

CHAPTER-VI

REVENUE RECEIPTS

6.1 Trend of revenue receipts

The tax and non tax revenue raised by Government of Goa during the year 2006-07, the State's share of divisible Union taxes and grants in aid received from the Government of India during the year and the corresponding figures for the preceding four years are mentioned below:

(Rupees in crore)

	2002-03	2003-04	2004-05	2005-06	2006-07
I. Revenue raised by the State Government					
• Tax revenue	602.20	710.25	856.53	1,096.49	1,291.54
• Non tax revenue	1,039.17	724.73	729.26	761.16	917.62
Total	1,641.37	1,434.98	1,585.79	1,857.65	2,209.16
II. Receipts from the Government of India					
• State's share of divisible Union taxes	114.62	135.59	162.07	244.70	312.11
• Grants-in-aid	77.02	52.55	72.16	66.52	88.49
Total	191.64	188.14	234.23	311.22	400.60
III. Total receipts of the State	1,833.01	1,623.12	1,820.02	2,168.87	2,609.76
IV. Percentage of I to III	90	89	87	86	85

The above table indicates that during the year 2006-07, the revenue raised by the State Government was 85 per cent of the total revenue receipts (Rs 2,609.76 crore) against 86 per cent in the preceding year. The balance 15 per cent of receipts during 2006-07 was from the Government of India.

6.1.1 The following table presents the details of tax revenue raised during the period from 2002-03 to 2006-07:

(Rupees in crore)

Sr. No.	Head of Revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	• Sales tax	398.93	463.52	502.70	671.83	783.28	(+) 16.59
	• Central sales tax	40.26	38.84	64.49	71.48	61.54	(-) 13.91
2.	State excise	46.79	53.44	55.34	55.35	57.23	(+) 3.40
3.	Stamps and registration fees	26.56	28.96	35.69	60.49	115.92	(+) 91.63
4.	Taxes on vehicles	36.78	50.76	58.78	63.84	74.56	(+) 16.79
5.	Taxes on goods and passengers	30.47	41.14	103.10	130.80	138.02	(+) 5.52
6.	Luxury tax	15.93	24.73	27.01	29.92	42.73	(+) 42.81
7.	Entertainment tax	2.36	2.11	2.48	5.18	5.09	(-) 1.74
8.	Other taxes and duties on commodities and services	1.41	1.46	1.79	2.52	6.94	(+) 175.40
9.	Land revenue	2.71	5.29	5.15	5.08	6.23	(+) 22.64
	TOTAL	602.20	710.25	856.53	1,096.49	1,291.54	(+) 17.79

The following reasons for variations were reported by the concerned departments:

Sales tax: The increase was mainly due to more receipts under value added tax (VAT).

Stamps and registration fees: The increase was mainly due to increase in sale of stamps and fees for registering documents.

Other taxes and duties on commodities and services: The increase was mainly due to more collection of cess under other Acts.

6.1.2 The following table presents the details of the major non tax revenue raised during the period 2002-03 to 2006-07:

(Rupees in crore)

Sr. No.	Head of Revenue	2002-03	2003-04	2004-05	2005-06	2006-07	Percentage of increase (+) or decrease (-) in 2006-07 over 2005-06
1.	Interest receipts	2.33	2.23	3.73	12.95	15.60	(+) 20
2.	Dairy development	0.49	0.26	0.20	0.20	0.35	(+) 75
3	Other non tax receipts	87.65	90.88	88.42	93.00	106.55	(+) 15
4.	Forestry and wild life	0.73	1.81	2.08	1.91	1.99	(+) 4
5.	Non ferrous mining and metallurgical industries	15.78	19.39	23.66	27.15	34.30	(+) 26
6.	Miscellaneous General Services	366.15	-	-	-	-	-
7.	Power	548.35	592.15	584.66	594.91	681.67	(+) 15
8.	Major and medium irrigation	4.26	2.94	3.49	10.32	2.93	(-) 72
9.	Medical and public health	6.94	7.30	8.82	12.67	9.06	(-) 28
10.	Co-operation	0.20	0.25	0.42	0.14	0.09	(-) 36
11.	Public works	0.95	1.41	1.37	1.67	1.79	(+) 7
12.	Police	0.66	0.61	2.15	0.72	0.61	(-) 15
13	Other Administrative services	4.68	5.50	10.26	5.52	62.68	(+) 1,036
	Total	1,039.17	724.73	729.26	761.16	917.62	(+) 21

The following reasons for variations were reported by the concerned departments:

Interest Receipts: The increase was mainly due to more receipts under Interest realized on Investment of Cash balances.

Power: The increase is mainly due to more sale of power.

Major and medium irrigation: The decrease in receipts was under Selaulim Project and Anjunem Project.

The other departments did not inform (October 2007) the reasons for variation despite being requested.

6.2 Variations between budget estimates and actuals

The variations between budget estimates and actuals of revenue receipts for the year 2006-07 in respect of the principal heads of tax and non tax revenue are mentioned below:

(Rupees in crore)

Sr. No.	Head of revenue	Budget estimates	Actuals	Variations excess (+) or shortfall (-)	Percentage of variation
Tax revenue					
1.	Sales tax	750.00	844.82	(+) 94.82	(+) 12.64
2.	State excise	67.00	57.23	(-) 9.77	(-) 14.58
3.	Land revenue	7.69	6.23	(-) 1.46	(-) 18.99
4.	Stamps & registration fee	50.46	115.92	(+) 65.46	(+) 129.73
5.	Taxes on Goods & Passengers	90.43	138.02	(+) 47.59	(+) 52.63
6.	Taxes on vehicles	70.00	74.56	(+) 4.56	(+) 6.51
7.	Luxury Tax	25.00	42.73	(+) 17.73	(+) 70.92
Non tax revenue					
8.	Interest receipts	7.88	15.60	(+) 7.72	(+) 97.97
9.	Non-Ferrous Mining & Metallurgical Industries	27.00	34.30	(+) 7.30	(+) 27.04
10.	Misc. General services	693.18	-	(-) 693.18	(-) 100.00
11.	Power	675.00	681.67	(+) 6.67	(+) 0.99
12.	Other Administrative Services	5.11	62.68	(+) 57.57	(+) 1,126.61

The following reasons for variations were reported by the concerned departments:

Land Revenue: The decrease in land revenue was mainly due to delay in payments made by the concerned parties and hence accounted in a later period.

Miscellaneous General Services: The receipts were “Nil” due to stoppage of lottery business by the Government of Goa in August 2002. Though the lottery business was stopped with effect from August 2002, receipts under the same head were estimated at Rs 693.18 crore in 2005-06 and also in 2006-07. The reasons for making provisions during 2003-07 were not informed by the department despite being requested.

The other departments did not inform (October 2007) the reasons for variation despite being requested.

6.3 Cost of collection

The gross collection in respect of major revenue receipts, expenditure incurred on collection and percentage of such expenditure to gross collection during the years 2004-05, 2005-06 and 2006-07 along with the relevant all India average percentage for 2005-06 are as follows:

(Rupees in crore)

Sr. No.	Head of Revenue	Year	Collection	Expenditure on collection of revenue	Percentage of expenditure on collection	All India average percentage for the year 2005-06
1.	Sales tax	2004-05	567.19	3.59	0.63	0.91
		2005-06	743.31	4.65	0.63	
		2006-07	844.82	3.68	0.44	
2.	Taxes on vehicles	2004-05	58.78	0.87	1.48	2.67
		2005-06	63.84	0.99	1.55	
		2006-07	74.56	0.99	1.33	
3.	State excise	2004-05	55.34	2.59	4.68	3.40
		2005-06	55.35	2.67	4.82	
		2006-07	57.23	2.89	5.05	
4.	Stamp duty and registration fees	2004-05	35.69	1.41	3.95	2.87
		2005-06	60.49	1.52	2.51	
		2006-07	115.92	2.17	1.87	

Thus, the percentage of expenditure on collection during 2006-07 as compared to the corresponding all India average percentage for 2005-06 was high in the case of state excise which the Government needs to look into.

6.4 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2007 in respect of some principal heads of revenue amounted to Rs 532.31 crore of which Rs 89.34 crore were outstanding for more than three years as mentioned below:

(Rupees in crore)

Head of revenue	Amount of arrears as on 31 March 2007	Arrears more than three years old	Remarks
Finance Department			
Commercial tax	285.12	68.57	Out of Rs 285.12 crore, only Rs 27.72 crore were referred to Revenue Recovery Court (RRC) by the Department.
Excise	0.37	0.10	Issued notices to the licencees for payment of outstanding fees. No cases were referred to RRC.
Transport			
Taxes on vehicles	6.90	3.68	No cases were referred to RRC.
Public Works Department			
Chief Engineer			
1 Rent of building / shops	0.43	0.20	Out of Rs 43 lakh, only Rs 2 lakh in respect of one case was referred to RRC.
2 Water charges, meter rent and sewerage charges	29.43	12.61	Out of Rs 29.43 crore, only Rs 4.85 crore in respect of 1,867 cases were referred to the RRC.
Water Resources Department			
Chief Engineer			
• Water Charges	14.72	0.45	Out of Rs 14.72 crore, only Rs 3 lakh in respect of 147 cases were referred to RRC.
• Rent on building/shops	1.16	0.48	Out of Rs 1.16 crore, only Rs 7 lakh in respect of 22 cases were referred to RRC.
• Hire charges of machinery	0.36	0.24	No cases were referred to RRC.

Power			
Chief Electrical Engineer • Energy charges	190.40	Not furnished	Out of Rs 190.40 crore, only Rs 55.56 crore in respect of 3,689 cases were referred to RRC.
Director General of Police	0.33	0.17	Out of Rs 33 lakh, only Rs 4 lakh in respect of 10 cases were referred to RRC.
Agriculture	3.09	2.84	Out of Rs 3.09 crore, only Rs 9,160 in respect of four cases were referred to RRC.
Total	532.31	89.34	

6.5 Arrears in assessments

There were no arrears in sales tax assessments at the end of 2006-07 as informed by the Commercial Taxes Department.

6.6 Arrears in appeals

According to the information furnished by the Commercial Taxes Department, the number of pending appeals at the beginning of the year 2006-07, number of appeals filed and disposed of and number of cases pending with appellate authorities as on 31 March 2007 are as mentioned below:

(Rupees in crore)

Opening balance	No. of appeals filed during 2006-07	Total	No. of appeals disposed of during the year	Balance as on 31 March 2007	Percentage of cases disposed of to total number of cases
769*	1,070	1,839	476	1,353	26

* The discrepancy in the opening balance is due to rectification of the figure by the Department.

6.7 Frauds and evasions

The Commissionerate of Commercial taxes reported that there were no cases of Frauds and Evasions detected by the Commercial Taxes Department during the year.

The number of cases booked for the year 2006-07, cases finalized and additional tax raised during the year as reported by the Commissionerate of Excise is as follows :

	Number of cases	Additional demand raised (Rs)
A. (i) Cases pending as on 1 April 2006	32	-
(ii) Cases detected during the year 2006-07	199	-
B. Cases in which investments/ assessments were completed during the year	140	75,075
C. Cases pending as on 31 March 2007	91	-

6.8 Internal audit

Internal audit is an effective tool in the hands of the management of an organization to assure itself that the organization is functioning in an efficient manner and in terms of its stated objectives; the financial and administrative systems and control procedures are functioning effectively.

Internal audit of all the departments and offices in the State is the responsibility of the Internal Inspection Cell (IIC) under the administrative control of Director of Accounts. The Government, in August 1996, decided that major departments, having a post of Senior Accounts Officer/Accounts Officer would be responsible for internal inspection of their subordinate offices.

The details of the number of offices due for audit during the year 2006-07 and number of offices audited as reported by the Transport Department are as mentioned below:

Department	No. of offices due for audit	No. of offices audited	Shortfall	Reasons for shortfall
Transport	7 offices & 4 Check posts	7 offices & 4 Check posts	Nil	Nil

No observations were pending as all were complied with on the spot.

The Commissionerate of Excise and the Commissionerate of Commercial Taxes have stated that no internal audits were conducted by their Departments due to shortage of staff.

6.9 Results of audit

Test check of records of sales tax, land revenue, state excise, motor vehicles tax, stamps and registration fees conducted during the year 2006-07 revealed underassessment/short levy/loss of revenue amounting to Rs 11.56 crore in 89 cases. The Department accepted underassessment/short assessment of Rs 9 lakh in seven cases pointed out in earlier years and of Rs 8 lakh in 21 cases pointed out during the year and recovered Rs 17 lakh as of March 2007 in 28 cases. No replies have been received in respect of the remaining cases.

This chapter contains one review on "Receipt of Water Supply and Sanitation" and seven paragraphs involving an amount of Rs 33.92 crore.

6.10 Outstanding inspection reports and audit observations

The Accountant General, Goa conducts periodical inspection of various offices of Government departments to test check the transactions of tax receipts and verify the maintenance of important accounting and other records as per the prescribed rules and procedures. These inspections are followed by inspection

reports (IRs) issued to the heads of offices with a copy to next higher authority. Government of Goa issued (January 1992) instructions to the executive for response within one month to the IRs issued by Accountant General, Goa after ensuring action in compliance with the prescribed Acts, rules and procedures. A yearly report is sent to the Secretary of the Department in respect of pending IRs to facilitate monitoring of audit observations by the Government.

The time schedule prescribed by the Government has seldom been adhered to, with the result that 106 IRs issued upto the end of December 2006, containing 360 audit observations involving Rs 12.25 crore were to be settled at the end of June 2007, as indicated below, alongwith the corresponding figures for preceding two years.

	June 2005	June 2006	June 2007
Number of outstanding IRs	74	73	106
Number of outstanding Audit observations	217	188	360
Amount involved (Rs in crore)	1.43	1.99	12.25

Out of 106 IRs pending settlement, even first replies have not been received (June 2007) for 16 IRs containing 113 observations. Pendency of these reports was reported to the Government (August 2007). The Department-wise details of IRs and audit observations outstanding as on 30 June 2007 and the amount involved are indicated below:

(Rupees in crore)

Department	Nature of receipts	Number of outstanding IRs	Number of outstanding audit observations	Money value involved
1. Revenue	Land tax	13	65	1.87
	Stamp duty & registration fee	9	51	7.22
2. Finance	State excise	48	107	0.35
	Entertainment tax	4	17	1.31
	Motor vehicles tax	11	29	0.10
	Sales tax	21	91	1.40
	Total	106	360	12.25

Since the outstanding amount represents unrealized revenue, the Government needs to take speedy and effective action on the issues raised in the IRs.

6.11 Response of the departments to draft audit paragraphs

The draft paragraphs/reviews proposed for inclusion in the Audit Report are forwarded by the Accountant General to Secretaries of the concerned departments through demi-official letters. All departments are required to furnish their remarks on the draft paragraphs/reviews within six weeks of their receipt. The fact of non receipt of replies from the Government is invariably indicated at the end of each such paragraph included in the Audit Report.

Seven paragraphs including one review proposed for inclusion in the Report of the Comptroller and Auditor General of India (Revenue Receipts Chapter) for the year ended 31 March 2007 were forwarded to the concerned Secretaries during June – July 2007. Their replies were due latest by the end of July – August 2007.

Replies to three draft paragraphs including the review have been received and considered while finalising the Report (October 2007).

6.12 Follow up on Audit Reports

According to the instructions issued by the Goa Legislative Secretariat in July 2004, Administrative Departments are required to furnish Explanatory Memoranda (EMs), vetted by the Office of the Accountant General, Goa, within three months from the date of tabling of the Audit Report in the State Legislature in respect of the paragraphs included in the Audit Reports. In spite of this, there was one paragraph in respect of which the EM was not received as of September 2007 from the administrative department, as shown below:

Department	Year of Audit Report	Date of presentation to the Legislature	Last date by which Departmental notes were due	Number of paragraphs for which Departmental notes were due	Delay (months)
Finance	2004-05	July 2006	October 2006	1	11
	2005-06	July 2007	October 2007	1	-
Mines	2005-06	July 2007	October 2007	1	-

6.13 Compliance with the earlier Audit Reports

In the Audit Reports 2001-02 to 2005-06, 48 cases of non-assessments, non/short levy of taxes etc., were included involving Rs 5.97 crore. Of these, as of September 2007, the departments concerned have accepted 35 cases involving Rs 81 lakh and recovered Rs 68 lakh in 31 cases. Audit Report wise details of cases accepted and amounts recovered are as under:

(Rupees in lakh)

Audit Report	Included in the Audit Report		Accepted by the Department		Recovered	
	No. of cases	Amount	No. of cases	Amount	No. of cases	Amount
2001-02	32	61.71	28	15.46	25	9.54
2002-03	4	19.78	1	6.28	-	-
2003-04	1	2.17	1	2.17	1	1.18
2004-05	5	44.28	1	1.57	1	1.57
2005-06	6	469.39	4	55.25	4	55.25
Total	48	597.33	35	80.73	31	67.54

PUBLIC WORKS DEPARTMENT

6.14 Receipt from Water Supply and Sanitation

Highlights

∅ Lack of a tariff policy on the periodicity of revision of rates and basis for revision and method to be adopted for fixing of water rates. In the meanwhile, the receipts as a percentage of expenditure has been steadily going down over the years.

(Paragraph 6.14.7)

∅ Lack of prescribed norms for ascertaining the loss between water released and actually billed for, resulted in loss of Rs 87.63 crore during 2002-07.

(Paragraph 6.14.9)

∅ Lack of prescription of time limit under the WSBL for replacement of faulty meters resulted in 25 *per cent* water meters not working as of March 2007.

(Paragraph 6.14.10)

∅ Non-fixation of Minimum Contract Demand in some cases and billing amounts less than this demand in other cases resulted in loss of revenue of Rs 32.87 crore.

(Paragraph 6.14.12)

∅ Non-recovery of water charges from Panchayats/Municipalities for public taps amounted to Rs 90.58 lakh.

(Paragraph 6.14.14)

∅ The target of household connections under the Sewerage Scheme fell short by 24 to 77 *per cent*.

(Paragraph 6.14.15)

∅ Revenue of Rs 29.43 crore was in arrears mainly due to slackness in action against defaulters.

(Paragraph 6.14.16)

6.14.1 Introduction

The water demand in the State is met through seven¹ regional water supply schemes with a total installed capacity of 394 million litres per day (MLD) as on 31 March 2007 as against the State's demand of 451 MLD as of March 2005. Though Goa was liberated in 1961, the Government is still adopting erstwhile water supply bye-laws (WSBL). The Government passed the Goa Provision of Water Supply (GPWS) Act, 2003 but the rules were not notified (June 2007). The rates fixed for water by the Government depended upon the category of consumers as revised from time to time with the last revision being

¹ Assnora, Cancona, Chandel, Dabose, Opa, Salaulim and Sanquelim.

done in November 2005. No tariff policy for water supply and sanitation was fixed. As on 31 March 2007, there were 1.95 lakh water connections. Of these, 1.77 lakh were domestic, 3,563 commercial and 229 industrial consumers.

The sewerage schemes were implemented in three² towns of the State. The rate of sewerage charges was fixed as percentage of water consumption charges.

A review of the levy and collection of water charges was conducted, which revealed a number of system and compliance deficiencies as mentioned in the succeeding paragraphs.

6.14.2 Organizational set-up

The Public Health Engineering divisions of Public Works Department (PWD) were responsible for the implementation of the above schemes. The divisions were supervised by the Chief Engineer (Water Supply and Sanitation) through three circle offices. The levy, collection and accounting of the revenue under the schemes were done by six divisions.

6.14.3 Audit Objectives

The review was conducted with a view to assess:

- existence of tariff policy governing the fixation of tariff;
- optimum utilisation of water and sanitation capacity towards revenue maximisation;
- method of measurement of water released and billing;
- correct application of tariff to various categories of consumers; and
- effectiveness of internal control mechanism.

6.14.4 Scope and methodology of audit

The levy, collection and accounting of receipts under water supply and sewerage for a period of five years from 2002-03 to 2006-07 was examined during March 2007 to May 2007 by test check of records at Chief Engineer's office, three circle offices³ and six divisions⁴.

An entry conference was held with the Principal Chief Engineer, PWD and other officers of the Department. Records relating to planning and monitoring maintained in the offices of the Principal Chief Engineer, Superintending Engineer and Executive Engineers were examined and data collected and

² Margao, Panaji and Vasco.

³ Circle V, VI and VIII.

⁴ Divisions- III, IX, XII, XVII, XX and XXI.

analyzed with reference to Act, Water Supply Bye-laws and Government orders/instructions.

6.14.5 Acknowledgement

Indian Audit and Accounts Department acknowledges the co-operation of the PWD in providing the necessary information and records for audit. The draft review report was forwarded to the Government and the Department in July 2007. It was discussed in the audit review committee meeting held in July 2007 which was attended by the Secretary, PWD and Principal Chief Engineer, PWD. Views of the Government/Department have been incorporated in relevant paragraphs.

Audit findings

6.14.6 Trend of revenue

The budget estimates and actuals for water supply and sanitation during 2002-03 to 2006-07 were as mentioned below:

(Rupees in lakh)

Year	Budget estimates		Actuals		Variation		Percentage variation	
	Water Supply	Sanitation	Water Supply	Sanitation	Water Supply	Sanitation	Water Supply	Sanitation
2002-03	6721.88	33.38	5300.70	33.20	(-) 1421.18	(-) 0.18	21.14	0.54
2003-04	6694.07	36.71	4783.01	115.49	(-) 1911.06	(+) 78.79	28.55	214.69
2004-05	7363.48	40.40	5141.98	78.64	(-) 2221.50	(+) 38.24	30.17	94.65
2005-06	8099.58	44.49	5280.11	108.41	(-) 2819.47	(+) 63.92	34.81	143.67
2006-07	8000.00	117.00	5738.84	69.72	(-) 2261.16	(-) 47.28	28.26	40.41

Source: Receipt estimates of Government of Goa and Finance Accounts.

The estimates of water receipts were not realistic as is evident from the high degree of variation from the budget estimates every year. Under sanitation too, there were substantial variation except for 2002-03.

The Department stated that the estimates of water supply for 2003-04 were based on the actuals of the previous year. The Department also attributed the increase in actual receipts in 2005-06 to good response for new connections. The decrease in 2006-07 on sanitation is on account of reduction in sanitation charges by half.

System deficiencies

6.14.7 Absence of a tariff policy

There was no tariff policy. No scientific method was also adopted for fixing water charges

Water rates were fixed under the provisions of WSBL. During 2002-07, the rates were revised in April 2002, August 2003, October 2005, March 2006 and May 2006. Though Government notified GPWS Act, 2003 empowering, inter-alia, fixing of tariff and revision thereof, yet the Government continued to revise rates under the provisions of WSBL. There was neither a tariff policy indicating, inter-alia, the periodicity and basis of the revision of rates nor was any scientific method adopted for fixing of water rates. The rates were increased in some categories and decreased in other categories. Receipts as a percentage of expenditure has been going down steadily in the meanwhile as mentioned below:

(Rupees in lakh)

Year	Maintenance expenditure	Receipts	Percentage of receipts over expenditure
2002-03	6,988.60	5,300.70	75.85
2003-04	6,559.37	4,783.01	72.92
2004-05	7,445.54	5,141.98	69.06
2005-06	8,848.13	5,280.11	59.67
2006-07	9,335.87	5,293.84	56.70

The Department agreed (August 2007) that there was no clear cut policy for determining the tariff structure and stated that it would be formulated.

The Government may formulate a tariff policy for water charges.

6.14.8 Underutilization of capacity

Available capacity of water supply was much less than the installed capacity

There is no linkage of the installed capacity of water supply through the various schemes vis-à-vis the demand in the State. No norms have been fixed for average production of water vis-à-vis the installed capacity. The water demand in the State was placed at 451 MLD as of March 2005. Though the installed capacity of water supply through seven schemes was much less at 394 MLD, even the available capacity had not been fully utilised as mentioned below:

Year	Installed capacity (M3) (MLD)	Water released (M3) (MLD)	Percentage of release
2002-03	11,46,10,000 (314)	10,02,29,305 (274.60)	87.45
2003-04	11,49,24,000 (314)	10,78,16,560 (294.58)	93.81
2004-05	13,54,15,000* (371)	10,91,48,070 (299.04)	80.60
2005-06	14,38,10,000 (394)	11,24,31,210 (308.03)	78.18
2006-07	14,38,10,000 (394)	11,47,98,796 (314.52)	79.83
Total	65,25,69,000 (1787)	54,44,23,941 (1490.77)	83.43

* Average capacity. Total capacity was enhanced to 394 MLD

Underutilisation of installed capacity, inspite of unfulfilled demand for water, has revenue implications.

The Department stated (August 2007) that considering the year-wise scenario the average production comes to the tune of 80 *per cent* depending on power failure, reduction of water level at raw water source and quality of raw water.

The Government may consider fixing the norms for average production of water against the installed capacity.

6.14.9 Loss of water during distribution

Distribution loss of water above the prescribed limit was Rs 87.63 crore during 2002-07

The Department did not install flow meters at the initial supply points. Release of water was worked out on the basis of the discharge capacity of pumps. The Department did not fix the norms for ascertaining the loss between the released water and that actually billed. However, it adopted 15 *per cent* leakage (distribution loss) for working out the availability of water with reference to the installed capacity in respect of Salaulim Water Supply Scheme while preparing the project report for Japan Bank for International Co-operation (JBIC).

Audit scrutiny revealed that the Department had not fixed flow meters in any of its water treatment (WT) plants in operation. In their absence, quantities of water pumped into and its distribution was measured at various WT plants based on the capacities of Master Balancing Reservoir and discharging capacity of WT pump. No limit of wastage of water was prescribed by Government. The water accounted for was 20 to 39.75 *per cent* less than the water released during 2002-07 as mentioned below:

Year	Water released (M ³)	Water accounted for (M ³)			Loss of water (M ³)	Percentage of Loss
		Water billed	Free water supplied	Total		
2002-03	10,02,29,305	7,21,38,441	80,45,160	8,01,83,601	2,00,45,704	20.00
2003-04	10,78,16,560	5,68,95,691	80,58,885	6,49,54,576	4,28,61,984	39.75
2004-05	10,91,48,070	5,78,17,169	1,10,45,925	6,88,63,094	4,02,84,976	36.91
2005-06	11,24,31,210	6,07,76,793	74,79,500	6,82,56,293	4,41,74,917	39.29
2006-07	11,47,98,796	6,81,92,063	50,54,911	7,32,46,974	4,15,51,822	36.20

Thus, there was loss in distribution indicating a possibility of theft, leakage and non-functional meters. The Department had not analysed the reasons for the substantial loss of water. Taking into account the leakage of 15 *per cent* considered in the project report submitted to the JBIC, the loss of revenue on account of leakage of water above 15 *per cent* works out to Rs 87.63 crore calculated on the average water rate of Rs 8.17[^] per M³ realised during 2002-07.

[^] Average realized water rate = Revenue earned for 5 years ÷ Quantity of water billed for 5 years.

The Department in reply stated that the losses of 23 *per cent* are acceptable for developing countries. The reply is not tenable as the losses except for 2002-03 were well above 23 *per cent*. The percentage losses have also doubled from the level of 2002-03. This indicated lack of efforts to control leakage, theft etc.

The Government may fix norms for losses during distribution of water between the water released at water supply schemes and the water supplied and billed. It may also consider fixing flow meters in its water treatment (WT) plants in operation.

6.14.10 Non-replacement of faulty meters

As on 31 March 2007, 25 per cent of meters were non working / faulty

Though the WSBL provides for replacement of faulty meters, no time limit has been prescribed for this. If at any time reading could not be taken for any reason, the water bills were to be issued at the average of last three months. The position of non-working/faulty meters as on 31 March 2007 as furnished by the Department is as mentioned below:

Division Number	Total number of faulty meters	Meter not working for			
		Less than 6 months	6 months to 1 year	1 year to 2 years	Above 2 years
IX	24,786	23,062	941	412	371
XVII	10,182	Nil	7,447	2,007	728
XX	1,067	925	142	Nil	Nil
III	12,465	1,560	2,560	6,007	2,338
Total	48,500	25,547	11,090	8,426	3,437

The percentage of non working/faulty meters as on 31 March 2007 worked out to 25 *per cent* of the total number of consumers. 11,863 faulty meters were not replaced for more than a year. Non functional meters invariably lead to short billing as the consumers can afford to be extravagant in usage of water without extra cost.

The Department attributed the faulty meters to fixing of DGS&D meters which used to go out of order within a short span and stated that it planned to have hi-tech meters with 6 years fixed guarantee. The Department further stated that 20,000 non working meters were replaced in the past two years. It further added that a nodal officer at every division has been appointed to monitor the position. The fact remains that the percentage loss of water continues to remain at a very high level.

The Government may consider fixing a time limit for the replacement of faulty meters.

6.14.11 Internal audit

Internal audit is an effective tool for an organization to assure itself that its functions are being carried out in an efficient and cost effective manner. Internal audit of the Department including subordinate offices was entrusted to the internal audit wing (IAW) headed by the Joint Director of Accounts, assisted by assistant accounts officer/auditors. Audit scrutiny from the records produced to audit for the period 2002-07 revealed that there was no continuity in conducting the internal audit at subordinate offices. No guidelines were framed indicating the period to be covered in audit, checks to be exercised, format in which reports to be submitted and watching of compliance etc. The Department conducted four internal audits during 2002-07.

The Department stated that due to shortage of full fledged staff exclusively for the purpose, audit could not be conducted regularly. The Department further added that Joint Director of Accounts would be directed to look into the matter.

The Government may consider ways to make the IAW more effective.

Compliance deficiencies

6.14.12 Short billing of water charges in respect of MCD

Short billing of water charges in respect of minimum contract demand resulted in a loss of Rs 32.87 crore

Under the provisions of the WSBL, an agreement has to be entered into between the consumer and the Department prior to the release of the water connection to a consumer and the minimum contract demand (MCD) of water should be clearly mentioned in the agreement. The consumers have to pay for the actual consumption or MCD, whichever is higher. The MCD of water in respect of industrial concerns is to be fixed as per the demand in each case.

Test check of the records revealed that in the following cases either the MCD was not fixed or billing done was less than the MCD which resulted in loss of revenue of Rs 32.87 crore.

6.14.12.1 It was noticed from the contract for water supply to Industrial Development Corporation (IDC), Verna that neither the MCD was fixed nor was the contract signed by the Executive Engineer. Further, the IDC was being billed for water supply on the actual basis which was less than the minimum quota of 5,500 M³ assigned to it. Failure of the Department to sign the contract and fix MCD has resulted in short billing of Rs 17.60 crore for the period from 4 June 2001 to 31 March 2007.

The Department stated that there was no contractual agreement between the IDC and the Government for supply of the minimum quantity of water. The reply is not tenable as the Government having fixed a minimum quota, should have executed an agreement as required under the WSBL.

6.14.12.2 The contract for water supply executed with IDC, Duller, was not available on record. However, as per the MCD recorded on the bills issued prior to May 2006, the IDC was being billed for MCD of 3,000 M³ per month though the actual consumption was less. It was noticed that during May 2006 to March 2007, bills were raised on the actual basis ignoring the MCD of 3,000 M³ per month, which resulted in short billing of water charges of Rs 1.78 lakh.

The Department accepted the short billing and issued notice to the consumer to pay the amount (June 2007).

6.14.12.3 No MCD was fixed for water supplied to IDC-Sancoale, IDC-St. Jose de Areal, IDC-Cuncolim. In the absence of MCD, the loss on account of short billing could not be quantified in audit.

6.14.12.4 A mention was made in paragraph 4.5 of the report of the Comptroller and Auditor General of India for the year ended 31 March 2001 that failure of the Department to specify in the agreement the minimum quantity of water to be billed resulted in loss of revenue of Rs 4.11 crore calculated based on the water charges for supply of water of 4,000 M³ per day for the period from August 1999 to March 2001, besides unauthorised benefit to the industrial concern M/s Reliance Salgaonkar Power Co. Ltd. Further scrutiny of the records revealed that no agreement was executed with the consumer stipulating the minimum quantity of water to be billed (June 2007). During the period from April 2002 to March 2007, the consumer was billed on the basis of actual consumption which was less than the minimum quantity of 4,000 M³ per day for which a security deposit was obtained, resulting in short billing of Rs 15.26 crore.

The Department stated (August 2007) that the demand in domestic sector was increasing and in many cases the Department was not in a position to supply the minimum agreed quantity and as such they were charged on actual basis in order to avoid litigation. The reply is not tenable as the Department is required to fix the MCD for each industrial consumer as per the provisions of the WSBL.

6.14.13 Non-observance of the provisions of WSBL in raising the bills

WSBL provided that if at any time the reading could not be taken for any reason, the water bills were to be issued at the average of last three months.

It was noticed in a division at Porvorim that the bills were raised as per the minimum consumption as against the average of the last three months for 10,168 consumers whose meters were not working. In the absence of consolidated case-wise data, the quantum of loss of revenue could not be worked out in audit.

The Department has noted (August 2007) the audit observation for compliance.

6.14.14 Non-recovery of water charges in respect of public taps

Water charges of Rs 90.58 lakh were recoverable from Panchayats/Municipalities

The Government notified on 25 October 2005 the rate of Rs 180 per tap per month to be charged with effect from 1 November 2005 to the Panchayats/Municipalities for public tap installations. Non-payment of bills attracted delayed payment charges at the rate of two *per cent* per month. The water supply was to be disconnected in case bills were lying unpaid for over two months.

Scrutiny revealed that though the water bills were raised amounting to Rs 90.58 lakh for the period from 1 November 2005 to 31 March 2007 in respect of 3,507 public taps installed, no recovery was made from the Panchayats/Municipalities.

The Department stated (August 2007) that the issue of non-payment was reported to the higher authorities, adding that the Director of Panchayats was requested to settle the bills through the Panchayats funds.

6.14.15 Shortfall in utilisation of capacity of sewerage schemes

Shortfall in household sewerage connections was 24 to 77 per cent

In order to provide clean and healthy environment in urban areas, the Government implemented underground sewerage schemes in major towns like Panaji, Vasco and Margao to collect the domestic waste water generated and dispose it safely after proper treatment. As on March 2007, the households to be connected, households actually connected and shortfall are as mentioned below:

Sewerage Scheme at	Households to be connected	Households actually connected	Shortfall in connection	Percentage of Shortfall
Panaji	13,200	10,020	3,180	24
Vasco	23,000	5,261	17,739	77
Margao	12,900	3,742	9,158	71
Total	49,100	19,023	30,077	61

Thus, the achievement fell short of the target by 24 to 77 *per cent*.

The Department stated (August 2007) that the sewerage bye laws and rules had been framed and submitted to the Government for approval by which the household connections would be made mandatory once the sewerage network was made available in the area.

6.14.16 Arrears of revenue

The arrears of revenue of water charges pending for recovery as on 31 March 2007 were Rs 29.43 crore, which was 55 *per cent* of the annual revenue of the Department from water supply and sanitation. WSBL provided that the water bills should be paid on or before the due date specified in the bills issued and non-payment of the same attracted delayed payment charges at the rate of two *per cent* per month. The water supply shall be disconnected in case payment of water bills remains overdue for two months and the arrears of water shall be recovered as arrears of land revenue.

Arrears of water charges pending for recovery were Rs 29.43 crore

It was noticed that though the arrears amounting to Rs 12.61 crore were more than three years old, yet only 1,867 cases (Rs 4.85 crore) had been referred to Revenue Recovery Court as on 31 March 2007 indicating slackness in action against the defaulters.

The mounting arrears and slow progress in its recovery was mainly due to timely action not being taken against the defaulters, by disconnecting the water supply as required under the WSBL and laxity in referring the overdue cases to Revenue Recovery Courts and its pursuance.

The Department stated (August 2007) that efforts would be made to reduce the arrears of revenue and it planned to have special squads for checking the defaulters.

6.14.17 Delay in issue of water bills

Weak internal control mechanism resulted in delay in issue of water bills, short collection of security deposits, non-reconciliation of revenue receipts

As per WSBL the reading of the water meters should be done every month more or less on a fixed day and the gap between two consecutive readings should not be less than 25 days and more than 35 days.

Audit scrutiny revealed that water bills were also issued for periods exceeding 35 days. In a division at Margao there was delay in issue of water bills ranging from 4 to 148 days in 81 billing cycles scrutinised in audit. The amount involved in delay was Rs 5.36 crore. Non-issue of water bills in the prescribed time resulted in delay in realisation of revenue.

The Department stated (August 2007) that nodal officer for each division had been appointed in order to monitor revenue aspects. The Department further stated that spot billing on pilot basis had been taken up in which case bill would be issued on the spot at the time of billing.

6.14.18 Delay in realisation of water bills collected through banks/societies

The Government of Goa (Receipt & Payment) Rules, 1997 provided that the amount realised should be credited to the Government account without undue delay. The Government introduced with effect from 1 November 1989, a scheme of payment of water bill through banks/societies on behalf of the

PWD. The Department officials were to collect the receipts from the banks/societies daily at certain specified places and twice a week at other places and remit it into treasury.

Scrutiny of records of three divisions⁵ revealed that there was delay ranging from 1 to 58 days in crediting the amount realized (calculated after allowing three days from the last day of collection of revenue) in 158 billing cycles.

The Department stated (August 2007) that sometimes there were delays in a few cases of the societies/banks of remote areas which would be monitored.

6.14.19 Non-reconciliation of revenue receipts

As per General Financial Rules, the controlling officer shall be responsible to ensure that all sums due to the Government are regularly realised and duly credited to the Government account.

Scrutiny in four divisions⁶ revealed that there was a difference of Rs 47.47 lakh between the treasury and divisional figures. Of these, a difference of Rs 12.46 lakh was for remittances outstanding for more than a year.

The Department stated (August 2007) that the divisions would be directed to carry out the reconciliation at regular interval.

6.14.20 Conclusion

There was neither any tariff policy indicating, inter-alia, the periodicity of revision of rates and the basis for revision nor was any scientific method adopted for fixing of water rates. This resulted in arbitrary fixation of rates in various categories. Though the installed capacity of water supply schemes is less than the demand for water, yet the capacity remained underutilised. As no norms for ascertaining the loss between the released water and that actually billed have been fixed. It resulted in substantial loss of revenue. Lack of prescription of a time limit under the WSBL resulted in their non-replacement and short billing. Failure to fix and specify the MCD also resulted in loss. The internal controls in the Department were weak as is evidenced by the arrears in accounts and lack of an effective internal audit wing.

6.14.21 Summary of recommendations

The Government may consider:

- formulating a tariff policy for water charges;
- fixing the norms for average production of water against the installed capacity;

⁵ Panaji, Porvorim and Margao

⁶ Panaji (December 2006), Porvorim (November 2006), Margao (March 2007) and Sanguem (February 2007).

- fixing norms for losses during distribution of water between the water released at water supply schemes and the water supplied and billed;
- fixing the time limit for replacement of faulty meters; and
- making the Internal Audit Wing more effective.

FINANCE DEPARTMENT

6.15 Non-levy of interest

The Department failed to levy interest of Rs 45.55 lakh for delayed payment of sales tax.

Under the Goa Sales Tax Act, 1964 and the Rules made thereunder, if a dealer fails to pay the tax due from him within the prescribed period, simple interest at the rate of 15 *per cent* per annum is leviable on the amount of tax remaining unpaid. The above provisions apply to assessments finalized under the Central Sales Tax Act by virtue of section 9(2) of the Act.

Test check of the records of Vasco ward, in August 2006 and February 2007 revealed that a dealer paid the amount of tax after delay ranging between 3 and 75 days for the years 2001-02, 2002-03 and 2003-04. The Department, however, did not levy interest of Rs 45.55 lakh for delayed payment of tax.

After the case was pointed out, the Department stated (April 2007) that there was sometimes intermediary or transit delay either in postal clearance or bank clearance which resulted in the late payment of taxes. Further, the Department added that for major tax payers it could not strictly adhere to the dates/rules and levy interest on transactional delay. The reply is not tenable as the tax was not even deposited within 15 days from the expiry of the month to which it related. Further, there is no provision in the Act to exempt major tax payers from levy of interest.

The matter was referred to the Government (June 2007); their reply has not been received (September 2007).

6.16 Non-realisation of entertainment tax and registration fee from headend control rooms/distributors

Failure of the Department to register the cable operators resulted in non-realisation of revenue of Rs 23.34 lakh.

Under the provisions of the GET Act, the headend control rooms/distributors are liable to pay entertainment tax with effect from 1 September 2006 at Rs 10 per connection per month. Besides, they are also required to pay registration fees of Rs 5,000 per year.

Scrutiny of the records revealed that 16 headend control rooms/distributors having 33,341 cable connections were neither registered nor paid entertainment tax. The amount of tax works out to Rs 23.34 lakh for the period from September 2006 to March 2007, besides, registration fee of Rs 80,000 for 2006-07.

After the matter was pointed out, the Government stated (August 2007) that notices were issued to the headend operators and individual liabilities would be assessed.

6.17 Non-levy of interest and delay in initiating follow up action for recovery in appeal orders

Delay in initiating follow up action and non-levy of interest for recovery of appeal orders resulted in non-recovery of revenue.

Under Section 27 of the Goa Sales Tax Act 1964, if any dealer is aggrieved by an order of assessment made by the assessing officer (AO), he may appeal before the appellate authority (AA) against the assessment of tax, penalty or interest, if any. The AA may confirm/reduce/set aside (for re-assessment) the assessment order or reject the appeal petition filed by the dealer. After the disposal of appeal cases, the appellate order as well as the connected case records are sent back to the AO for taking follow up action as per the directions of the AA. As per section 15(7) (a) read with 17(B) of the GST Act and section 9(2) B of the CST Act, when a dealer defaults in making payment of tax, penalty etc., the dealer is liable to pay interest on the amount payable for the period commencing from the date of expiry of the date specified in the notice for payment to the date of payment of the amount. The GST Act also provides that any amount of tax or penalty or interest which remains unpaid after the date prescribed for payment as demanded by the issue of notice or order shall be recoverable as arrears of land revenue.

Scrutiny of 39 appeal cases decided during 2005-06 and 2006-07, involving an amount of Rs 50,000 and above pertaining to five wards* in which the AAs were directed to recover the dues, revealed the following:

- In two cases, the AA upheld the assessment orders passed by the AOs and the dealers paid tax accordingly. But the AOs did not levy interest of Rs 6.71 lakh due from the date of expiry mentioned in the demand notice issued after assessment to the date of actual payment.

The cases were referred to the Department/Government; their reply has not been received.

- In nine cases, though the appeals were decided, demand notices were not issued to the dealers up to 31 March 2007. The delay ranged from 3 to 21 months from the date of issue of appellate order. This resulted in delay in realization of revenue of Rs 29.36 lakh,

* Bicholim, Mapusa, Margao, Ponda and Vasco

besides interest of Rs 3.93 lakh calculated from the date of appellate orders to 31 March 2007.

The Government stated (September 2007) that revenue recovery certificates (RRCs) have been issued in eight cases and in one case the dealer has filed revision application.

- In 18 cases, though demand notices were issued for payment of dues following the appeal orders, the dealers did not pay the dues. Thereafter, the AOs had not initiated any action to recover these dues as arrears of land revenue by issuing prescribed certificates of dues in respect of defaulters to the officer authorized by the Government even after a lapse of 1 to 19 months. As a result, revenue of Rs 58.23 lakh still remains to be recovered as of March 2007, besides interest of Rs 6.44 lakh calculated from the dates specified for payment in demand notices after finalization of appeals to 31 March 2007. After the cases were pointed out; the Department stated that the RRCs were issued in 14 cases to the Sales Tax Officer authorized by the Commissioner of Sales Tax.

6.18 Incorrect calculation/evasion of entertainment tax

Incorrect computation of admission fee by the Department resulted in short levy of entertainment tax of Rs 16.46 lakh.

Under the provisions of the Goa Entertainment Tax Act (GET), the river cruises and casinos are liable to pay tax at the rate of 15 *per cent* of the admission fee and surcharge at the rate of 10 *per cent* on tax with effect from April 2001 to August 2006. Scrutiny of the assessments of M/s Advani Pleasure Cruise Pvt. Ltd., a river cruise/casino operator, revealed the following irregularities:

- While assessing the tax liabilities of the proprietor for the period from April 2001 to June 2005, the rate of tax was calculated as inclusive of the admission fee. Despite the fact that the proprietor had not collected any tax with admission fee during the above period, the Department incorrectly treated the admission fee as inclusive of tax. This resulted in short collection of tax of Rs 7.86 lakh.
- While assessing the tax liability the Department ascertained the admission fee at the rate of Rs 300 per pax. During the period 2004-05 and from April 2006 to August 2006, 55,707 passengers were boarded in the vessel. Accordingly, the admission fee worked out to Rs 1.67 crore as against assessed admission fee of Rs 1.15 crore. This has resulted in short assessment of admission fee of Rs 52.15 lakh and consequent short levy of entertainment tax of Rs 8.60 lakh.

After the matter was pointed out, the Government stated (August 2007) that a notice had been issued for reverification of accounts.

6.19 Non-realisation of entertainment tax from cyber cafe

Failure of the Department to register 75 cyber café operators resulted in non-realisation of revenue of Rs 12.57 lakh.

As per GET Act, no person shall operate a cyber café unless he is registered under the GET Act and pays the registration fees/annual renewal charges at the rate of Rs 5,000 and Rs 2,000 per year for municipal areas and other than municipal areas respectively. The rate of entertainment tax was five *per cent* and surcharge at the rate of 10 *per cent* of tax. The payment of surcharge was however, discontinued with effect from 1 September 2006.

Scrutiny of records revealed that as on 31 January 2007, only 28 cyber café operators were registered under the GET Act as against 103 cyber cafés registered for payment of service tax with the Department of Central Excise. Thus, failure of the Department to register 75 cyber café operators resulted in non realisation of registration fees/annual renewal charges amounting to Rs 12.57 lakh for the period 2003-04 to 2006-07. Further, no entertainment tax/surcharge was collected up to 31 March 2007 from both registered and unregistered cyber café operators. The amount of tax evaded could not be determined in the absence of data.

After the matter was pointed out, the Government stated (August 2007) that reminders had been issued to the operators.

6.20 Evasion of entertainment tax by river/boat cruises

Failure of the Department to register river/boat cruises led to potential loss of Rs 3.66 crore.

Under the provisions of the GET Act, river/boat cruises are liable to pay tax at the rate of 15 *per cent* of admission fee and a surcharge at the rate of 10 *per cent* on tax with effect from April 2001 to August 2006.

6.20.1 Scrutiny of the records revealed that as against 278 different types of vessel (248 boat cruises + 30 passenger vessels) licences/NOCs issued by the Captain of Ports, Panaji, only nine passenger vessels were registered with the Department and were paying entertainment tax. Twenty one unregistered vessels having capacity of 957 pax were neither registered nor paid the tax during April 2001 to March 2007. This resulted in estimated evasion of tax including surcharge of Rs 2.12 crore calculated on the basis of one trip per day for nine months considering 800 passengers.

6.20.2 Out of 248 unregistered boat cruises, the Department admitted that 116 boat cruises were providing entertainment. Scrutiny of the records revealed that the Department had conducted a survey only in November 2005 and issued notices to 33 proprietors to ascertain their tax liabilities. The survey conducted by the Department of 33 boat cruise operators revealed that they earned in the range of Rs 500 to Rs 6,000 on a daily basis. Taking the

minimum daily income of Rs 500 for nine months in a year (excluding three months of heavy rains) the total tax liability for the period April 2001 to March 2007 of 116 operators works out to Rs 1.54 crore.

After the cases were pointed out, Department stated that the process of registration and fixing of liability was underway. The Department further stated that the peak season for cruises was around three months in a year and the calculation of tax evasion was on higher side. The contention of the Department is not tenable, as the estimated evasion of tax has been worked out for nine months in a year at the rate of one trip per day whereas the actual trip undertaken during the peak season would be much more than one per day.

PUBLIC HEALTH DEPARTMENT

6.21 Loss of revenue due to non-collection of charges for CT Scan and MRI services

Failure of the GMC to collect charges for CT Scan and MRI services resulted in non-realisation of revenue of Rs 27.10 lakh.

The Goa Medical College and Hospital (GMC) collects fees for availing MRI/CT Scan services from the foreigners and employees of the public sector undertakings, corporate houses and banks as per the rates fixed by the Public Health Department. The rates of fee for CT scan and MRI were Rs 600 and Rs 1,000 respectively for GMC patients and Rs 1,500 and Rs 3,000 for non-GMC patients.

Scrutiny of the records in May 2007 revealed that the Radiology Department of the GMC designated for collection of the above charges, had not collected any charge from the patients between 11 December 2006 and 31 March 2007. During the above period 3,751 CT scans and 938 MRI investigations were conducted by the GMC, of which the actual number of chargeable patients was not available. The trend in November 2006, however, showed that 85 *per cent* of the total patients were under the chargeable category. Based on the trend of patients under chargeable category, the GMC sustained a loss of Rs 27.10 lakh during the period from 11 December 2006 to 31 March 2007 due to not realizing the investigation charges from the patients.

The matter was referred to the Government in June 2007; their reply has not been received (October 2007).