

## **CHAPTER-I**

### **Introduction**

#### **1.1 About this report**

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government departments, companies, corporations and autonomous bodies.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved financial management of the organisations, thus, contributing to better governance.

The audit has been conducted in accordance with the Auditing Standards prescribed for the Indian Audit and Accounts Department. The Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The specific audit methodology adopted for audit of programmes and schemes has been mentioned in the reviews. The audit conclusions have been drawn and the recommendations made taking into consideration the views of the Government, wherever received.

##### **1.1.1 Significant audit observations**

A summary of the significant audit observations is given below:

#### **Protection, Conservation and Development of forests in Goa**

##### ***1.1.1.1 Poor enforcement of the Goa, Daman and Diu Preservation of Trees Act, 1984***

The Goa, Daman and Diu Preservation of Trees Act, 1984 provided that every person granted permission under the Act was bound to plant such number and kind of tree/trees in the area from which the tree/trees was/were felled or disposed of under such permission as may be directed by the Tree Officer. Audit observed that as against 2.03 lakh trees to be replanted in lieu of 0.59 lakh trees permitted to be cut during the period 2005-11 in North and South Divisions, only 0.09 lakh trees were replanted. Thus the provisions of the Act pertaining to replanting of trees were poorly enforced.

*(Paragraph 2.1.10.1)*

**1.1.1.2 Shortfall in Compensatory Afforestation**

The Forest Conservation Act, 1980 stipulated that wherever non-forest land was not available or the area of the non-forest land was less than the forest area being diverted, compensatory afforestation (CA) was to be carried out in degraded forests in twice the area being diverted or in an area equal to the difference between the forest land being diverted and the available non-forest land, as the case may be. Scrutiny in audit revealed that as against CA of 1,440.97 hectares to be done since 1983, only 509.59 hectares (35 per cent) had been brought under afforestation in the North division. Similar shortfall in CA also occurred in the South division (18 per cent).

*(Paragraph 2.1.10.2(d))*

**1.1.1.3 Performance Audit on the assessment, collection and account of revenue and utilisation of State Government developmental grants by the Corporation of the City of Panaji**

The new shopping complex built at a cost of ₹ 15.33 crore by the Corporation of the City of Panaji was encroached by vendors without any formal agreements and allotment. Inaction against intruders resulted in loss of revenue of ₹ 98.97 lakh during the period from 2003-04 to 2009-10.

*(Paragraph 2.2.8.2)*

The Corporation of the City of Panaji failed to refund the unspent balances of the grants-in-aid of ₹ 2.80 crore sanctioned by the State government during the years 2002-03 to 2008-09.

*(Paragraph 2.2.9.1)*

**District-centric Audit of North Goa district**

**1.1.1.4 Non-functioning District Planning Committee**

The District Planning Committee (DPC), constituted for preparation of overall planning for the district, remained non-functional. The 74<sup>th</sup> amendment of the constitution mandated the constitution of such a Committee for consolidating the plans prepared by the village panchayats and municipal councils in the district into an integrated plan. The DPC of North Goa district met only twice during the last five years. No development plans had been prepared so far (June 2011) due to non-preparation of development plans by the zilla panchayat/village panchayats and municipal councils.

*(Paragraph 4.6)*

**1.1.1.5 Unsatisfactory implementation of Indira Awas Yojana**

The objective of the Indira Awas Yojana (IAY) was to provide funds for construction of dwelling units for Below Poverty Line (BPL) families. Audit scrutiny revealed that the village Panchayats had recommended IAY houses for only 13 per cent of Below Poverty Line families. A total of 386 BPL families in the waitlist were deprived of houses for the last four years.

Under the IAY, 862 new constructions and 302 repair works of houses sanctioned up to 2008-09, had not been completed.

*(Paragraph 4.10.3.1)*

### **1.1.2 Compliance audit of transactions**

Audit has also reported on several significant deficiencies in critical areas which impact the effective functioning of the Government departments/organisations. These are broadly categorised and grouped as:

- ✓ Audit against propriety/Expenditure without justification.
- ✓ Non-compliance with rules.

#### **1.1.2.1 Audit against propriety/Expenditure without justification**

- **Non-utilization of a district hospital - Infertuous expenditure**

A district hospital constructed at a cost of ₹ 49.91 crore, to expand and replace an existing hospital, though completed in March 2009, was not commissioned even in August 2011, in spite of the dilapidated condition of the old hospital and consequent inconvenience to the patients. This resulted in non-utilisation of facilities created, infertuous expenditure on staff recruited for the hospital and unfruitful expenditure of ₹ 1.64 crore on the upkeep of the hospital.

*(Paragraph 3.1.1)*

- **Avoidable expenditure**

The Institute of Psychiatry and Human Behaviour, Goa maintained its full complement of sweepers, and an additional 14 attendants/sweepers on contract basis. However, the Government awarded a contract for mechanised sweeping and swabbing at the Institute on day to day basis, to a private agency for a period of three years at a cost of ₹ 3.22 lakh per month. Continuance of contract staff and outsourcing of cleaning works despite the availability of regular staff resulted in avoidable expenditure of ₹ 1.06 crore during the period September 2008 to March 2011.

*(Paragraph 3.3.2)*

- **Irregular procurement of equipment**

Goa Medical College procured Central Sterile and Supply Development equipment for ₹ 4.35 crore without observing the prescribed procedures of tendering. The entire process of tendering and selection of the agency appeared pre-determined as the tender specifications were tailor-made for the equipment manufactured by a party who had originally approached the Health Minister with a proposal to supply the equipment. The Goa Medical College ignored the tendering requirements and failed to ensure the reasonableness of the single offer of ₹ 4.35 crore by eliminating the competitive offers in predetermined and non-transparent manner.

*(Paragraph 3.4.2)*

**1.1.2.2. Non-compliance with rules**

- **Irregular release of bank guarantee and hypothecated machinery to a contractor, resulting in non-adjustment of mobilisation/machinery advances**

On termination of a work awarded to a contractor by the Goa Tillari Irrigation Development Corporation, the Executive Engineer released all the five BGs for ₹ 2.57 crore submitted as security for mobilisation advance. Further, machinery having a value of ₹ 3.40 crore, on the security of which secured advance of ₹ 2.57 crore was paid, was permitted to be taken away even though an amount of ₹ 3.84 crore out of the advances paid was still recoverable.

The irregular release of the BG and permission to the contractor to take away the hypothecated machinery resulted in the corporation being left with no security for the amount due to it. The total amount of advance and interest thereon recoverable as on 31 March 2011 was ₹ 4.66 crore.

*(Paragraph 3.2.1)*

- **Avoidable payment of interest**

Failure of the Goa Tillari Irrigation Development Corporation to pay income tax on interest income from fixed deposits as per the provisions of the Income Tax Act resulted in avoidable payment of interest of ₹ 53.83 lakh.

*(Paragraph 3.3.1)*

- **Loss of interest due to non-recovery of net present value of forest land**

The delay of 22 months in the Forest Department in taking decisions and issuing a demand notice for payment of net present value following a Supreme Court order of October 2002 and further delay in resolving the dispute raised by the party, resulted in delay in recovering the net present value of the forest land amounting to ₹ 2.24 crore for extension of a mining lease granted to a user agency. The delay also resulted in loss of interest of ₹ 65.71 lakh.

*(Paragraph 3.4.1)*

- **Non-recovery of Labour Welfare Cess**

The Goa Building and other Construction Workers' (Regulation of Employment and Conditions of Service) Rules, 2008 required that all Government departments, local bodies, public undertakings and other Government bodies, while executing construction works through contractors, should deduct a mandatory one *per cent* of the contractor's bill towards welfare cess and remit the same to the Goa Building and other Construction Workers' Welfare Board. In respect of private constructions, the local bodies were required to collect upfront an amount of one *per cent* of the estimated cost furnished along with the building plans submitted for approval and remit the same to the Secretary of the Board.

The Government departments and Local Bodies in Goa failed to comply with the requirements of the above Act/Rules and were not collecting the cess as required. Non-compliance of the Government orders, therefore, resulted in non-recovery of mandatory cess amounting to ₹ 9.21 crore during the period January 2009 to March 2011 and consequent non-availability of funds for labour welfare.

*(Paragraph 3.4.3)*

### **1.1.3 Audit of Revenue**

#### **1.1.3.1 Review of Utilisation of declaration forms in inter-state trade and commerce**

- Acceptance of invalid/defective declarations in form 'C', furnished by the dealers for inter-state sales, by the Commercial tax department, resulted in short recovery of tax of ₹ 1.69 crore.

*(Paragraph 5.2.7.3)*

- Failure of the Commercial tax department to restrict stock transfer transaction of one calendar month in a single declaration form 'F' resulted in short levy of tax of ₹ 2.20 crore on the transactions beyond one month.

*(Paragraph 5.2.7.4)*

#### **1.1.3.2 Irregular allowance of Input Tax Credit - ₹25.24 lakh**

The Commercial Taxes Department irregularly allowed Input tax credit of ₹ 25.24 lakh to a dealer for purchases made from an unregistered dealer.

*(Paragraph 5.3)*

### **1.1.4 Audit of Government Commercial and Trading Activities**

- **Infrastructure Development for the IT Park at Dona Paula - irregular payment of compensation to contractor and avoidable expenditure on project management consultancy**

InfoTech Corporation of Goa Limited paid ₹ 56.95 lakh as compensation to a contractor in a work which was foreclosed, in addition to its contractual obligations. It also delayed termination of the Project Management consultancy contract for this work resulting in undue benefit of ₹ 14.96 lakh to the consultant.

*(Paragraph 6.2)*

- **Loss of revenue due to non-levying of compounding charges in electricity theft cases and non collection of electricity duty**

The Electricity Department failed to recover compounding charges amounting to ₹ 2.78 crore as required under Section 152 of the Electricity Act, 2003, from 453 consumers involved in theft of power. It also failed to collect electricity duty on sale of power resulting on loss of revenue of ₹ 55.20 lakh.

*(Paragraphs 6.6 and 6.7)*

## **1.2 Lack of responsiveness of Government to Audit**

### **1.2.1 Inspection reports outstanding**

Inspection Reports (IRs) issued by the Accountant General (AG) based on periodical inspections of Government departments are issued to the heads of offices and next higher authorities to comply with the observations contained therein for rectifying the defects and omissions promptly and report their compliance to the AG who forwards a half-yearly report of pending IRs to the Secretary of the Department to facilitate monitoring of the audit observations.

During the year 2010-11, three Audit Committee meetings were held in respect of two departments, in which 19 outstanding paragraphs were settled. As of 30 June 2011, 369 IRs (1,384 paragraphs) were outstanding for want of compliance. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix-3.2**.

### **1.2.2 Response of departments to the draft paragraphs**

The draft paragraphs/reviews were forwarded demi-officially to the Principal Secretaries/Secretaries of the concerned departments between May and June 2011 with the request to send their responses within six weeks. The reply of the Government for the three Reviews and seven transaction audit paragraphs featured in this Report have not been received.

### **1.2.3 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 Accountant General within three months from the date of tabling of the Audit reports to the State legislature in respect of the paragraphs included in the Audit reports. The administrative departments had not furnished EMs for 22 paras as of September 2011 as detailed in **Appendix-3.3**.