

## CHAPTER-II

### AUDIT OF TRANSACTIONS

This chapter contains audit paragraphs on misappropriation, avoidable expenditure, idle investment, idle establishment, regulatory issues and other points of interest that came to notice during the audit of transactions of Government departments.

#### 2.1 *Misappropriation*

##### URBAN DEVELOPMENT DEPARTMENT

###### 2.1.1 Misappropriation of cash

<b>Short remittance of revenue receipts into a bank account resulted in misappropriation of municipal revenue amounting to Rs 40.77 lakh.</b>
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According to Rule 37 of the Goa, Daman and Diu Municipal Account Code, 1972, the money received by the Municipal Council is to be deposited in the bank or treasury not later than the day following the receipt thereof. Further, under Rule 44(1), the cash book is to be closed daily and signed by the Chief Officer. At the end of each month, the receipts and expenditure entered in the cash book are to be compared item-wise with the pass book and the balances agreed. The differences, if any, are to be explained in a footnote in the cash book.

Audit scrutiny (January and February 2009) of the cash book and bank statements of the Ponda Municipal Council (PMC) revealed that the cash receipts towards municipal revenues such as rent, tax, fees etc. recorded in the cash book were not remitted fully into the bank account during the years 2006-08, which resulted in suspected embezzlement of Rs 40.77 lakh as detailed below:

The opening balance of cash as on 1 April 2006 was shown as 'nil' in the cash book. The total cash receipts during 2006-07 as per the cash book were Rs 52,51,241. Against this, the total cash deposits credited by the bank as per the bank statements (Union Bank of India – Current Account No. 26001) during the year (1 April 2006 to 31 March 2007) were Rs 30,27,253. Further, cash payments of Rs 4,08,170 were indicated (1 April 2006 to 31 March 2007) in the cash book. Audit analysis revealed that while the resultant closing balance should have been Rs 18,15,818, the closing cash balance recorded in the cash book was 'nil'.

It was also observed that during the year 2007-08, the total receipts recorded in the cash book was Rs 61,05,950 while the total cash deposits into the bank as per bank statements was Rs 33,18,599 along with cash payment of Rs 5,17,181 (1 April 2007 to 31 March 2008). However, as against a balance of Rs 22,70,170, the closing balance as recorded in the cash book was

Rs 9,168. Therefore, there was a shortage of Rs 22,61,002. Thus an amount of Rs 40,76,820 remained unaccounted for during 2006-07 and 2007-08, indicating misappropriation of the said amount.

The Internal Auditors of PMC had also pointed out this discrepancy (September 2008) in their report along with the fact that the daily transactions in the cash book had not been attested by any official as a token of verification and no bank reconciliation statements had been prepared during the period. However, they did not bring out the misappropriation in their report as a result of such lapses. Hence, failure of the internal control mechanism and laxity on the part of the controlling authorities in observing the laid down procedures led to the misappropriation of public money of Rs 40.77 lakh.

The Chief Officer of the Municipal Council confirmed (February 2009) the facts and figures. When the matter was reported to the Government, an inquiry was ordered to be carried out in the matter. The Department stated (July 2009) that the inquiry was in progress. Further report is awaited (September 2009).

## **2.2 Avoidable expenditure**

### **CIVIL SUPPLIES AND CONSUMER AFFAIRS DEPARTMENT**

#### **2.2.1 Avoidable expenditure of Rs 55.50 lakh due to non-lifting of festival quota rice**

**Failure of the department to lift festival quota of 1,000 MT rice at the APL rate resulted in procurement of rice from the open market at a higher rate, incurring extra expenditure of Rs 55.50 lakh.**

Prior to April 2007, the monthly quota for allocation of Above Poverty Line (APL) rice by Government of India (GOI) to the State was 6,664 MT, to be distributed to the families of APL beneficiaries at the rate of Rs 8.95 per kg. As this rate was higher than the open market rate, the department distributed the rice at a subsidized rate of Rs 6.50 per kg to APL card holders from December 2006 to December 2007. In April 2007, GOI reduced the monthly allocation of APL rice to the State from 6,664 MT to 500 MT per month. As the reduced allocation was not sufficient to cope with the demand, the department procured (between January and March 2008) 5,454 MT rice from the Goa Cooperative Marketing and Supply Federation Ltd (Federation) at the rate of Rs 14,500 per MT. This rice was distributed at the rate of Rs 8.95 per kg to the APL card holders.

Audit scrutiny (April 2008) revealed that prior to the issue of the supply order for procurement of rice from the Federation, GOI had allocated (14 December 2007) 1,000 MT rice at the APL rate as festival allocation to the State. The validity period of one month for lifting this additional festival allocation was upto 13 January 2008. However, the Department neither lifted this additional festival allocation within the validity period nor made any request for extension of the validity period to GOI.

Had the Department lifted the rice, it could have purchased a less amount of rice i.e. 4,454 MT from the open market, and saved expenditure of Rs 55.50 lakh.

The Department stated (April and September 2008) that the festival allocation of rice could not be lifted as there was no festival during January 2008. Also, by the time the Food Corporation of India could confirm the additional quota allocated to the State, the period for lifting had lapsed. The reply is not tenable as major festivals of the State such as Christmas and New Year were observed between 14 December 2007 and 13 January 2008. Besides, the Department also failed to seek extension of the validity period for lifting of the rice from GOI.

## ART AND CULTURE DEPARTMENT

### 2.2.2 Avoidable interest and loan liability

**Release of Central assistance as 100 per cent grant instead of 70 per cent loan and 30 per cent grant, resulted in an avoidable loan and interest liability of Rs 1.51 crore.**

The International Centre of Goa (ICG), registered under the Societies Registration Act 1860 and established in the year 1987, was conceived as a forum to bring together thinkers, scholars, academic achievers, industrialists and creative personalities from India and abroad. The Government allotted eight acres of land and also released grants-in-aid totalling Rs 2.50 crore (between 1990-91 and 1997-98) for construction of the first phase of the Centre. This included Rs 1.50 crore sanctioned (September 1995 and March 1997) by Government of India (GOI) for ICG as 70 per cent loan and 30 per cent grant. Phase I of the construction was completed in 1996 and ICG started functioning (December 1996) as an autonomous institution, raising its own income through various national and international conferences, workshops, cultural events, etc.

In April 1998, GOI asked the State Government to make a provision of Rs 2.75 crore within the approved outlay of the Ninth Plan of the State for development of infrastructure in ICG. Additional Central assistance amounting to Rs one crore was released (March 1999) by GOI to the State Government in the form of 70 per cent loan and 30 per cent grant. The loan portion carried an interest of 12.5 per cent per annum. Fifty per cent of this loan was repayable in equal annual instalments for 20 years and the balance 50 per cent had a five-year initial grace period after which the instalments had to be paid within 15 years.

The proposal for development of Phase II was submitted by ICG in February 2007 and the State Government released (March 2007) Rs one crore to ICG. Since the Government had already made a budget provision of Rs 1.01 crore for the year 2006-07 in accordance with the budget speech of the Chief Minister, the amount was released as 100 per cent grant-in-aid.

As per the terms and conditions of assistance from GOI, the amount was to be released to ICG in the form of 70 per cent loan and 30 per cent grant. However, as the department released the assistance as 100 per cent grant-in-aid, the State had to bear the extra liability of interest of Rs 80.93 lakh on the said loan till full payment of loan. This was in addition to the repayment liability of the loan of Rs 70 lakh, which was avoidable and should have been passed on to ICG. As ICG had started generating substantial income and their excess income over expenditure during the three years 2004-07 was to the tune of Rs 62.48 lakh, the conversion of the loan into a grant by State Government and consequent non-levy of interest was unwarranted which resulted in loss of Rs 1.51 crore to the State exchequer.

The department stated (July 2009) that the Government had decided to offer the following options to ICG.

- The ownership of the assets created out of the loan component would be transferred to the Government, which could in turn, lease out the same to ICG on appropriate terms.
- ICG could refund the loan component to the Government.
- If the two options were not acceptable to ICG, the Government could initiate recovery proceedings for the loan amount.

The reply is not acceptable as the State Government has not explained why GOI terms were not adhered to and why the amount was not released in the form of 70 per cent loan and 30 per cent grant. Further report in the matter is awaited (September 2009).

## **PUBLIC WORKS DEPARTMENT**

### **2.2.3 Avoidable extra expenditure of Rs 44.39 lakh**

**Delays in taking decisions on acceptance of tenders for road works and in communicating acceptance of offers resulted in avoidable extra expenditure of Rs 44.39 lakh.**

As per para 18.4.1.1 of the CPWD Manual, top priority should be given to decide the award of works on receipt of tenders. The maximum period allowed for scrutiny and disposal of tenders to be accepted at the level of Chief Engineers is 30 days. As per para 18.4.1.2, if any officer is unable to follow the time schedule, he should give reasons while forwarding the tenders to the competent authorities for acceptance.

- a) A work for providing a hot mix carpet from Maruti Temple to Karaswada junction, a length of three km in Mapusa at an estimated cost of Rs 81.78 lakh was tendered in December 2005. Two offers were received and the validity period of the offers was upto 3 May 2006. The lowest offer of M/s. Thasma Construction for Rs 81.51 lakh was not considered as the contractor had not quoted for one item. The second lowest offer of M/s. E.O.Thomas was for Rs 82.19 lakh (0.50

*per cent* above) and the Executive Engineer (EE) submitted the tender scrutiny report to the Superintending Engineer (SE) on 23 February 2006. The SE submitted the file to the Chief Engineer (CE) on 19 April 2006. As the rates quoted by the agency were not enclosed in the file, the CE returned the file on 10 May 2006 to the SE. In the meantime, the validity period expired on 3 May 2006. The EE then requested (17 July 2006) the contractor to extend the validity period of the offer upto 31 August 2006. The contractor expressed (19 July 2006) his inability to execute the work due to onset of the monsoon and increase in the rates of metal, diesel, asphalt etc. The department then decided (September 2006) to call for fresh tenders. Fresh tenders were invited in February 2007 and the single offer of M/s. Pallavi Construction for Rs 1.14 crore, which was 38.77 *per cent* above the second lowest offer of M/s. E.O.Thomas, was accepted and a work order was issued (March 2007). Payment of Rs 78.31 lakh had been made to the contractor till August 2008.

- b) The work of improvement of road by providing a hot mix carpet for Nachinola road junction to Calvim Ferry in Thivim was put to tender during December 2005. Out of the three offers received (January 2006), the offer of M/s. Delcon Engineering for Rs 59.32 lakh was the lowest. The EE proposed (February 2006) the tender for acceptance, the SE brought down the offer to Rs 59.27 lakh (4.77 *per cent* above) after negotiation and accepted the revised offer on 31 March 2006.

The EE, instead of communicating the acceptance of the tender, asked (10 April 2006) the contractor to confirm his work programme, but no such confirmation was received. As the validity period expired on 20 April 2006, the contractor was requested (15 May 2006) to extend the validity period upto 31 May 2006. The contractor demanded (20 May 2006) an increase in rates by 25 *per cent* to extend the validity period. This was not accepted by the department. The work was retendered (February 2007) and the single offer of M/s. E.O Thomas for Rs 81.59 lakh which was 44.23 *per cent* above the estimated cost was accepted (March 2007). The work was physically completed to the extent of 98 *per cent* and a payment of Rs 62 lakh was made (February 2008).

Thus, due to delays in taking timely decisions for acceptance of tenders at various levels within the validity periods, the department had to incur avoidable extra expenditure of Rs 44.39 lakh on the two works.

The matter was referred to the Government (June 2009). Their reply is awaited (August 2009).

### **2.3 Idle investment /idle establishment**

#### **HOUSING DEPARTMENT**

##### **2.3.1 Idle investment of Rs 6.14 crore**

**Decision of the Government to transfer partly developed land for housing schemes to the Goa State Urban Development Agency for its urban infrastructure projects and later to the All India Football Federation resulted in idle investment of Rs 6.14 crore.**

The Goa Housing Board (Board) acquired (October 2000) 1,26,785 sq.m of land at Panzorconi-Cuncoim in Salcete Taluka for implementation of its housing schemes and accordingly, developed a part of the land (47,717 sq.m) into 75 plots. The Board allotted (November 2004) 33 plots ranging between 240 and 530 sq.m to applicants and an amount of Rs 24.96 lakh was collected as advance. The land development work and laying of pipelines was completed at a cost of Rs 44.48 lakh in August 2005.

As local people opposed the construction of a housing colony in the locality, the Minister for Urban Development proposed (August 2005) to drop the housing scheme and decided to use the land for establishing educational institutions. The Goa State Urban Development Agency (GSUDA), a registered society, under the Chairmanship of the Minister of Urban Development made two proposals in January 2006 to the Housing Board to transfer either the balance undeveloped land (79,068 sq.m) or the entire land to them for taking up of infrastructural development projects. The Board decided (February 2006) to transfer the entire land at a cost of Rs 5.70 crore to GSUDA. GSUDA agreed to bear the claims and encumbrances of the existing allottees of the plots and any enhancement of land acquisition price pending before the High Court. Government's approval for the transfer of land was given in June 2006 and GSUDA paid Rs 5.70 crore to the Board in August 2006. However, the possession of the said land had not been given to GSUDA as of March 2009, pending execution of the agreement for transfer of land.

Audit scrutiny revealed the following:

- Though GSUDA proposed the transfer of the balance undeveloped land or the entire land for their projects, the Board decided to transfer the entire land. The Board could have continued with their project on the developed land. The Board replied (November 2007) that though they could have continued with the projects on developed land, due to a Cabinet decision they had no other alternative but to transfer the land.
- Government sanctioned (June 2006) Rs 5.70 crore to GSUDA for procurement of land from the Board under the Integrated Development of Major Town scheme. GSUDA, in turn, paid (August 2006) the sum to the Board as compensation for the land. While sanctioning the amount, the Government could not obtain any concrete proposal from GSUDA for

utilization of the land. This resulted in idling of an investment of Rs 6.14 crore for over three years.

- The conditions put forth by the Board and approved by the Government for transferring the land included allotment of GSUDA projects on the same land to the Board for execution as deposit works which was not agreed to by GSUDA. Subsequently, on a request from the All India Football Federation (AIFF), the Government decided (March 2008) to allot the land to them on a 99 year lease for establishing a Football Academy. Thus, GSUDA could not execute any projects on the land. The land had not been transferred to AIFF as of April 2009, pending execution of the agreement of transfer of land from the Housing Board to GSUDA.

The Government stated (August 2008) that the expenditure incurred was not infructuous as the Goa Housing Board got Rs 5.70 crore from GSUDA. However, the fact remains that the decision of the Government to transfer the land to GSUDA resulted in stopping of work of the on-going project of the Housing Board and idling of an investment of Rs 6.14 crore for over three years.

## URBAN DEVELOPMENT DEPARTMENT

### 2.3.2 Underutilization of Tractor Towed Sweeping Machines

**Injudicious decision of GSUDA to procure sweeping machines and tractors resulted in idle investment of Rs 44.85 lakh and underutilisation of machines and tractors valuing Rs 67.27 lakh for a period of over two years.**

In order to ensure cleanliness of roads in the cities, the Chief Minister, in his budget speech on 22 March 2006, proposed to use road cleaning machines by outsourcing the operation. Accordingly, the Goa State Urban Development Agency (GSUDA), the implementing agency, called for (March 2006) tenders for procurement of five tractor towed sweeping machines for supply to the four<sup>®</sup> Municipal Councils and the City Corporation of Panaji. Two tenders were received but as one offer was found to be incomplete, it was rejected. The financial offer of the lone tenderer was processed, finalized and accepted at a cost of Rs 97.14 lakh on 12 May 2006. The contractor supplied the machines in September 2006 and a total payment of Rs 85.93 lakh was made to the contractor. As the machines could not be commissioned for want of tractors for towing the sweeping machines, GSUDA procured (October 2006) five tractors at a cost of Rs 26.19 lakh and delivered (November 2006) the same to the concerned municipal councils/corporation.

Audit scrutiny (January 2009) revealed that two Municipal Councils (Margao and Mormugao) did not use the machines at all and the other two (Panaji and Mapusa) used them sparingly in limited areas for short durations between November 2006 and May 2007. Subsequently, the sweeping machines and

<sup>®</sup> Curchorim, Mapusa, Margao and Mormugao.

tractors remained idle and could not be used for daily sweeping of municipal roads due to reasons such as (i) the front wheel of the tractor getting lifted while using the machines on sloppy roads, (ii) traffic on roads being stopped while using the machines (iii) machines not workable on narrow roads and (iv) machines producing a lot of noise during operation.

As the sweeping machine could not be put to use in their area, the Margao Municipal Council decided (July 2007) to return it to GSUDA. It was also observed that the other Municipal Councils were not using the machines though they were in working condition. As the Municipal Councils were reluctant to use the machines, GSUDA decided (June 2008) to outsource the operation and maintenance of these machines. The cost of operation and maintenance for two years as estimated by GSUDA was Rs 40 lakh.

GSUDA again invited (August 2008) tenders for sweeping operations using the allocated machines in Mapusa and Mormugao Municipal Councils and the City Corporation of Panaji for a period of two years. Only one tender was received.

The department replied (March 2009) that minor adjustments might be required to be made in the machines to adjust to the terrain factor which the municipal authorities were reluctant to resort to and that due to the poor response, it had been decided to retender the work during the next financial year. The department further stated (May 2009) that GSUDA had initiated the purchase based on the assurance made by the Chief Minister in the budget speech. However, as the machines were not put to use, the objective of the investment remained unrealised.

Thus, the injudicious decision of GSUDA to procure sweeping machines and tractors without conducting a cost-benefit analysis and ascertaining their feasibility resulted in non-utilization of the two sweeping machines and tractors for a period of more than two years, resulting in idle investment of Rs 44.85 lakh. Besides the remaining three sweeping machines and tractors on which an amount of Rs 67.27 lakh had been invested, remained underutilized for over two years.

## **ART AND CULTURE DEPARTMENT**

### **2.3.3 Avoidable expenditure of Rs 22.69 lakh on salary of staff**

**Recruitment of 23 staff members 16 months prior to the completion of a cultural complex resulted in avoidable expenditure of Rs 22.69 lakh on salaries.**

The State Government sanctioned (October 2002) the work of construction of Ravindra Bhavan, a cultural complex with a well-equipped modern auditorium at Margao at a cost of Rs 16.61 crore. The civil work was awarded to a contractor in February 2004. Works relating to the air-conditioning system, acoustic system, interior works, sound system and chairs etc., were awarded in

January 2007. All the works were completed and the complex was inaugurated in July 2008. In the meanwhile, the Government also sanctioned (October 2006) 25 posts (16 technical and nine ministerial staff) for the cultural complex. The posts were advertised in November 2006. Twenty-three of them were filled in March 2007 and one was filled in April 2008.

During the period from March 2007 to March 2008, the department appointed the staff and incurred an expenditure of Rs 22.69 lakh on their salaries and allowances. The appointment of technical and ministerial staff without taking into account the progress of the project, resulted in avoidable expenditure of Rs 22.69 lakh on payments to the staff for 13 months, after allowing a reasonable period of three months from April 2008 to June 2008 for completion of the appointment process, training etc.

The department stated (July 2009) that the tentative date for completion of the project was July 2007 and the staff were deployed for training for three months between March and July 2007. As the completion of the project was delayed by PWD, the department was forced to extend the training period till the project was completed and the complex was handed over by the PWD to the Art and Culture Department.

However, the fact remains that the appointment of staff without ensuring the completion of the complex resulted in avoidable expenditure on salaries for 13 months which could have been avoided if appointment letters were issued to the staff after the work was completed by PWD.

## **2.4 Regulatory issues and other points of interest**

### **URBAN DEVELOPMENT DEPARTMENT**

#### **2.4.1 Avoidable burden of Rs 3.11 crore due to irregular tendering and planning procedures**

**Awarding the work for composting and land filling to a new agency resulted in failure of the project and consequent liability of Rs 2.43 crore, in addition to non-recovery of mobilisation advance of Rs 68.15 lakh.**

Under the scheme of Integrated Development of Major Towns (IDMT), the Goa State Urban Development Agency (GSUDA) decided (August 2005) to implement the composting and land filling management system in all municipal towns. M/s. Mahabal Enviro Engineers Pvt Ltd, Pune was appointed (October 2005) from the empanelled consultants at a consultancy fee of Rs 16.85 lakh for a Solid Waste Treatment Plant at Margao. The consultant recommended (March 2006) closed vessel composting and land filling at an estimated cost of Rs 6.98 crore.

Tenders for a closed vessel composting and land filling were called on 23 June 2006 and three offers were received. Technical bids and financial bids were

finalized in favour of M/s. Hyquip Projects Pvt. Ltd. for Rs 7.84 crore and the work order was issued on 11 August 2006. GSUDA released mobilization advance of Rs 68.15 lakh to the contractor on 23 August 2006 at 10 *per cent* simple interest.

Subsequently, the Chief Secretary called (September 2007) for scrapping of the project in the light of irregularities brought out by the Finance and Vigilance Department. The Advocate General, however, advised (January 2008) in favour of continuing the project. Considering his advice, it was decided to go ahead with the project by obtaining an enhanced performance guarantee<sup>¥</sup>. The services of the consultant were terminated in January 2007 due to his unprofessional conduct.

M/s. Hyquip, however, failed to furnish a performance guarantee as per the agreement. Hence, the Government finally terminated the agreement on 23 October 2008. For the interim period from August 2006 to April 2008, M/s. Hyquip claimed Rs 1.67 crore for reclamation work carried out at the site and Rs 76.21 lakh as expenses incurred for maintenance of the site for receiving garbage during September 2006 to November 2007. Since no payment was made to M/s. Hyquip till September 2008, they filed a civil suit for recovery of Rs 2.43 crore in the District Court, Panaji.

Audit scrutiny revealed that:

- While the pre-qualification tenders for closed vessel composting and land filling were called for in May 2006, the Minister (Urban Development) ordered for immediate tendering. The extension of time sought by other agencies was turned down. Had the extension been granted, the department may have received better competitive rates and technically viable offers.
- The offer of M/s. Hyquip, a firm labeled by the Vigilance Department as having no prior experience was accepted by GSUDA without processing the pre-qualification tender. Further, the consultant had already mentioned (4 August 2006) that the technology to be adopted was new and no plant in India was in possession of in-vessel technology. The Central Pollution Control Board stated that the technology was new in the country and no such plant with this technology was operational there.
- GSUDA showed undue haste in issuing the work order without ensuring statutory clearances for the technology proposed by the consultant. GSUDA did not ascertain the genuineness of the documents produced by M/s. Hyquip.
- The agreement was signed (9 April 2008) after a delay of one year from the date (14 April 2007) stipulated for completion of the work. This agreement was finally terminated in October 2008. After terminating the agreement with M/s. Hyquip, GSUDA handed over

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<sup>¥</sup> Guarantee provided by the contractor for due execution of the contract or supply.

responsibility for execution of the work to the Margao Municipal Council in October 2008 and released (January 2009) an amount of Rs 3.23 crore to the Municipal Council. The work of the Solid Waste Treatment Plant had not yet been started by the Municipal Council (June 2009).

On the ground of urgency, GSUDA processed the tenders in haste, thus depriving itself of better and technically competent offers. It also deviated from the procedure of processing pre-qualification tenders and awarded the work to an inexperienced agency which opted for a new technology for the first time in the country. This resulted in failure of the project despite the Government incurring an expenditure of Rs 68.15 lakh. A liability of Rs 2.43 crore towards the claim preferred by M/s. Hyquip has been incurred by the Government on account of the case filed by the firm.

## FORESTS DEPARTMENT

### 2.4.2 Loss of interest of Rs 2.18 crore due to delay in recovery of net present value of forest land

**Net present value of forest land amounting to Rs 21.61 crore for extension of mining leases granted to 11 companies was recovered after a delay of 22 months.**

The Supreme Court, vide its order dated 30 October 2002, directed the GOI (Ministry of Environment and Forests) to recover the net present value (NPV) of forest land diverted for non-forest purposes from user agencies at the rate of Rs 5.80 lakh per hectare to Rs 9.20 lakh per hectare, depending upon the quantity and density of the forest land diverted.

In compliance with the Supreme Court order, the Government of India notified (April 2004) the Compensatory Afforestation Fund Management and Planning Authority (CAMPA). Receipts of all monies from user agencies towards NPV, were to be credited to the CAMPA fund. The unspent funds already realized by the State/Union Territories were also to be transferred to the CAMPA fund.

The NPV was to be charged in all cases where final approval was given after the date of the Supreme Court order. GOI further clarified (November 2005) that NPV was also to be charged in all such cases which were originally approved by the Ministry prior to the Supreme Court order but which subsequently got their lease period extended by the Ministry after the date of the Supreme Court order.

Audit scrutiny (November 2007) revealed that the department delayed the issue of demand notices by 22 months and collected (October 2007) Rs 21.61 crore towards NPV on 11 mining leases extended between June and December 2004. They deposited (October 2007) the said amount to the CAMPA fund.

Thus due to the delay in issue of demand notices, the department could collect the NPV only after 22 months in all 11 cases which resulted in loss of interest

(**Appendix 2.1**) to the extent of Rs 2.18 crore, calculated at the rate of 5.50 per cent earned on the term deposits made out of the CAMPA fund.

The department stated (April 2009) that the concept of NPV was new and due to absence of prescribed norms for collection and depositing of the amount, there was a procedural delay. The reply of the department is not acceptable as the clarification issued by GOI in November 2005 stipulated that NPV was to be charged in all such cases which were originally approved by the Ministry prior to the Supreme Court order but which subsequently got their lease period extended by the Ministry after the date of the Supreme Court order.

## **2.5 General Paragraphs**

### **2.5.1 Lack of response to audit findings**

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

A review of the IRs issued upto December 2008 pertaining to 37 departments showed that 1,174 paragraphs relating to 331 IRs were outstanding at the end of June 2009. Failure to comply with the issues raised by Audit facilitated the continuation of financial irregularities and losses to the Government.

Year-wise position of the outstanding IRs and paragraphs is given in **Appendix 2.2**. Even the initial replies which were required to be received from the heads of offices within six weeks from the date of issue of the IRs, were not received upto June 2009 in respect of 326 paragraphs of 47 IRs.

It is recommended that Government should take appropriate steps to revamp the system of proper response to audit observations in the departments and ensure that a procedure exists for (a) action against the officials who fail to send replies to IRs/paragraphs as per the prescribed time schedule, and (b) action to recover loss/outstanding advances/overpayments pointed out in audit, in a time-bound manner.

### **2.5.2 Follow up on Audit Reports**

As per the provisions contained in the Internal Working Rules of the Public Accounts Committee of the Goa Legislative Assembly, Administrative Departments were required to furnish Explanatory Memoranda (EM) duly vetted by the Office of the Accountant General, Goa within three months from the date of tabling of Audit Reports to the State Legislature in respect of the paragraphs included in the Audit Reports. In spite of this, there were 22

paragraphs/reviews in respect of which the EMs were not received as of August 2009 from the Administrative Departments, as shown below.

<b>Audit Report</b>	<b>Date of tabling the Report</b>	<b>Number of Paragraphs &amp; Reviews</b>	<b>Number of EMs received</b>	<b>Balance</b>
2004-05	12 July 2006	11	8	3
2005-06	30 July 2007	11	8	3
2006-07	19 August 2008	14	8	6
2007-08	24 March 2009	10	--	10
<b>Total</b>		<b>46</b>	<b>24</b>	<b>22</b>

Department-wise details are given in **Appendix 2.3**.