CHAPTER – IV

AUDIT OF TRANSACTIONS

This chapter contains audit paragraphs on wasteful/nugatory expenditure, 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 Loss of Rs 6.70 crore in disposal of land at Reis Magos

Failure of the Board to adopt the market rate while disposing land at Reis Magos resulted in a loss of Rs 6.70 crore to the Board, in addition the sale was in contravention to the Forest Conservation Act, 1980.

A comment was made in Para 7.5 of the Audit Report for the year ended 31 March 2000 regarding idle investment of Rs 1.22 crore on land acquired at Reis Magos for housing projects, as the land could not be utilized pending clearance from the Forest and Environment Department of Government of India.

A further scrutiny (February 2007) revealed that the State Advisory Group of the Forest Department of the State Government had recommended (August 2005) diversion of this 67,090 square metres of private forest land at Reis Magos, for implementation of housing schemes of Goa Housing Board (Board). Thereupon, the Chief Conservator of Forest had referred (January 2006) the matter to the Regional Office of the Ministry of Environment and Forests, Government of India, Bangalore.

Meanwhile the Board decided (October 2005) to dispose of the land by calling tenders by giving wide publicity. The Board fixed (August 2006) the minimum offset price of Rs 450 per square metre for sale of this land. The Board invited (1 September 2006) tenders for the sale of this property and the tender notice was issued only in two local newspapers. A copy of the letter to Government of India for diversion of land was also incorporated in the detailed tender documents. In response four tenders were received as below:-

Sr. No.	Name of the tenderer	Quoted rate Per sq. metre (Rs)	Amount (Rupees in crore)
1.	M/s. Mahadev Homes, Ulhasnagar	501	3.36
2.	M/s. Oneline Multitrade Pvt. Ltd. Fort, Mumbai	453	3.04
3.	M/s. Paramount Buildwell Pvt. Ltd., Mumbai	471	3.16
4.	M/s. Pastina Holiday Home Pvt. Ltd., Dona Paula, Goa	399	2.68

The Board accepted (September 2006) the highest offer of Mahadev Homes for Rs 3.36 crore and directed (13 October 2006) the firm to pay the amount within 90 days. Full payment was effected within the stipulated period and the sale deed was also executed (March 2007).

Audit scrutiny revealed the following:

- As per Section 2(iii) of the Forest Conservation Act 1980, no forest land or any portion thereof may be assigned by way of lease or otherwise to any private person or authority or corporation or other organization not owned, managed or controlled by the Government without prior approval of the Central Government. The Goa Housing Board however, did not obtain the approval of the Central Government before selling this forest land to a private party. Thus, the sale of forest land was done in contravention of the provision contained in the Forest Conservation Act.

- The normal condition for eligibility to apply was "any person residing in Goa for the last 15 years or any registered firm or company registered in the state of Goa for the last 10 years". However in this particular case the same was modified to include all citizens of India. Even though all citizens of India were eligible to apply, the Board did not give wide publicity to the tender by publishing the tender notice in all India newspapers. The Board published the notice inviting tenders only in two local newspapers, restricting the publicity for the tender.

- All the four applications for the tender forms, three from Mumbai and one from Panaji were received on the last date (18 September 2006) of issue of tenders. Pastina Holiday Home, Dona Paula furnished the required Earnest Money Deposit of Rs 20.00 lakh, in the form of cheques though it was to be furnished by Demand Draft, the tender was not rejected, as required and was taken into account for comparison of bids.

- A scrutiny of the tender application forms and the tender forms submitted indicated that the person who had signed the request for tender form for Mahadev Homes and one who has quoted the rate and signed the tender form for Paramount Buildwell was one and the same. Further the person who had filed the tender forms for Pastina Holiday Home, and the person who signed for Mahadev Homes, as partner, forwarding (December 2006) part payment of Rs 50.00 lakh was also one and the same, indicating connection between the parties and possible collusive or cartel bidding.

- While fixing the minimum offset price of Rs 450 per square metre, the Board had assessed the cost of land at Rs 414 per square metre taking into account, the cost of acquisition of the land in March 1998 plus interest and establishment charges. According to the sale statistics in the Reis Magos village as per the records of Mamlatdar, Bardez, the transactions had taken place at the rates ranging from Rs 1,000 per square metre (September 2003) to Rs 1,500 per square metre (July 2006) showing increasing price trend. The sale of this land in October 2006 at Rs 501 per square metre at marginal increase from cost price without ascertaining the prevailing market rate was not in the financial interest of the Board. Taking into account the rate of Rs 1,500 per square metre the loss to the Board works out to Rs 6.70 crore, on this land deal.

The Department stated (August 2007) that the Board normally issues any advertisement in local newspapers only and the offer of Pastina Holiday Home was considered inadvertently. The reply is not tenable as the normal condition for eligibility to apply was modified, the tenders should have been published in all India newspapers as well.

The Department further stated that the land cost published by Government (June 2003) at Reis Magos was Rs 500 per square metre only and hence no loss was incurred by the Board. The reply is not tenable as the Board had not considered the increasing trend in land cost and the market rate while fixing the minimum offset price of Rs 450 per square metre.

HOUSING DEPARTMENT

4.1.2 Loss due to non-adoption of appropriate rate of land and undue favour to select applicants

Defective allotment procedure denied a fair and equal chance of allotment to all applicants. Failure of the Board to adopt appropriate rate of land while fixing the cost of 14 duplex bungalows resulted in short realisation of Rs 22.40 lakh to the Board.

The Goa Housing Board (Board) decided (August 2004) to take up a scheme of 16 duplex bungalows on the available area of 6 ha land at Porvorim, in two phases of eight bungalows each, at an estimated project cost of Rs 2.38 crore. The plot consisting of two bungalows was 400 square metres and the cost of land considered for the project was Rs 2,500 per square metre. Accordingly, cost of each duplex bungalow was provisionally fixed at Rs 14.99 lakh subject to variation after final settlement.

Though the Board invited (October 2004) tenders for construction of 16 duplex bungalows, eight in each phase, the work of 14 bungalows only was taken up (January 2005) due to an appeal pending in the Court against construction on one of the plots. The construction was completed in December 2006.

Meanwhile, the Board had invited (October 2004) applications for registration/ allotment of the proposed duplex bungalows, on outright purchase basis. Fourteen duplex bungalows were allotted (November 2004) to the applicants at Rs 14.99 lakh per bungalow on first come first served basis.

Undue favour to nine applicants

The Board had released the advertisement on 5 October 2004 to the press inviting applications from the public for registration/allotment of the proposed duplex bungalows. The advertisement was to be published on 6 October 2004 and registration also was to commence on 6 October 2004. The allotment was to be made on first come first served basis. The applicants had to initially deposit Rs 10,000 by way of Demand Draft in the name of the Executive Engineer (North) alongwith the application. The applications were to be made available for sale only from 6 October 2004. The registration was kept open from 6 to 21 October 2004. In response 26 applications were received and 14 bungalows were allotted (November 2004) on first come first served basis.

Scrutiny of applications received from intending purchasers revealed that the demand drafts of Rs 10,000 each towards initial deposit submitted by nine applicants/allottees were obtained on 4 and 5 October 2004, prior to publication of advertisement for registration in the local dailies on 6 October 2004. These applicants got the undue benefit of allotment, as they apparently had prior information and could obtain the demand draft in advance, and submit the applications before others. In view of this, their applications should have been treated invalid. However, contrary to this, the Board allotted duplex bungalows to these applicants.

The Regulations of the Board provided for the allotment through drawal of lots. Inspite of this, the Government approved in August 2004, the sale conditions proposed by the Board which, inter alia, provided for allotment on 'first come first served' basis. The allotment process was apparently vitiated by leakage of information in advance to select applicants.

The Department stated (August 2007) that the select applicants would have obtained advance information regarding schemes likely to be announced from the Board. The fact remains that the Board conducted the whole process in a non-transparent manner depriving a fair and equal chance of allotment to all applicants. The Board also extended undue favour to select applicants.

Fixation of lower cost

Audit scrutiny revealed that the Board had auctioned and sold in September 2002, a plot in the same 6 ha land at Porvorim, at the rate of Rs 3,300 per square metre. However the Board had not taken this land rate (market rate) into consideration while working out the land cost in October 2004.

Similarly there was an increasing trend in auction rates at about seven *per cent* per annum during May 2000 to March 2006 where land in the same 6 ha plot at Porvorim was auctioned at Rs 2,850 to Rs 4,400 per square metre respectively.

The Board had fixed a sale price of plot at Rs 2,500 per square metre in July 2001. Adoption of rate (fixed in July 2001) of Rs 2,500 per square metre in October 2004, instead of Rs 3,300 per square metre realized in September 2002, as cost of land for working out the cost of duplex bungalows resulted in a short realization of Rs 22.40 lakh to the Board. This has financially benefited the allottees of these bungalows to the extent of Rs 22.40 lakh.

The Department stated (August 2007) that the auction rate was never considered as the cost of land for housing schemes. The reply is not tenable as the Board should have considered the increasing trend in land cost as the rate of Rs 2,500 per square metre was fixed by the Board way back in July 2001, i.e., over three years prior to sale of duplex bungalows.

SOCIAL WELFARE DEPARTMENT

4.1.3 Loss of interest of Rs 53.03 lakh and Blocking of funds of Rs 1.48 crore

Injudicious decision of Provedoria of investing huge amount in a non banking finance company in contravention of Government decision resulted in blocking up of Rs 1.70 crore for over five years and loss of interest of Rs 53.03 lakh.

The Government of Goa allowed (January 1996) Institute of Public Assistance (Provedoria) to invest their funds in long term deposits in Nationalised Banks or Financial Institutions recognized by Reserve Bank of India (RBI). Contrary to this, the Provedoria decided in 1996 to invest (a part of) their money in Maha Rashtra Apex Corporation Ltd. (MRAC), a non-banking finance company, as it was offering higher rate of interest compared to other banks. Until 1996, the Provedoria invested funds in Nationalised and Co-operative Banks. The Provedoria continued to invest funds in banks but diverted a part of funds for investment in MRAC. The Provedoria invested Rs 10.20 crore in 33 instalments in MRAC between June 1997 and March 2002.

The financial position of MRAC deteriorated from a profit of Rs 60 lakh for the year ending March 2000 to a loss of Rs 16.89 crore for the year ending March 2001 and a further loss of Rs 88.96 crore for the year ending March 2002. Despite the deteriorating financial position of MRAC, the Provedoria continued to invest money in MRAC. The Provedoria invested Rs 1.70 crore in MRAC between June 2001 and March 2002 which were to mature between July 2002 and March 2003.

The MRAC appealed (April 2002) to their investors and bond holders that it was not in a position to meet obligations due to mismatch in its receipts and payments and that it had approached the court for a scheme of arrangement with all depositors and bond holders. The High Court, Bangalore approved (December 2004) their scheme of compromise and arrangement with the depositors and bond holders. Accordingly, the MRAC is required to repay to the Provedoria in five instalments♠ alongwith interest accrued up to 31 March 2002. As against Rs 59.50 lakh receivable as on June 2006 under the arrangement, the amount received by April 2007 was only Rs 22.20 lakh. In view of this, the prospects of recovery of balance amount of Rs 1.48 crore appear bleak.

Thus, injudicious decision of Provedoria of investing huge amount in a non banking finance company in contravention of Government decision resulted in blocking up of funds of Rs 1.70 crore over five years and loss of interest of Rs 11.43 lakh up to 31 March 2002 and further loss of interest of Rs 41.60 lakh for the period April 2002 to May 2007 calculated at average rate of interest of five *per cent* offered by Nationalised Banks. Apart from this interest loss of Rs 53.03 lakh, a possibility of further loss in respect of principal amount of Rs 1.48 crore cannot be ruled out.

The matter was referred to the Government (June 2007). Their reply is awaited (November 2007).

4.2 Avoidable/unfruitful expenditure

INFORMATION AND PUBLICITY DEPARTMENT

4.2.1 Unnecessary expenditure of Rs 1.83 crore on Advertisement for IFFI 2005 and IFFI 2006

Though the ESG, entrusted with the work of organizing IFFI, was handling the media campaign for IFFI, the Department simultaneously incurred an expenditure of Rs 1.83 crore on advertisements for IFFI 2005 and IFFI 2006, which was unnecessary.

In order to organize and host the International Film Festival of India (IFFI) in Goa, the Government set up (May 2004) the Entertainment Society of Goa (ESG). The ESG has been conducting IFFI since 2004. Through its media plan and advertisements, the ESG has been trying to ensure wide publicity for maximum participation. In spite of this, the Information and Publicity Department also incurred expenditure of Rs 1.83 crore on advertisements for IFFI 2005 and IFFI 2006, which was unnecessary.

♠ 15 *per cent* up to 15.06.2005, 20 *per cent* up to 15.06.2006, 25 *per cent* up to 15-06-2007, 20 *per cent* up to 15.06.2008 and 20 *per cent* by 15.06.2009 including interest accrued up to March 2002.

Expenditure on advertisements for IFFI 2005

The Department incurred an expenditure of Rs 60.92 lakh on three advertorials in Hindustan Times covering opening and closing ceremonies and interim happenings of IFFI 2005 and Rs 59.51 lakh for advertisements released in local newspapers.

The ESG had already engaged an Event Management Agency (EMA) for conducting IFFI 2005 and the media plan of EMA included advertisements in local as well as national dailies. In fact the EMA had tie ups with the Hindustan Times for sponsorship for giving four insertions of advertisements and editorial coverage so that the festival enjoys maximum visibility. Accordingly the Hindustan Times had given advertisements of three half pages and one full page in special supplements and two full pages in its magazines for IFFI 2005. In addition to these sponsorships, the ESG also spent Rs 61.40 lakh for publicity of IFFI 2005.

As the ESG was handling the entrusted task of organizing IFFI 2005, undertaking additional advertorials by the Department in Hindustan Times and local newspapers was unnecessary and put extra burden on public exchequer to the extent of Rs 1.20 crore. The Department also did not resort to tendering before engaging the advertising agencies.

The Department stated (August 2007) that the advertisements were carried out to showcase the development of Goa. The reply is not tenable as the advertisements worth Rs 60.92 lakh were relating to opening and closing ceremonies and interim happenings of IFFI 2005 and the EMA engaged by the ESG had carried out advertisements in local and national dailies.

Expenditure on advertisements for IFFI 2006

For IFFI 2006, two similar proposals were received for giving advertisements in local dailies for the curtain raiser and advertorials on daily basis till the completion of IFFI 2006. The proposal received from Advertising Associates at a cost of Rs 66.66 lakh was rejected (20 November 2006) by the Department on the ground that the advertorials do not bring any concrete results as the coverage is given by newspapers themselves. It was also stated that the advertisements released to newspapers for IFFI by ESG were voluminous and no further advertisements are necessary from Government exchequer. Whereas the proposal received from Magnum Intergrafiks for the total cost of Rs 64.11 lakh was accepted (21 November 2006) the very next day of rejecting the other proposal, on the ground that the advertorials are necessary because newspapers carry their own reports and on many occasions they highlight negative aspects rather than giving positive publicity to the efforts of the Government. Accordingly advertorials were given in local dailies and a total amount of Rs 62.66 lakh was paid to the agency.

While rejecting the proposal of Advertising Associates on 20 November 2006 the Department itself was convinced that the advertorials did not bring any concrete results and voluminous advertisements were being released by ESG for IFFI 2006. This being the situation, the Department in reversal of its earlier decision within one day, accepted a similar proposal of Magnum Intergrafiks and released advertisements costing Rs 62.66 lakh on the apprehension that the newspapers may highlight the negative aspects in their news reports. The right course of action in this case would have been to look into the negative aspects, if any and streamline activities appropriately. Instead, the Department resorted to release of advertisements resulting in unnecessary expenditure to the tune of Rs 62.66 lakh.

The advertisements were given on the basis of the proposals received from advertising agencies, without any request from the Department's end and without observing tendering procedures. This shows that the Department had no concrete media plan for releasing advertisements. Thus, the reasoning advanced by the Department at the time of accepting the proposal of Magnum Intergrafiks was an afterthought and amounted to extending an undue favour to the agency.

The Department stated that the advertisements for IFFI 2006 were entrusted to Magnum Intergrafiks, being an empanelled agency. The reply is not tenable as the offer of Advertising Associates was rejected on the plea that the advertorials did not bring any concrete results as the coverage was given by newspapers themselves and not due to its empanelment status. Further the advertisements were given on the basis of the proposals received from advertising agencies, without any request from the Department.

The Department also stated in reply that since ESG was to release advertisements in national newspapers, coverage of IFFI in local newspapers was necessary. The reason advanced now was not available on file notings seeking approval for the proposal of Magnum Intergraphiks and is only an afterthought. Further, the entry to the venues was restricted only to the delegates and, therefore, these advertisements served little purpose.

FINANCE DEPARTMENT

4.2.2 Unfruitful expenditure on construction of Jetty at Kala Academy

New jetty constructed at Kala Academy at a cost of Rs 1.45 crore could not be used due to reduction of length of the Jetty disregarding the depth requirement suggested by the Captain of Ports.

In order to bring the dignitaries from Taj Hotel at Sinquerim to Kala Academy through the shortest and unhindered route of sea during IFFI 2004, the Government had constructed (November 2004) a timber jetty at a cost of Rs 24.11 lakh at Kala Academy. The Government decided (August 2006) to repair the existing jetty and to explore the possibility of constructing a permanent jetty at Kala Academy which would have the capacity to anchor two boats of a larger draft (the size of Noah's Ark[®]). Accordingly, the tenders were called for (September 2006) and the lowest negotiated offer of M. Venkata Rao Infra Projects Pvt. Ltd. for Rs 2.24 crore was accepted (September 2006).

In reply to Goa State Infrastructure Development Corporation's (GSIDC) enquiry, the Captain of Ports stated (August 2006) that two meter depth was required for berthing vessels of the size of Noah's Ark and in the lowest tidal conditions such depth was available at 110 meters from the bank of the river at the location. Hence the length of the Jetty was originally proposed for 110 meters.

In October 2006, the Consultant, the Contractor and GSIDC conducted a joint inspection and found that two meter depth was available at 61 meters from the river bank. Hence GSIDC decided to confine the jetty up to 61 meters from the river bank. The frontage of jetty was also reduced from 62 meter to 38 meter according to the conditions of the Coastal Regulation Zone Committee's permission. This had the effect of facilitating berthing of only one vessel of the size of Noah's Ark instead of two vessels as envisaged earlier in the estimate. The work was finally completed in December 2006 at a cost of Rs 1.45 crore.

Scrutiny of records revealed the following:

- During IFFI 2006 no vessel of the size of Noah's Ark could be berthed at the Jetty. The dignitaries were brought in small vessels (which could have been berthed by the old jetty).
- As per the permanent scientific data prepared by the Captain of Ports, only 0.60 meter to 1.00 meter depth was available at 60 meters from the river bank. Two meter depth was available only at 110 meter from the river bank. Having prepared the estimate based on the requirements intimated by the Captain of Ports, conducting inspection later and reducing the length of jetty to 61 meters, without the expert advice of the Captain of Ports, resulted in revision of work based on unreliable data.

Thus, expenditure of Rs 1.45 crore incurred on construction of Jetty at 61 meters from the river bank, disregarding the expert advice of Captain of Ports, proved largely unfruitful.

GSIDC stated (July 2007) that during the joint inspection (October 2006), it was found that two meters depth was available at 61 meters from the river bank and hence the length was reduced. The reply is not tenable as the Captain of Ports maintained that the Hydrographic Surveyor had not agreed that the draft of 1.91 to 2.06 meters was available at 61 meters from the river bank. Further, the reduction of the length of Jetty was done disregarding the

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[®] Noah's Ark is a wooden restaurant boat with a carrying capacity of 140 passengers and six crew having tonnage of 316 tons.

expert advice of the Captain of Ports, who is the conservator of ports under the Indian Ports Act 1908 and also responsible for supply of hydrographic charts.

EDUCATION DEPARTMENT

4.2.3 Avoidable expenditure of Rs 1.22 crore on printing of text books

The Board awarded the work of printing of text books for the year 2006-07 to the second lowest bidder by flouting the tendering procedures resulting in extra expenditure of Rs 57.38 lakh. It also issued the work order to the same firm for printing for the year 2007-08 without tenders resulting in similar extra liability of Rs 64.71 lakh.

In order to have better coordination in procurement/printing and distribution of school text books the Government entrusted (November 2005) the work of printing of books from Std I to XII to Goa Board of Secondary and Higher Secondary Education (Board) from the academic year 2006-07 onwards. Accordingly, the Board called for tenders in January 2006 and received (20 January 2006) three offers. The offer of M/s Goa Books and Allied Projects Manufacturers and Distributors Co-operative Society Ltd. (Goa Books) who quoted 11.75 paise per page for multi-colour and 9.75 paise per page for single colour was the first lowest and that of M/s Holy Faith International Pvt. Ltd. (Holy Faith) the second lowest with the rates of 18.50 paise per page for multi-colour and 16.50 paise for single colour. The offer of M/s Holy Faith was however, accepted by the Board after negotiations at the rates of 18.50 paise for four colour page, 16.00 paise for two colour page and 14.00 paise for single colour page and work order was issued on 24 April 2006 for printing.

As the text books for all students of Government and Aided schools from Standard I to VIII were to be distributed free of cost, the books were delivered by the agency to the Director, Sarva Shiksha Abhiyan who distributed these books to the students. Hence the bills submitted by the agency for the printing of books for Standard I to VIII were passed on by the Board to the Director, Sarva Shiksha Abhiyan for verification and payment. As against the bills totaling Rs 2.01 crore submitted by M/s Holy Faith the payment made by the Director so far was Rs 1.87 crore (June 2007).

Audit scrutiny revealed that:

- Both the firms had not submitted Earnest Money Deposit (EMD). Goa Books however stated that being a co-operative society they were exempted from submission of EMD. The Board obtained the EMD from Holy Faith subsequently, and their negotiated offer which was much higher than the rates offered by Goa Books, was accepted. There is nothing on record to show that the Board asked Goa Books to submit EMD subsequently as was done in the case of Holy Faith. The acceptance of higher offer of M/s Holy Faith in relaxation of the tender conditions vitiated the tendering process and was not in the financial interest of the Board. This resulted in extra expenditure of Rs 57.38[1] lakh on the total number of books ordered for academic year 2006-07.

- According to the tender notice the size of the paper was prescribed as 20"x30". This requirement was fulfilled only by Goa Books in the initial offer. Holy Faith quoted for different size of paper. Still M/s Holy Faith was called for negotiation and size of the paper was changed subsequently to 23"x36" according to the printer's requirement. In fact M/s Sheth publishers, a regular printer of the Board, who did not participate in the tender, represented (19 January 2006) that if the pre-condition of 20"x30" size of paper was waived, they also could participate in the tender. The changes in the tender conditions should have been communicated to all and fresh quotes obtained. Changing the conditions of the tender after submission of offers amounted to undue favour to Holy Faith and made tendering process non-transparent.

- None of the tenderers fulfilled all the conditions of the tender and initial offers of all the firms were not comparable. The Board could have re-tendered the printing work in January 2006 itself. Considering the time spent between the date of opening of tender (20 January 2006) and date of issue of work order (24 April 2006) there was enough time for re-tendering and obtaining fresh competitive rates. M/s Digantha Mudrana Ltd., the printing firm for State Institute of Education during the years from 2002 to 2005, had offered (18 January 2006) to do the work at 10.80 paise for multi colour and 9.00 paise for single colour after 50 *per cent* increase over their previous rates on account of increase in cost of paper and transportation. Considering that none of the tenderers have fulfilled the tender conditions on the date of opening the tender the Board could have considered their offer which would have reduced the printing cost to the extent of Rs 67.52 lakh.

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		Multi-colour	Single colour	Total
A	Total Number of copies ordered	677000	493500	1170500
B	Number of pages considering average number of page per book as 100	67700000 pages (6.77 crore)	49350000 pages (4.935 crore)	117050000 (11.705 crore)
C	Cost at the rates of Holy Faith 18.50/16.00/14.00 paise per page	Rs 1,15,95,750♣	Rs 69,09,000♠	Rs 1,85,04,750
D	Cost at the rates of Goa Books at 11.75 and 9.75 paise per page	Rs 79,54,750	Rs 48,11,625	Rs1,27,66,375
E	Cost at the rate of M/s Digantha Mudrana for the year 2005-06 by adding 50% escalation i.e. 7.20/6.00 plus 50% = 10.80/9.00 paise per page	Rs 73,11,600	Rs 44,41,500	Rs1,17,53,100
F	Extra expenditure over Goa books (C – D)			Rs 57,38,375
G	Extra expenditure over Digantha Mudrana (C – E)			Rs 67,51,650

♣ four colour = 305500 copies of 100 pages each @ 18.50 paise per page, two colour + 371500 copies of 100 pages each @ 16.00 paise per page.

♠ one colour = 595845 copies of 100 pages each @ 14.00 paise per page.

- It was also seen that the work order for printing of books for the academic year 2007-08 was also issued (24 October 2006) to the same firm (M/s Holy Faith) without tenders. As the Bank guarantee of Rs 20 lakh submitted by M/s Holy Faith on 21 January 2006 was discharged by the bank from 30 November 2006 no security was available with the Board. Considering the higher rates of M/s Holy Faith and absence of competitive offers in the year 2006-07, award of work without calling for fresh tenders for the academic year 2007-08 was not justified and would result in further extra expenditure to the tune of Rs 64.71 lakh on the books ordered when compared with the rates of Goa Books.

Hence acceptance of second lowest offer of M/s Holy Faith flouting the conditions of the tender and disregarding the lower rates available from M/s Goa Books and also from M/s Digantha Mudrana, resulted in avoidable extra expenditure to the tune of Rs 57.38 lakh on the printing of text books for the academic year 2006-07. By awarding the work to the same firm without tenders for the academic year 2007-08, the Board will have to bear the similar extra expenditure for Rs 64.71 lakh during the academic year 2007-08 as well. Thus, failure to adhere to transparent and competitive tendering process resulted in undue favour to M/s Holy Faith at the extra cost of Rs 1.22 crore to the exchequer.

The Board stated (August 2007) that the EMD was not specified in the tender notice and the change in the size of books was conveyed to the tenderers who had quoted the rates. The reply is not tenable as EMD as a percentage of total value was fixed in the tender notice and the change in size of books was not conveyed to the tenderers who had obtained the tender forms but not participated in the tendering due to the pre condition regarding the size of books.

The Board further stated that Digantha Mudrana Ltd. offer was not considered as no time was left for negotiation as finalisation of tender was a time bound work. The reply is not tenable as the Board was having sufficient time and the work order was issued only on 24 April 2006.

PUBLIC WORKS DEPARTMENT

4.2.4 Nugatory expenditure of Rs 69.84 lakh

Sub-divisions of Public Works Division X continued to operate without adequate work load resulting in nugatory expenditure of Rs 69.84 lakh.

The Public Works Division X (stores) was set up (1980) for procurement of various materials and stores for supply to other public works divisions in the State. The division has three sub-divisions (I Ponda, II Margao and III Tonca Miramar). The division was also entrusted (August 2002) with the work of auctioning of machines/vehicles for the entire Public Works Department (PWD).

Scrutiny of records revealed that the Principal Chief Engineer had issued (November 2003) an order permitting all divisions of PWD to hold stores valued up to Rs one crore and all sub-divisions up to Rs 10 lakh. The Department had also directed (November 2004) its divisions to place indents directly with the Government Printing Press for stationery required instead of routing through Division X. These orders had an effect of reduction in procurement of stores by Division X.

Sub–division I, Ponda which had the charge of procurement and distribution of bitumen, pipes, stationery and spares for hot mix plant, handled the last transaction of stores in May, 2003. This sub-division was left with the job of auctioning of vehicles for the past three years which could have been handled by other sub-divisions. The sub-division has only held merely 6 auctions between 2004-05 and 2006-07 for disposing 42 vehicles and 32 unserviceable items. For doing this work eight persons were posted. The pay and allowances of the personnel for these three years were Rs 31.33 lakh.

The work load of other two sub-divisions also decreased as the division stopped procuring pipes and stationery from 2003-04. The total value of materials procured by sub-division II in the year 2006-07 was only Rs 17.12 lakh and that of sub-division III Rs 25.78 lakh against which the pay and allowances of these sub divisions were Rs 23.54 lakh and Rs 14.97 lakh respectively. This work of procurement also could have been handled by respective divisions.

The ratio of establishment expenditure against the value of materials procured by Division X for the last three years was 58 *per cent* in 2004-05, 32 *per cent* in 2005-06 and 173 *per cent* in 2006-07. The sharp increase in the ratio (173 *per cent*) in the year 2006-07 was attributed to dwindling purchases of other two sub-divisions.

The continuation of sub-division I without adequate work load has resulted in nugatory expenditure of Rs 31.33 lakh on pay & allowances for the years 2004-05 to 2006-07. Further Rs 38.51 lakh incurred on pay and allowances of sub-division II & III in 2006-07 without adequate work resulted in nugatory expenditure. The continuation of three sub-divisions under Division X proved uneconomic in the light of reduction in the activities of all sub-divisions and sharp increase in the ratio of establishment expenses. The department could have diverted the surplus staff by restructuring the division, as there were number of vacant posts[♥] in PWD in April 2005 against the sanctioned strength.

[♥] Vacant Posts : Junior Engineers - 63, Draughtsman - 2, Lower Division Clerk - 99, Store Keeper - 3, LMV Driver - 6, Supervisor - 1 and Labourer - 1.

The Government stated (July 2007) that in addition to auction of vehicles, the sub-divisions were engaged in inspection and valuation of vehicles of other departments, issue of materials already stocked earlier and further agreed to re-deploy the surplus staff to needy divisions. Their reply is not tenable as the inspection and valuation of articles was occasional in nature and the initial stock of stores was of Rs 82 lakh only. As such optimum utilisation of manpower was not carried out; re-deployment of staff was yet to take place.

TOWN AND COUNTRY PLANNING DEPARTMENT

4.2.5 Avoidable interest payment of Rs 38.66 lakh

Wrong calculation of compensation amount resulted in avoidable interest payment of Rs 38.66 lakh.

The Government acquired (December 1982) land admeasuring 92,745 Sq. meters situated at Pilerne and offered a rate of Rs 25 per Sq. meter. Dissatisfied with the rate offered, the owner of the land approached the Collector in January 1985 who referred (August 1985) the case to District Session Judge due to dispute over the title of land and enhanced compensation. The Court awarded (March 2000) enhanced rate of land of Rs 54 per Sq. meter along with 30 *per cent* Solatium on the value of land and 12 *per cent* interest per annum on the said value for the period from the date of publication of notification to the date of the Award or the date of taking possession whichever was earlier.

The Land Acquisition Officer, while working out the enhanced compensation calculated interest on value of land alone instead of an entire amount as ordered by the court. The owner again approached (November 2005) the court which directed (February 2006) the Government to pay the difference of Rs 45.35 lakh plus the interest at 15 *per cent* per annum from February 2001 till date of payment. Accordingly, the Government paid Rs 84.01 lakh (Rs 45.35 lakh towards difference in calculation and Rs 38.66 lakh towards interest @ 15 *per cent*) in April 2006.

Thus, wrong calculation of amount of compensation payable for the acquired land resulted in avoidable payment of interest of Rs 38.66 lakh. Considering that the Government's average rate of borrowing was about seven *per cent* during the period, the excess burden on exchequer works out to Rs 18.59 lakh.

The Department (August 2007) accepted the audit observation and stated that wrong calculation of compensation payable resulted in avoidable interest payment.

4.3 Idle Investment/Idle Establishment/Blockage of funds

TOURISM DEPARTMENT

4.3.1 Idle investment of Rs 2.46 crore in Mala Lake Project

Indecision of Government in taking up phase II work of the project of Development and Beautification of Mala Lake has resulted in idle investment of Rs 2.46 crore.

The Goa State Infrastructure Development Corporation (GSIDC) took up (January 2003) the work of development of Mala Lake as part of tourism infrastructure improvement. The project envisaged cleaning up the existing filthy area, construction of proper drainage, approach roads, sewage systems, development of lake and surrounding area for recreational activities. The Government released (March 2003) Rs three crore as annual grant in 2002-03 to GSIDC for this and other projects.

The project was proposed to be implemented in two phases. Phase I comprised of construction and rectification of drains, road works and development of lake. Phase II comprised of beautification and recreational facilities. The works under phase I were split into three parts and awarded (July 2003) to two contractors (part I - construction and rectification of drains and part II - road work to M/s RBS Candiaparcar and part III - development of lake to M/s Ninan) at a total cost of Rs 1.70 crore. The works of part I and II were completed in October 2004 at a cost of Rs 1.46 crore and that of part III in May 2005 at a cost of Rs 0.88 crore. The expenditure on Phase I worked out to Rs 2.46 crore including consultancy fee and other miscellaneous expenses of Rs 0.12 crore.

In the meantime, the Government issued directions in March 2006 to GSIDC to hand over the project to North Goa Planning and Development Authority (NGPDA) for carrying out the day to day upkeep and maintenance of the lake. The NGPDA expressed its inability to take over the project due to financial constraints and non availability of staff and machinery. The project has not yet been taken over by the NGPDA (May 2007). The work on Phase II is yet to start (May 2007). As a result, no upkeep and maintenance of the lake was being done.

GSIDC contended that the work under Phase II could not be taken up for want of necessary Government approval. The Government is yet (May 2007) to take a decision about Phase II even though the Phase I was completed in May 2005. Thus, the indecision of the Government in taking up phase II of the project has resulted in infrastructure created at a cost of Rs 2.46 crore remaining idle for two years.

The Department (August 2007) stated that the drainage and road network has been put to use and hence the infrastructure created has not remained idle. The reply is not tenable as the project was intended for promotion of tourism and the infrastructure created under Phase I could not be put to fruitful use relating to promotion of tourism due to non taking up of Phase II.

TOWN AND COUNTRY PLANNING DEPARTMENT

4.3.2 Idle investment of Rs 1.94 crore on construction of Mala Market Complex

Poor project planning by NGPDA resulted in delay in execution of work on market complex at Mala, Panaji and consequent idle investment of Rs 1.94 crore on incomplete work for over two years.

The North Goa Planning and Development Authority (NGPDA) had decided to construct a market complex at Mala, Panaji to release the pressure on the existing Panaji Municipal Market. The Market was proposed to be constructed in two stages as Piling work and Superstructure work. The first stage piling work was proposed to be taken up with the NGPDA's fund. The second stage of construction of superstructure work was proposed to be taken up with the Government assistance.

The piling work of the above project was awarded (August 1997) to Premier Builders, Panaji for Rs 47.25 lakh. The work scheduled to be completed in March 1998 was not completed in time. The contract was terminated (December 2000) due to paucity of funds after completing a part of the work costing Rs 41.38 lakh.

In order to complete the balance work the Government sanctioned (November 2001) grant in aid of Rs one crore. The administrative approval and expenditure sanction for the balance work of piling and superstructure of the market costing Rs 1.83 crore was granted by NGPDA in February 2002 and the work was awarded (February 2002) to the lowest pre-qualified tenderer at a tendered cost of Rs 1.54 crore. The time period for completion of work was 360 days from the date of issue (4 February 2002) of work order. The NGPDA had also awarded (September 2003) the electrical installation work at a cost of Rs 23.75 lakh and work for construction of Sulabh Souchalaya (January 2004) at a cost of Rs 7.15 lakh.

The NGPDA had requested (February 2004) the Government for sanction of additional fund to the tune of Rs 85 lakh for the completion of the work and the Government sanctioned grant in aid of Rs 40 lakh in November 2004. Inspite of this the progress of these works was very slow and the contractor stopped (January 2005) the work due to non payment of bills. The work was physically completed up to 85 *per cen*t. The expenditure incurred on the market complex up to January 2005 was Rs 1.94 crore.

Audit scrutiny revealed that:

- The NGPDA had estimated in August 1996 the piling work cost at Rs 22.67 lakh and the superstructure cost at Rs 84.88 lakh. But the cost of piling work increased to Rs 47.25 lakh at the time of award of contract in August, 1997. It was, therefore, clear that the estimated cost of superstructure might also go up. The NGPDA, therefore, should have made a comprehensive project report indicating cost and funding pattern. In case, assistance from the Government was required, an approval for the project with assurance for funds should have been obtained from the Government by the NGPDA. However, the NGPDA neither prepared a project report nor obtained an assurance in writing from the Government for funding. As a result of poor project planning, the piling work had to be stopped in December 2000, due to paucity of fund, after incurring an expenditure of Rs 41.38 lakh.

- The Government sanctioned (November 2001) Rs one crore for completing the complex. The administrative approval of the NGPDA indicated that the balance work of piling and superstructure would cost Rs 1.83 crore. The NGPDA, without finalizing the funding for balance Rs 83 lakh (Rs 1.83 crore – Rs one crore grant from the Government), went ahead with awarding the work since February 2002. The total cost of works awarded by it since February 2002 was Rs 1.85 crore. As it had received only Rs one crore from the Government, it again approached (February 2004) the Government for sanction of additional Rs 85 lakh. The Government sanctioned Rs 40 lakh in November 2004. The work therefore remained incomplete. Thus, the continued poor project planning by the NGPDA resulted in idle investment of Rs 1.94 crore in an incomplete market complex.

- The NGPDA again approached (October 2005) the Government for additional fund of Rs 56 lakh for completion of ground floor work. This was not acceded to and the Government directed (October 2005) NGPDA to complete the work of the ground floor of market complex in all respects in the first instance and dispose off the shops by formulating a comprehensive scheme with due approval of the Government and the income derived from the sale of ground floor spaces should be utilised for completing the remaining work. The NGPDA framed a comprehensive proposal and forwarded (December 2005) to Government for approval and again requested (June 2006) Government for grant in aid of Rs 56 lakh to complete the ground floor. The Government has neither communicated approval for the proposal nor sanctioned the additional grant in aid so far (May 2007). Thus, the project taken up in August 1997 still remains (May 2007) incomplete even after a lapse of almost 10 years and an expenditure of Rs 1.94 crore.

The Department (August 2007) stated that though 85 *per cent* of the work was completed, the market could not be put to remunerative use. The Department further stated that proposal for additional funds had been forwarded to Government and the same was under consideration.

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 2006 pertaining to 41 Departments showed that 847 paragraphs relating to 250 IRs were outstanding at the end of June 2007. Of these, 56 IRs containing 67 paragraphs were more than five years old. Failure to comply with the issues raised by Audit facilitated the continuation of 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 up to June 2007 in respect of 188 Paragraphs of 25 Inspection Reports as detailed in **Appendix 4.1(B).**

It is recommended that Government should revamp the system of proper response to the audit observations in the Departments 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, and (b) action to recover loss/outstanding advances/overpayments pointed out in audit in a time bound manner.

4.4.2 Follow up on Audit Reports

According to instructions issued by the Goa Legislature Secretariat in July 2004 Administrative Departments were required to furnish Explanatory Memoranda (EMs) duly vetted by the Office of the Accountant General, Goa within three months from the date of tabling of the Audit Report to the State Legislature in respect of paragraphs included in the Audit Reports. In spite of this, there were 25 paragraphs/reviews in respect of which the EMs were not received as of September 2007 from the Administrative Departments, as shown below.

Audit Report	Date of tabling the Report	Number of Paragraphs & Reviews	Number of EMs received	Balance
2000-01	26 August 2002	26	22	4
2001-02	20 February 2004	13	13	Nil
2002-03	14 January 2005	12	10	2
2003-04	31 August 2005	9	8	1
2004-05	12 July 2006	11	4	7
2005-06	30 July 2007	11	Nil	11
	Total	**82**	**57**	**25**

Department-wise details are given in **Appendix 4.2**.