the Government of Goa, regarding branding/ production of the event, IFFI – 2004 at a cost of $ 398000 (Rs. 2 crore approx.) which included:

Advise on event management, event marketing and sponsorship, event communications and public relations and special events. They were also to assist in defining graphics identity preparation of the event program, event budget and collaborate with production personnel for delivery of event facilities.

The terms of payment provided for 40 *per cent* advance payment and balance in eight monthly installments. Accordingly during the period April 2004 to January 2005 HOK Inc., were paid Rs.1.78 crore (US $ 386494.70).

- Thus HOK Inc., was awarded the consultancy based on their own proposals and as recommended by the Core Committee, without following normal procedures such as invitation of tenders, technical bids, financial bids etc. In the absence of competitive tenders, the competitiveness of fees/expenses agreed to and the technical expertise of the party could not be ensured.

- There was a clear overlap of functions of the DFF with those entrusted to HOK as per the Agreement. These included designing of graphic identity, event communication strategy and public relation plans, including media coverage branding and branding strategy, which were the domain of the DFF, New Delhi.

- Scope of the work also included that HOK was to assist in developing a sponsorship strategy and program to offset the direct and indirect cost related to production of event. The HOK neither guaranteed the results of the sponsorship drive nor any revenue was accounted by the Government (May 2005). Assistance in the preparation of Event Budget 2004 included in the scope of work also lacked any relevance, as neither the Government nor the consultants had prepared any event estimate as the event managers were asked to give financial quotes against specified items. Further the contract value for event management was revised several times.

- The Ministry of Information and Broadcasting, Government of India, the Directorate of Film Festival (DFF) had been conducting IFFI every year. Matters relating to content i.e. selection of films, appointment of juries and the actual conduct of the film festival are the exclusive domain of DFF for which they had the necessary arrangements in place. As the role of Government of Goa was limited to taking care of hospitality, transportation, accommodation of the delegates/guests and publicity campaigns for the IFFI, engagement of a consultant at a fee of Rs.1.78 crore for advisory services lacked justification.

- Payments were made to the consultant based on their invoices and the Agreement without any certification of the satisfactory completion of work by the competent authority, the DIP. There was no record in the Directorate to verify whether any deliverables were created in support of the work done/services rendered by the HOK. Hence the correctness of the payments was not susceptible for any verification.

4.2.1.1 In addition to HOK, the ESG (Society) also engaged a professional agency to ensure smooth operation of all technical, organizational and logistical aspects of the IFFI. In response to the Expression of Interest invited (July 2004) by the society 37 applications were received (July 2004). Based on the presentation of the eleven agencies short-listed, the Society selected six agencies and invited (August 2004) financial bids from these agencies.

Audit observed (June 2005) that as neither the lead consultant nor the Society could define the exact scope of work or identify the main items for the event management, the agencies quoted their own rates for different mode of execution/scope of work as proposed by them. The Society then decided to execute 28 items and the short listed agencies were asked to quote for these items. The comparative statement of the lowest three financial bids received was as under:

Name of agency	Original financial bid		
	Cost of event	**Management fee**	**Total**
M/s Wizcrafts International Pvt. Ltd. (Wiz creations)	2.53 crore	38.02 lakh	2.91crore
M/s TIC Integrated Marketing Services (TIC)	2.63 crore	39.41 lakh	3.02 crore
M/s Times Infotainment Media Limited (TIML)	2.80 crore	49.44 lakh	3.30 crore

The three short listed agencies were also asked to give their presentations to the Committee headed by the Chief Secretary and based on their presentation the Society selected the Times Infotainment Media Limited (TIML) as the event manager, rejecting the two lowest offers. The Society added some new items for the event, increased the quantity of some of the items and the contract was awarded to TIML for Rs.3.30 crore for the event cost and revised management fee to Rs. 35 lakh. Based on the financial bids received, TIML's quotes were more by Rs. 0.39 crore than the first lowest offer. During actual execution, the Society further revised the scope of work and cost of event management was further increased to Rs.5.03 crore. The Society paid Rs.3.60 crore (October-November 2004) to TIML as advance.

- Scrutiny of the bills submitted (15-1-2005) by the Event Manager revealed that as against claims/bills of Rs.4.21 crore submitted by TIML, the Society worked out the admissible claims for Rs.2.97 crore only. The excess payment of Rs.0.63 crore with reference to the advance of Rs.3.60 crore had not been recovered (July 2005). Besides, the Society had also received (February 2005) claims of Rs. 13.63 lakh against TIML on account of hotel accommodation booked by them, losses caused by them to Government property etc., which were also not recovered.
- It was seen that the agreement entered into by the Government of Goa with TIML provided for coordinated mutual efforts to identify and get sponsorship for various activities relating to IFFI. The Society however did not evolve any mechanism to counter check or watch the sponsorship collections, and did not maintain any records thereof. The Society had proposed to recover estimated sponsorship revenue of Rs.90 lakh from TIML from their bills, but the same had not been recovered (September 2005) and credited to the books of accounts of the Society. The Society replied that the final bills were still under scrutiny.

  Thus lack of clarity about the role of the consultant HOK resulted in awarding of a contract with items which overlapped with the role of DFF, New Delhi and besides items like preparation of event budget and sponsorship strategy and graphics identity which were not also delivered by HOK. Thus the expenditure of Rs. 1.78 crore made by the State Government was not entirely justifiable.

Further, failure to decide the scope of work and non-acceptance of the lowest offer for the event management contract resulted in loss of Rs.39 lakh to Government. Recoveries of Rs. 76.63 lakh had not been made from TIML (July 2005). The Society also did not receive estimated sponsorship revenue of Rs.90.00 lakh till date (October 2005).

HOUSING DEPARTMENT

4.2.2 Avoidable excess liability on account of non availment of benefit of reduced interest rates

Indecision on part of the Housing Department to restructure the loans availed from the Life Insurance Corporation and General Insurance Corporation resulted in avoidable excess liability to the Government to the tune of Rs.1.62 crore.

Housing Department, Government of Goa had borrowed loans aggregating Rs.21.17 crore from the Life Insurance Corporation (LIC) during the period 1992-2000 and Rs.5.91 crore from the General Insurance Corporation (GIC) during the period from 1994 to 1996, for taking up various social housing schemes in the State. The loans were repayable in 25 annual installments at interest rates of 12 to 13 *per cent* per annum payable in half yearly installments in March and September each year.

The loans borrowed were distributed by the Housing Department, between Goa Construction Housing and Finance Corporation (GCHFC) of Rs.12 crore (LIC loan of Rs.8.00 crore and GIC loan of Rs.4.00 crore) and Goa Housing Board of Rs.15.08 crore (LIC Rs.13.17 crore and GIC Rs.1.91 crore).

Both the organizations adhered to the repayment schedule till March 1999. The GCHFC deferred the repayment of principal and interest due from September 1999, whereas the Goa Housing Board continued to pay their share of principal and interest directly to LIC and GIC as per repayment schedule. The Joint Secretary (Housing) requested (October 1999) the Goa Housing Board to bear the repayment of share of GCHFC along with interest till improvement of financial position of the Corporation. However the Board did not agree to the request and the Housing Department also did not pursue the matter further.

In view of the general fall in interest rates the Housing Board proposed (August 2003) to the LIC/GIC that they would repay the entire loan by availing fresh loans carrying lower rates of interest. The LIC as well as GIC agreed to reduce the interest rates of the existing loans to nine *per cent* subject to the condition that the entire overdues were paid by the Government.

Audit scrutiny (November 2004) revealed that the Housing Department did not take any action on the offer of repayment made by LIC/GIC. For restructuring of the loan for better/reduced interest rates, the Housing Department also did not approach the Finance Department who are responsible for the overall cash management and debt repayment of the Government.

Thus, due to indecision on the part of the Government on the offer, reduced rate of interest by LIC/GIC was not availed resulting in excess interest payment of Rs.23 lakh for the period January 2004 to June 2005 and Rs.1.39 crore on account of compound interest due to default in repayment by GCHFC as also the liability for continued payment of all the balance installment at 13 *per cent.*

The matter was reported to the Government in September 2005 and their reply is awaited.

4.3 Idle Investment/Idle Establishment/Blockage of funds, delay in commissioning equipment; diversion/ misutilisation of funds

HOME DEPARTMENT

4.3.1 Blocking of funds outside government accounts

The Police Department failed to implement the Computerisation Project despite receipt of funds from GOI under the Modernisation of Police Force Scheme. The funds of Rs.97.75 lakh were parked with a State Government Company

With the aim of computerizing the entire process of crime registration, investigation as well as routine administrative and crime records, the Government of Goa (GOG) approved (March 2000) the project of setting up a computer network connecting the entire Department upto unit level. The Department submitted (July 2001) a comprehensive programme to the State Government as per the guidelines of National Crime Records Bureau (NCRB), Government of India, for approval. It was proposed to meet the expenditure on computerization from funds being allocated by GOI (60 *per cent* being central share) under Modernization of Police Force (MPF) scheme. The Ministry of Home Affairs had requested the State Governments to prepare a proper computerization plan and get it vetted by the NCRB. The NCRB had developed a Common Integrated Software for Police Application and the concerned States were to place orders for recommended configuration of hardware and software. The State Government submitted the detailed plan only in September 2004.

In the meanwhile in September 2002, Government of Goa formulated its own IT Policy for the State and certain Departments were selected on priority basis for total computerization of which Police Department was one of them. In pursuance of this policy, the Goa Police moved its proposal for total computerization of its operation and Goa Electronics Ltd. (GEL) a State owned company was appointed as Technical Consultant to Goa Police. On recommendation of GEL the tender for software project was awarded to a Company, CMC Ltd., Mumbai at a cost of Rs.97.75 lakh. Out of the funds of Rs. 8.57 crore received from GOI under the scheme, Rs.97.75 lakh were deposited by the Police Department with GEL in January 2004, Rs.5.87 crore were spent on various components of MPF scheme including computerization and the balance of Rs.2.70 crore were lying with the Department. The GEL paid (March 2004) Rs.9.78 lakh, to CMC as first installment as per the Agreement on completion of preliminary study towards computerization.

Subsequently, it was seen that the Police Department sought exemption (September 2004) from the scheme of Common Integrated software for Police Application prepared by the NCRB. The GOI, had informed the State Government (January 2004) that if they decided to embark upon their own software development, no funds would be made available out of MPF funds, for computerization.

Neither the exemptions sought from the GOI was reviewed nor the progress on the development of software that was envisaged by the State Government was achieved. The funding for the hardware component by the GOI is also uncertain as the primary condition of use of software application prepared by NCRB has also not been accepted by the State Government.

Thus, the entire funds of Rs.97.75 lakh were parked outside government account with the GEL, and there was no progress in development of the software for more than eighteen months.

TOURISM DEPARTMENT

4.3.2 Idle investment on land acquisition

Land acquired for Paryatan Bhavan remained idle resulting in blocking up of Rs.27.67 lakh for more than seven years

Acquisition of land along Merces byepass for construction of a tourist reception centre (Paryatan Bhavan) was approved by the Government (August 1994). The land was acquired (1995) under urgency clause (Section 17 of Land Acquisition Act) and 80 *per cent* of compensation was paid to the land owners and balance was kept at the disposal of Special Land Acquisition Officer (SLAO) in June 1996 for making payment to the land owners after declaration of Land Acquisition Award. The Tourism Department took possession of land admeasuring 17,824 square metres costing Rs.37.94 lakh (Sept.1995). Audit scrutiny revealed (April 2003) that after lapse of nearly six years when the Department took action for preparing the drawings, they were informed by the Chief Town Planner about the National Highway Bye pass passing through their acquired area. In November 2002, Government notified the land required for the Ribander bye pass (143.500 to 153.200 Kms National Highway 4-A), which included 4825 square metres for the road plus an additional area of 3525 square metres for set back/ “No construction Zone” thus leaving an area of 9000 square metres approximately for the Tourism Department out of the 17,824 square metres acquired.

In May 2003, Director of Tourism proposed transfer of the land admeasuring 9000 square metres to Goa Handicrafts, Rural and Small Scale Industries Development Corporation (GHRSSIDC) for developing it as a utility centre for handicrafts. However in November 2003, transfer was proposed to Rural Development Agency for setting up of a Goa Bazaar similar to Dilli Haat in New Delhi. On matter being referred to the State PWD they opined that since the bazaar was proposed at a junction of four lane National Highway it was not desirable from traffic safety point of view. Till March 2005, the land had neither been transferred nor utilised by the Tourism Department for any other project.

The Director (Tourism) stated (March 2005) that the balance land available is subjected to set back for the proposed bye pass National Highway and the other road going to Merces Village and that there were no other projects with the Department which could have been taken up in the available balance land.

Thus due to failure of the Department in taking timely action in planning the utilisation of Land acquired resulted in blocking up of Rs.27.67♠ lakh for seven years and prime land of 9000 square meter remaining idle for nine years defeating the purpose of its acquisition under urgency clause.

Government comments are awaited (November 2005).

HOUSING DEPARTMENT

4.3.3 Blocking up of funds on land development

The Goa Housing Board acquired and developed land at Camurlim, Bardez at a cost of Rs. 98.67 lakh. Further construction work as well as sale of plots was stopped due to recommendation of the House Committee to establish a garbage treatment plant near the land

The Goa Housing Board (GHB) decided (April 1992) to acquire 10 hectares of land in Camurlim village in Bardez taluka for implementation of various housing schemes. Government approval for land acquisition was received in September 1992. The scheme contemplates construction of houses and development of plots for allotment to public at reasonable cost to be implemented through the GHB (September 1998).

The Town and Country Planning Department gave the NOC for acquisition of the said land for housing purposes in March 1997 and the land admeasuring 86,360 sq. mtr. was acquired at a cost of Rs. 33.55 lakh in November 2000. The Board took possession of the land in January 2001. It was seen in audit that the GHB developed part of the land admeasuring 35706.75 sq.mtrs. into 117 plots, at a cost of Rs.65.12 lakh (March 2003). Of these 50 were advertised for sale and the Board allotted 48 plots and received Rs. 69.39 lakh as sale price (May 2004).

♠ Since the land has been transferred to National Highway, proportionate cost has been reduced from total compensation to be paid by NH-4A.

In the meanwhile the House Committee constituted by the State Legislative Assembly (Feb.2003) for setting up of the garbage treatment plants in the South and the North Goa Districts submitted its report in September 2003, where in the site selected for construction of garbage treatment plant for North Goa District was the land adjacent to the land already developed by the GHB at Camurlim. The House committee rejected the Board's objection in selecting the site for garbage treatment plant near the land developed by them for residential purpose and suggested that the GHB should replan/reschedule their already developed project. It was seen that the Housing Department did not protest or take any action on this report.

Due to these developments the Town and Country-Planning Department did not issue final NOCs for construction of houses on the plots allotted by the GHB so far (May 2005). The GHB also could not sell the remaining plots.

Despite passage of more than two years since the submission of the report by the House Committee the Department had not taken effective action to resolve this issue resulting in blockage of funds to the extent of Rs.98.67 lakh incurred on the land development as no NOC has been given to plot holders for construction who have already paid for these plots. The issue is fraught with risk of litigation and return of amounts received from plot holders if early resolution is not reached.

4.4 Regularity issue and others

HOME DEPARTMENT

4.4.1 Non-utilisation and lapsing of Finance Commission Grants

Indecision regarding the site for setting up the State Forensic Science Laboratory resulted in non-utilisation/lapsing of Eleventh Finance Commission capital grants.

The Eleventh Finance Commission (EFC) allocated (Nov. 2000) Rs.2.45 crore (Rs.1.92 crore for construction of Building and Rs.0.53 crore for equipment) to the Goa Government for setting up of a State Forensic Science Laboratory (FSL) during 2000-2005, for the Police Department. As per the plan approved by the State Level Empowered Committee (SLEC) the funds were to be utilized by 31 March 2004. Government of India, Ministry of Finance released Rs.49.27 lakh (Feb.2001) as first installment for constructing FSL building at Verna. As per the plan proposed by DGP and approved by SLEC (January 2001) the building for FSL was to be constructed on the land admeasuring 30,000 sq. mtr., which was available with the Department at Verna and the Central Forensic Science Laboratory (CFSL) Hyderabad, was to assist the Department in setting up the Laboratory. Accordingly, the Director CFSL visited and approved the site located at Verna in August 2001 and action to prepare the estimates for the construction of building were initiated

(March 2002) by the Public Works Department (PWD). No further progress was made till June 2003.

The Audit scrutiny revealed that the new DGP sought for change of site from Verna to Porvorim in June 2003 i.e. after two years of approval of site at Verna on the grounds that the FSL should be in the vicinity of the Finger Print Bureau (FPB) at Porvorim. The Home Department agreed to the proposal of the DGP (July 2003) for setting up the FSL at Porvorim, adjacent to the Police Station, as land was stated to be available. However the Department could not get the approval from Town and Country Planning Department for the construction of the laboratory at Porvorim as the plot identified was within 75 metres of set back and within a width of 75 metres on either side of the existing National Highway (NH) wherein new constructions were temporarily frozen. The site was thus again reverted back to Verna stating that there was no other alternative (July 2004). Therefore indecision regarding the site for the proposed FSL, resulted in non commencement of the work (June 2005).

The SLEC also did not monitor the implementation of the approved FSL project resulting in the State not receiving the balance FC grants of Rs. 1.96 crore (Rs.1.43 crore for building and Rs.0.53 crore for equipment), which would now lapse, as per the EFC guidelines.

4.5 General Paragraph

4.5.1 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 2004 pertaining to 38 Departments showed that 552 paragraphs relating to 242 IRs were outstanding at the end of June 2005. Of these, 60 IRs containing 80 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.

Year-wise position of the outstanding IRs and paragraphs are detailed in ***Appendix 4.1(A).*** Even the initial replies which were required to be received from the heads of offices within six weeks from the date of issue of inspection report, were not received upto June 2005 in respect of 110 Paragraphs of 20 Inspection Reports as detailed in ***Appendix 4.1 (B).***