

OVERVIEW

This Audit Report includes two Chapters containing observations on the Finance and the Appropriation Accounts of the Government of Goa for the year 2004-05 and five others comprising seven reviews/long paragraphs and nine paragraphs dealing with the result of performance audit of selected programmes and schemes as well as audit of the financial transactions of the Government.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

A summary of the financial position of the State Government of Goa and the audit findings is given below.

1. Financial position of the State Government

The revenue receipts of the State Government during 2004-05 were Rs.1,820 crore, registering an increase of 12 *percent* over 2003-04. The revenue expenditure during the year was Rs.1,943 crore, an increase of 10 *per cent* over 2003-04. Though mobilisation of revenue from own resources increased in absolute terms, it decreased from 89 *per cent* in 2003-04 to 87 *per cent* of revenue receipts during the year. Eighty one *per cent* of the revenue expenditure was under non-plan. Fiscal deficits grew from Rs. 445 crore in 2003-04 to Rs. 550 crore and fiscal liabilities grew from Rs.3,838 crore in 2003-04 to Rs.4,350 crore in 2004-05.

(Paragraph 1.1 to 1.10)

2. Appropriation audit and control over expenditure

Appropriation Accounts present the details of amounts actually spent *vis-à-vis* the amount authorized by the State Legislature. During 2004-05, expenditure of Rs.3,183.97 crore was incurred against the total grants and appropriations of Rs.3,873.98 crore resulting in a savings of Rs.690.01 crore. Supplementary provision of Rs. 16.12 crore made in six cases was excessive, resulting in savings of Rs.13.32 crore. In 13 cases, expenditure fell short by rupees two crore or more in each case and also by more than 10 *per cent* of the total provision, resulting in savings of Rs.84.70 crore. In two cases (Appropriation Debt Services and 8-Treasury and Accounts), supplementary provision of Rs.11.94 crore proved insufficient leaving an uncovered expenditure of Rs.293.85 crore.

(Paragraph 2.1 to 2.6)

3. Review on Water supply and Sanitation programmes

The water supply demand in the State is met through seven regional water supply schemes and sanitation in urban areas is provided through urban sewerage schemes being implemented by the Public Health Engineering Wing of the State Public Works Department (PWD). A review of the Regional Water Supply and Urban Sanitation programmes revealed that against the present demand (March 2005) of 568 MLD (Million Litres per Day) of water for the existing population, the Department could supply only 394 MLD leaving a gap of 174 MLD which adversely affected the public needs of sufficient water supply. The execution of schemes suffered from deficiencies in implementation of the various terms of contract, absence of phased planning to ensure co-ordinated completion of various components of work. The sewerage treatment plants in the major towns were underutilized as individual sewage connections have not been obtained by the residents. The work of Sewerage Treatment Plant in Panaji was awarded to a single bidder for Rs.13.33 crore without competitive offers as the Department had not finalised the technology parameters while calling for the financial bids. A Detailed Project Report for Sewerage system in Margao town prepared at a cost of Rs.29.50 lakh by the Sewage and Infrastructure Development Corporation Ltd., was not found useful by the PWD, rendering the expenditure unfruitful. Non-recovery of actual cost of supply of water through tankers exclusively arranged for the ONGC resulted in a loss of Rs.42.63 lakh to the Government. The arrears of revenue of water charges stood at Rs.22.82 crore as of March 2005.

(Paragraph 3.1)

4. Implementation of Consumer Protection Act

The Consumer Protection Act 1986 was enacted by the Parliament for better protection of the interest of the consumers. The review on implementation of Consumer Protection Act revealed that the post of President for the State Commission and District Forum was vacant for 25 and 42 months respectively during 2000-05. A review of the implementation of the Act and Rules in the State revealed that the adjudicatory mechanism comprising of the State Commission and District Forums created under the Act were understaffed and the Presidents/Members of the Commission and Forums were appointed on part time basis, resulting in delay of disposal of cases. It was seen that the Department of Civil Supplies and Consumer Affairs had not taken effective measures for enhancing general awareness amongst the consumers of the rights available under the Act and also for the procedure to be followed for redressal of grievances/complaints.

(Paragraph 3.2)

5. Cyberage Students Scheme

The State Government had introduced the scheme of supplying computers to the students of Higher Secondary Schools and colleges in 2002-05, with the objective of making the students computer literate. Though computers were supplied to 28,586 students, the impact of the scheme was not measurable as Government had not obtained any feedback or carried out an evaluation, even after three years of its commencement. The Government decision to supply computers to all the students without restricting it to one to each family resulted in avoidable expenditure of Rs.20.09 lakh. Modems provided with 25,780 computers at a cost of Rs.1.28 crore

remained idle as internet connectivity was not ensured. Department failed to provide for a suitable clause in the supply order/agreement for levy of duty and taxes prevailing at the time of delivery which resulted in non-availment of benefits of Rs.34.28 lakh due to reduction in duties. The system of preventive maintenance and attendance of complaints was deficient.

(Paragraph 3.3)

6. Internal Control System in Police Department

An evaluation of Internal Control System in Police Department revealed weakness in the areas of budget preparation and expenditure and operational controls. The system of levy, collection, accounting of fines/fees was inadequate and ineffective in implementation. No action was taken to dispose off obsolescent/unserviceable arms some of which pertained to the Portuguese regime. Confiscated explosives were not destroyed for over three years despite court orders. One hundred forty five officials who retired between 1967-2004 were occupying police quarters without payment of rent indicating weak internal controls. No internal audit wing existed in the Police Department.

(Paragraph 5.1)

7. Audit of Transactions

Besides the above, audit of financial transactions, test checked in various Departments of the Government and their field offices revealed instances of loss to Government, avoidable expenditure, blocking up of funds and other irregularities involving Rs.36.17 crore as mentioned below:

Loss to Government (Rs. 29.29 crore) was noticed in Housing Department, Unjustified expenditure (Rs.2.06 crore) in Information and Publicity Department. Besides there was avoidable expenditure of Rs.1.62 crore due to non-availment of benefit of reduced rate of interest (Housing Department) and blocking up of funds of Rs.1.24 crore in Housing and Tourism Departments.

Apart from this there were regularity issues pertaining to Home Department (Rs.1.96 crore) in non utilisation of Finance Commission Grants.

(Paragraph 4.1 to 4.5)

8. Review on Internal controls in Sales Tax Department

The Department did not conduct any market survey or use information available with other Government agencies to identify dealers for registration under the Act. The delay in renewal of registration certificates resulted in non realization of revenue of Rs. 30.25 lakh in test checked cases. As on 31 March 2004, Rs.88.47 crore was pending for recovery as arrears of revenue. Though the Department had powers to recover the dues as arrears of land revenue, RRCs of Rs. 2.69 crore were not issued.

The Department was not prompt in issuing refunds as it was seen that refunds of Rs.4.67 crore in 178 cases was pending as on 31 March, 2005 of which 138 cases were more than a year old. Internal audit mechanism did not exist in the Department. Interest of Rs. 35.50 lakh was not levied for delayed payment of tax in respect of four dealers and short levied to the tune of Rs. 3.50 lakh in cases of four dealers. Failure of the assessing officers to cross verify the declarations of places of business with reference to certificates of registration resulted in short levy of central sales tax of Rs.42.71 lakh in four wards.

(Paragraph 6.11)

9. Commercial activities of State Corporation and companies

There were 16 Public Sector Undertakings (PSUs) comprising 15 Government companies and one Statutory corporation (all working) as on 31 March 2005 as against 15 working PSUs (14 Government companies and one Statutory corporation) as on 31 March 2004. The total investment in working PSUs increased from Rs.606.03 crore as on 31 March 2004 to Rs. 615.16 crore as on 31 March 2005.

(Paragraphs 7.1.1 and 7.1.2)

Of the 16 PSUs, none of them had finalized their accounts for the year 2004-05 and accounts of these PSUs were in arrears for periods ranging from one to five years as on 30 September 2005.

(Paragraph 7.1.6)

According to the latest finalised accounts 10 PSUs had incurred an aggregate loss of Rs. 48.44 crore.

(Paragraph 7.1.7)

Performance Reviews

Creation of facilities and infrastructure development relating to the International Film Festival of India at Goa by Goa State Infrastructure Development Corporation Limited.

Goa State Infrastructure Development Corporation Limited was declared as the nodal agency by the Government of Goa for development of infrastructure facilities for the International Film Festival of India. The company undertook construction of a multiplex, upgradation of the Kala Academy (the main festival venue), improvement and beautification of roads and allied works at a total cost of Rs. 97.31 crore (June 2005). Major works like upgradation of the Kala Academy, road packages and dredging/de-silting of rivers were not completed before the festival. The projects were executed in haste without finalisation of design/specifications before inviting tenders and without proper estimation of quantities. This deprived the company of competitive offers and resulted in high cost of execution. There was heavy dependence on local and foreign consultants.

Some of the important points noticed during the review are given below:

Despite the Company knowing the major design parameters, the Company failed to invite separate technical and financial bids. The Company awarded the multiplex contract rejecting the lowest offer although it conformed to the notified requirements.

(Paragraph 7.2.6)

The Company incurred extra expenditure of Rs. 3.11 crore due to change in design of the multiplex for faster completion and to match the concept of the lead consultant. The road works were awarded at 19.9 *per cent* above estimates, which was much higher than the rates for similar works executed by the State Public Works Department. The Company also approved 19.9 *per cent* tender excess for some items, which were estimated at market rates resulting in avoidable extra cost of Rs. 1.34 crore.

(Paragraphs 7.2.7 and 7.2.16)

Billing and Collection of Revenue by Electricity Department of Goa

The performance of the Department with regard to revenue collection was found to be deficient as short billing of HT consumers non-recovery of delayed payment charges, accumulation of arrears, non-receipt of cost of surplus power sold to private as well as State Governments and ineffective Internal Control System were noticed.

Some of the important points noticed during the review are given below:

There were instances of short billing of Rs. 1.54 crore due to misinterpretation of rules resulting in non-recovery of revenue of Rs. 1.43 crore.

(Paragraph 7.3.8)

Injudicious grant of instalment facility, delay in disconnection, delay in referring default cases to the Revenue Recovery Court resulted in accumulation of arrears to the extent of Rs. 9.24 crore.

(Paragraphs 7.3.10 to 7.3.11)

Lack of Internal Control and inadequacy of Internal Audit led to non-detection/delay in replacement of faulty meters, non-renewal of bank guarantee during validity periods and non-collection of adequate security deposits adversely affecting revenue collection.

(Paragraphs 7.3.17 to 7.3.23)

Transaction Audit Observations

Disbursal of loan by EDC Limited to two units owned by the same promoters, absence of post sanction monitoring and inordinate delay in taking over the units/assets resulted in non-recovery of Rs. 5.04 crore.

(Paragraph 7.4)

Retention of large balances of funds in short term deposits and current account without any prudent financial planning deprived the Goa Industrial Development Corporation of potential interest income of Rs.27.93 lakh.

(Paragraph 7.5)