CHAPTER-III

PUBLIC SECTOR UNDERTAKINGS AND GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

3.1 Functioning of State Public Sector Undertakings

Introduction

3.1.1 There were 17 State Public Sector Undertakings (PSUs) as on 31 March 2018 which were related to sectors other than Power Sector[1]. These State PSUs were incorporated during the period 1965 and 2016 and included 15 Government Companies and two Statutory Corporations *i.e.* Goa Industrial Development Corporation and Goa Information Technology Development Corporation. The Government Companies further included one active subsidiary company (*i.e.* Goa Electronics Limited) and one inactive subsidiary company (*i.e.* Goa Auto Accessories Limited). The State Government provides financial support to the State PSUs in the shape of equity, loans and grants/subsidy from time to time. Of the 17 State PSUs, the State Government invested funds in 15 State PSUs excluding the two subsidiaries of EDC Limited (GEL and GAAL).

Contribution to Economy of the State

3.1.2 A ratio of turnover of the PSUs to the Gross State Domestic Product (GSDP) shows the extent of activities of the PSUs in the State economy. **Table 3.1.1** provides the details of turnover of State PSUs and GSDP of Goa for a period of five years ending March 2018.

Table 3.1.1 : Details of turnover of State PSUs' *vis-à-vis* GSDP of Goa

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Turnover[2]	651.82	809.08	820.56	909.08	934.44
Percentage change in Turnover as compared to turnover of preceding year	14.48	24.13	1.42	10.79	2.79
GSDP of Goa	35921.10	47814.18	54785.16	62336.50	70267.33[3]
Percentage change in GSDP of Goa as compared to GSDP of preceding year	-5.77	33.11	14.58	13.78	12.72
Percentage of Turnover to GSDP of Goa	1.81	1.69	1.50	1.46	1.33

(Source: Turnover figures compiled from accounts of PSUs and GSDP figures provided by Directorate of Planning, Statistics & Evaluation, Government of Goa)

The turnover of these PSUs has recorded continuous increase over previous years. The increase in turnover ranged between 1.42 *per cent* and

[1] The State Government's Electricity Department executed the functions of power purchase, distribution and maintenance

[2] Turnover (Operating Income) of 16 PSUs as per the latest finalised accounts as on 30 September/31 October or 31 March of respective years excluding one PSU *i.e.* Goa Information Technology Development Corporation which is yet to submit its first accounts since inception (2006-07). The figures of turnover may not tally with the figures in **Appendix 3.2** as this is the income from operations only and figures in **Appendix 3.2** includes other non-operating income also

[3] GSDP has been revised for all years considering State GDP figures with base year 2011-12. State GDP for the year 2017-18 was ₹ 70,267.33 crore (Advance 2017-18 with base year 2011-12)

24.13 *per cent* during the period 2013-14 to 2017-18, whereas increase in GSDP of the State ranged between 12.72 *per cent* and 33.11 *per cent* during 2014-15 to 2017-18 except in 2012-13 when it showed negative change over the preceding year. The compounded annual growth[4] is a useful method to measure growth rate over multiple time periods. Against a compounded annual growth of 14.36 *per cent* of the GSDP, the turnover of public sector undertakings recorded a compounded annual growth of 7.47 *per cent* during the last five years. This resulted in marginal decrease in the share of turnover of these PSUs to the GSDP from 1.81 *per cent* in 2013-14 to 1.33 *per cent* in 2017-18.

Investment in State PSUs

3.1.3 There are some PSUs which function as instruments of the State Government to provide certain services which the private sector may not be willing to extend due to various reasons. Besides, the Government has also invested in certain business segments through PSUs which function in a competitive environment with private sector undertakings. Accordingly, nine PSUs in Goa fall in the 'Social' Sector, two PSUs in 'Competitive Environment' Sector and six PSUs in 'Other' Sector. The position of all the State PSUs have therefore been analysed under three major classifications *viz.* those functioning under 'Social' sector', 'Competitive Environment' sector and 'Other' sector. Details of investment made in these 17 State PSUs in shape of equity and long-term loans up to 31 March 2018 are detailed in **Appendix 3.3**.

3.1.4 The sector-wise summary of investment in these State PSUs as on 31 March 2018 is given in **Table 3.1.2**.

Table 3.1.2 : Sector-wise investment in State PSUs

(₹in crore)

Sector	Number of PSUs	Investment		
		Equity	Long Term Loans	Total
Social	9	76.78	982.12	1058.90
PSUs in Competitive Environment	2	117.29	2.60	119.89
Others	6	175.65	85.39	261.04
Total	**17**	**369.72**	**1070.11**	**1439.83**

(Source: Compiled from finalised accounts for 2017-18 in case of nine PSUs and based on information received from eight PSUs who had not finalised their accounts for 2017-18)

As on 31 March 2018, the total investment (equity and long term loans) in these 17 PSUs was ₹ 1,439.83 crore. The investment consisted of 25.68 *per cent* towards equity and 74.32 *per cent* in long-term loans. The long term loans advanced by the State Government constituted 0.36 *per cent* (₹ 3.84 crore) of the total long term loans whereas 99.64 *per cent* (₹ 1,066.27 crore) of the total long term loans were availed from other financial institutions.

The investment has grown by 112.91 *per cent* from ₹ 676.27 crore in 2013-14 to ₹ 1,439.83 crore in 2017-18. The investment increased due to addition of ₹ 18.17 crore and ₹ 745.39 crore towards equity and long-term loans respectively during 2013-14 to 2017-18.

[4] Rate of compounded Annual Growth is calculated by using formulae = ((End Value/Start Value) ^ (1/No. of Years)-1) x 100

Disinvestment, restructuring and privatisation of State PSUs

3.1.5 During the year 2017-18, no disinvestment, restructuring or privatisation was done by the State Government in State PSUs except that major portion of assets of one inactive PSU (GAAL) were sold in June 2017. The National Company Law Tribunal (NCLT) Mumbai appointed an Interim Resolution Professional (IRP) (December 2018) to carry out the function under Insolvency and Bankruptcy Code 2016.

Budgetary Support to State PSUs

3.1.6 The Government of Goa (GoG) provides financial support to State PSUs in various forms through annual budget. The summarised details of budgetary outgo towards equity, loans, grants/subsidies, loans written off and loans converted into equity during the year in respect of State PSUs for the last three years ending March 2018 are given in **Table 3.1.3**.

Table 3.1.3 : Details regarding budgetary support to PSUs during the years

(₹ in crore)

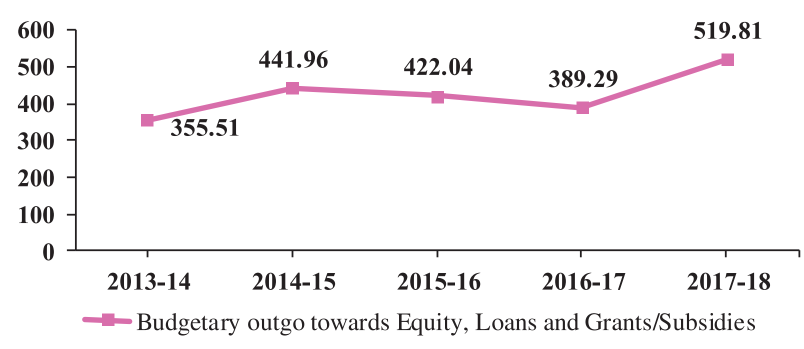
Particulars	2015-16		2016-17		2017-18	
	Number of PSUs	Amount	Number of PSUs	Amount	Number of PSUs	Amount
Equity/Capital outgo (i)	-	-	1	1.00	-	-
Loans given (ii)	1	1.55	1	1.36	-	-
Grants/Subsidy provided (iii)	10	420.49	10	386.93	9	519.81
Total Outgo (i+ii+iii)		**422.04**		**389.29**		**519.81**
Loan repayment written off	-	-	-	-	-	-
Loans converted in to equity	-	-	-	-	-	-
Guarantees issued	2	40.50	3	219.50	1	25.00
Guarantee Commitment outstanding at the end of the year	4	365.24	3	534.42	3	416.63

(Source: Compiled based on information received from PSUs)

Out of total grant/subsidy of ₹ 519.81 crore provided from the budget, ₹ 403.61 crore was for capital purposes and remaining ₹ 116.20 crore was for revenue purposes such as salary, arrears, maintenance, subsidy for bus service schemes, vegetable subsidy, *etc.*

The details regarding budgetary outgo towards equity, loans and grants/ subsidies for the last five years ending March 2018 are given in **Chart 3.1.1**.

Chart 3.1.1 : Budgetary outgo towards Equity, Loans and Grants/Subsidies



The budgetary outgo after showing an upward trend till 2014-15 had declined till 2016-17. It has now increased by 33.53 *per cent* from ₹ 389.29 crore in 2016-17 to ₹ 519.81 crore in 2017-18.

In order to provide financial assistance to PSUs from banks and financial institutions, Government of Goa gives guarantee under Goa State Guarantees Act, 1993. Such guarantees are given subject to the limits fixed by State Legislature from time to time as per provisions of Article 293(1) of the Constitution of India. The Government of Goa has exempted its PSUs from payment of Guarantee Commission. The guarantee commitment decreased to ₹ 416.63 crore during 2017-18 from ₹ 534.42 crore in 2016-17.

Reconciliation with Finance Accounts of Government of Goa

3.1.7 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the Government of Goa. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of the differences. The position in this regard as on 31 March 2018 is stated below:

Table 3.1.4 : Equity, loans, guarantees outstanding as per Finance Accounts[5] of Government of Goa *vis-à-vis* records of State PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of State PSUs	Difference
Equity	402.44	300.11	102.33
Guarantees	467.14	416.63	50.51

(Source: Compiled from Accounts of PSUs and Finance Accounts)

Audit observed that the differences occurred in respect of Guarantees given to three PSUs and Equity investment in 12 PSUs. The differences between the figures were persisting since last many years. The issue was taken up with the PSU/Departments from time to time to reconcile the differences. It is, therefore, recommended that the State should reconcile the differences in a time-bound manner.

Submission of accounts by State PSUs

3.1.8 Of the total 17 State PSUs, there were 16 working PSUs *i.e.* 14 Government Companies and two Statutory Corporations and one inactive PSU (Government Company) under the purview of CAG as of 31 March 2018. The status of timelines followed by the State PSUs in preparation of accounts is as detailed under:

Timeliness in preparation of accounts by the active State PSUs

3.1.9 Accounts for the year 2017-18 were required to be submitted by all the active PSUs by 30 September 2018. However, out of 14 active Government Companies, four Government Companies submitted their accounts for the year 2017-18 for audit by CAG on or before 30 September 2018 and accounts of 10 Government Companies were in arrears. The CAG is the sole auditor for the

[5] Company wise loans were not separately provided in the Finance Accounts; hence loans were not worked out

two Statutory Corporations (Goa Industrial Development Corporation (GIDC) and Goa Information Technology Development Corporation (GITDC)) in Goa. Of these two Statutory Corporations, GIDC's accounts for the year 2017-18 was awaited as on 31 March 2019 and GITDC[6] had not finalised any account since inception *i.e.,* 2006-07.

Details of arrears in submission of accounts of active PSUs as on 31 March 2019 are given in **Table 3.1.5**.

Table 3.1.5 : Arrears in submission of accounts of active PSUs as on 31 March 2019

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Total number of PSUs	16	16	16	17	17
2	Number of active PSUs	14	14	14	15	16
3	Number of accounts submitted during current year by active PSUs	20	15	17	11	23
4	Number of active PSUs which finalised accounts for the current year	4	1	4	2	8
5	Number of previous year accounts finalised during current year by active PSUs	16	14	13	9	15
6	Number of active PSUs with arrears in accounts	10	13	10	13	8[7]
7	Number of accounts in arrears	40	41	40	46	38[@]
8	Extent of arrears (in Years)	1 to 11	1 to 11	1 to 10	1 to 11	1 to 12

(Source: [@]Compiled based on accounts of active PSUs received during the period 01 November 2017 to 31 March 2019)

Of these 16 active State PSUs, 15 PSUs had finalised 19 annual accounts during the period 01 October 2017 to 30 September 2018 which included four annual accounts for the year 2017-18 and 15 annual accounts for previous years. Further, accounts of four[8] active State PSUs for the period 2017-18 were finalised and submitted for audit during the period from October 2018 to March 2019 whereas 38 accounts pertaining to eight[9] active State PSUs were awaited till March 2019 as detailed in **Appendix 3.4**. The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the stipulated period. The concerned departments were informed half yearly regarding arrear in accounts.

The GoG had provided a total of ₹ 448.37 crore (by way of Equity: ₹ 4.49 crore, Loan: ₹ 11.56 crore, Grants: ₹ 332.27 crore and Subsidy: ₹ 100.05 crore) to the eight active State PSUs, accounts of which had not been finalised by 30 September 2018 as prescribed under the Companies Act 2013. PSU wise details of investment made by State Government during the years for which accounts are in arrears are shown in **Appendix 3.1**.

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6 State Government issued notification (July 2017) to revive Goa Information Technology Development Corporation

7 As per **Appendix 3.4**

8 Sl. No. 2, 4, 11 and 12 of **Appendix 3.2**

9 Sl. No. 1, 3, 5, 7, 9, 13, 16 and 17 of **Appendix 3.2**

In the absence of finalisation of accounts and their subsequent audit in remaining eight[10] PSUs, it could not be ensured whether the investments and expenditure incurred had been properly accounted for and the purpose for which the amount was invested was achieved. The GoG investment in these PSUs, therefore, remained outside the review of State Legislature.

Timeliness in preparation of accounts by inactive State PSUs

3.1.10 There were no arrears in finalisation of accounts by the only inactive PSU *i.e.* Goa Auto Accessories Limited, which had submitted its accounts in September 2018.

Placement of Separate Audit Reports of Statutory Corporations

3.1.11 Out of two Statutory Corporations, GIDC had not forwarded its accounts for 2017-18 by 31 March 2019 and GITDC had not submitted its accounts since inception *i.e.* 2006-07.

Separate Audit Reports (SARs) are audit reports of the CAG on the accounts of Statutory Corporations. These reports are to be laid before the Legislature as per the provisions of the respective Acts. **Table 3.1.6** shows the status of placement of Separate Audit Reports (SARs) issued by the CAG (up to 31 March 2019) on the accounts of Statutory Corporation in the Legislature.

Table 3.1.6 : Status of placement of SARs in Legislature

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature	
			Year of SAR	Date of issue to the Government/Present Status
1	Goa Industrial Development Corporation	2014-15	2015-16	24/04/2018
			2016-17	02/08/2018
2	Goa Information Technology Development Corporation	First accounts awaited since 2006-07		

(Source: Compiled based on information received from Statutory Corporations)

Impact of non-finalisation of accounts of State PSUs

3.1.12 As pointed in **Paragraph 3.1.8**, the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant statutes. In view of the above state of arrears of accounts, the actual contribution of the State PSUs to State GDP for the year 2017-18 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is, therefore, recommended that the Administrative Department should strictly monitor and issue necessary directions to liquidate the arrears in accounts. The Government may also look into the constraints in preparing the accounts of the PSUs and take necessary steps to liquidate the arrears in accounts.

Performance of State PSUs

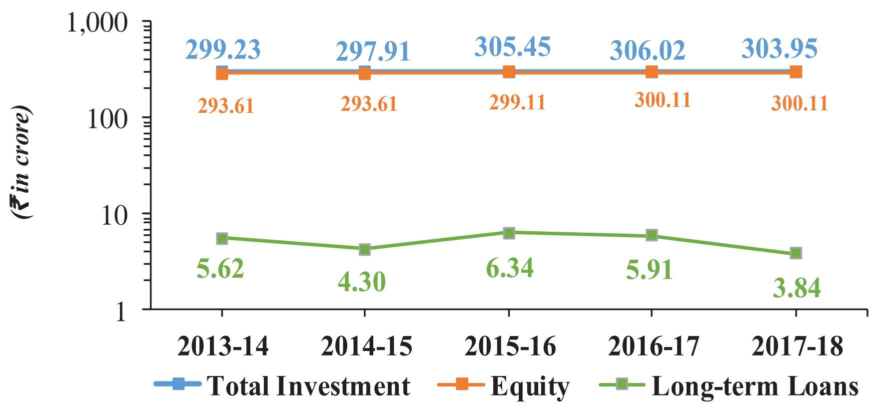
3.1.13 The financial position and working results of the 17 State PSUs are detailed in **Appendix 3.2** as per their latest finalised accounts as of 31 March 2019.

[10] Sl. No. 1, 3, 5, 7, 9, 13, 16 and 17 of **Appendix 3.2**

The Public Sector Undertakings are expected to yield reasonable return on investment made by Government in the undertakings. The amount of investment as on 31 March 2018 in the State PSUs was ₹ 1,439.83 crore consisting of ₹ 369.72 crore as equity and ₹ 1,070.11 crore as long term loans. Out of this the GoG has invested ₹ 303.95 crore consisting of ₹ 300.11 crore as equity and ₹ 3.84 crore as long term loans in 15 State PSUs.

The year wise statement of investment of GoG in the State PSUs during the period 2013-14 to 2017-18 is given in **Chart 3.1.2**.

Chart 3.1.2 : Total investment of GoG in PSUs



The profitability of a company is traditionally assessed through return on investment, return on equity and return on capital employed. Return on investment measures the profit or loss made in a fixed year relating to the amount of money invested in the form of equity and long-term loans and is expressed as a percentage of profit to total investment. Return on capital employed is a financial ratio that measures the company's profitability and the efficiency with which its capital is used and is calculated by dividing company's earnings before interest and taxes by capital employed. Return on Equity is a measure of performance calculated by dividing net profit after tax by shareholders' fund.

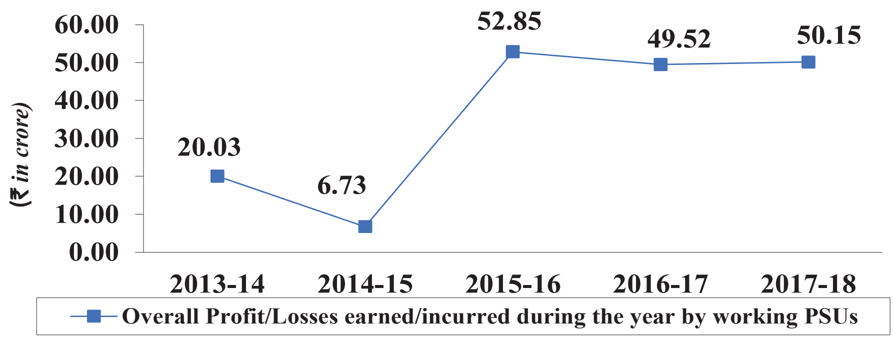
Return on Investment

3.1.14 Return on investment is the percentage of profit or loss to the total investment. The overall position of Profit/losses[11] earned/incurred by the 15 active State PSUs except GITDC[12] during 2013-14 to 2017-18 is depicted below in **Chart 3.1.3**.

[11] Figures are as per the latest finalised accounts of the respective years

[12] GITDC has not finalised its accounts since inception *i.e.* 2006-07

Chart 3.1.3 : Profit/Losses earned/incurred by active PSUs during the years



The profit of ₹ 20.03 crore earned by these active PSUs in 2013-14 increased to ₹ 50.15 crore in 2017-18. According to latest finalised accounts of these 15 active State PSUs except GITDC[13], nine PSUs earned profit of ₹ 67.56 crore and six PSUs incurred losses of ₹ 17.41 crore as detailed in **Appendix 3.2**.

The top profit making companies were EDC Limited (₹ 56.36 crore), Goa State Infrastructure Development Corporation Limited (₹ 4.66 crore) and Sewage and Infrastructural Development Corporation limited (₹ 3.59 crore) while Kadamba Transport Corporation Limited [(-) ₹ 11.04 crore] and Goa Industrial Development Corporation [(-) ₹ 5.65 crore] incurred heavy losses.

A further analysis of three profit making PSUs *i.e.* EDC, GSIDCL and SIDCL which had contributed 96 *per cent* of the profit earned by nine State PSUs (₹ 67.56 crore) during 2017-18 revealed that these PSUs could register profits because they were working in a monopolistic or near monopolistic environment like EDC, a premier financial institution lends primarily to the Government Companies while SIDCL and GSIDCL execute works on behalf of the State Government for which it gets development fee, over and above the total cost incurred for the projects executed. The remaining six PSUs earned marginal profits and were mostly engaged in social sector and other activities.

The position of active PSUs during 2013-14 to 2017-18 is given in **Table 3.1.7**.

Table 3.1.7 : Details of active Public Sector Undertakings which earned/incurred profit/loss during 2013-14 to 2017-18

Financial year	Total number of PSUs	Number of PSUs which earned profit during the year	Number of PSUs which incurred loss during the year
2013-14	14	8	6
2014-15	14	8	6
2015-16	14	10	4
2016-17	14	11	3
2017-18	15	9	6

(Source: Compiled from Accounts of PSUs)

[13] Excluding one working PSU *i.e.* GITDC in 2017-18 which has not finalised its accounts since inception *i.e.* 2006-07

(a) Return on Investment on the basis of historical cost of investment

3.1.15 Out of 17 Public Sector Undertakings of the State, the State Government infused funds in the form of equity, long term loans and grants/subsidies in 15 PSUs only. The State Government has invested ₹ 303.95 crore in these 15 PSUs including equity of ₹ 300.11 crore and interest free long-term loans of ₹ 3.84 crore as per latest accounts finalised as on 31 March 2019 or information as on 31 March 2018 furnished by the PSUs.

The Return on Investment from the PSUs has been calculated on the investment made by the Government of Goa in the PSUs in the form of equity and loans. In the case of loans, only interest free loans are considered as investment since the Government does not receive any interest on such loans and are therefore of the nature of equity investment by Government except to the extent that the loans are liable to be repaid as per terms and conditions of repayment. Thus, investment of State Government in these 15 Undertakings has been arrived at by considering the equity and the Interest free loans and in cases where interest free loans have been repaid by the PSUs, the value of investment based on historic cost and present value (PV) was calculated on the reduced balances of interest free loans over the period as detailed in **Table 3.1.8**. The funds made available in the forms of the grants/subsidy have not been reckoned as investment since they do not qualify to be considered as investment.

The sector-wise return on investment on the basis of historical cost of investment for the period 2013-14 to 2017-18 is as given in **Table 3.1.8**.

Table 3.1.8 : Return on State Government Funds on the basis of historical cost of investment

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings for the year	Funds invested by the GoG in form of Equity and Interest Free Loans on historical cost	Return on State Government investment on historical cost basis (*per cent*)
2013-14			
Social Sector	5.89	64.94	9.07
Competitive Sector	-23.55	117.22	-20.09
Others	37.82	117.62	32.15
Total	**20.16**	**299.78**	**6.72**
2014-15			
Social Sector	4.78	64.94	7.36
Competitive Sector	-23.19	116.69	-19.87
Others	26.39	117.62	22.44
Total	**7.98**	**299.25**	**2.67**
2015-16			
Social Sector	7.61	65.44	11.63
Competitive Sector	6.29	121.16	5.19
Others	38.80	117.62	32.99
Total	**52.70**	**304.22**	**17.32**
2016-17			
Social Sector	7.78	66.44	11.71
Competitive Sector	-1.73	120.44	-1.44
Others	43.32	117.62	36.83
Total	**49.37**	**304.50**	**16.21**
2017-18			
Social Sector	8.33	66.44	12.54
Competitive Sector	-9.69	119.89	-8.08
Others	51.07	117.62	43.42
Total	**49.71**	**303.95**	**16.35**

(Source: Compiled from Accounts of PSUs and Finance Accounts)

The return on State Government investment is worked out by dividing the total earnings[14] of these PSUs by the cost of the State Government investments. The return earned on State Government investment ranged between 2.67 *per cent* and 17.32 *per cent* during the period 2013-14 to 2017-18. The negative return on State Government investments under competitive sector during 2013-14, 2014-15, 2016-17 and 2017-18 was mainly due to heavy losses incurred by Kadamba Transport Corporation Limited.

(b) Return on Investment on the basis of Present Value of Investment

3.1.16 In view of the significant investment by Government in those 15 State PSUs where funds had been infused by the State Government, return on such investment is essential from the perspective of the State Government and therefore, an analysis of the earnings *vis-à-vis* investments was carried out to assess the profitability of these PSUs. Traditional calculation of return based only on the basis of historical cost of investment may not be a correct indicator of the adequacy of the return on the investment since such calculations ignore the present value of money. The present value of the Government investments has been computed to assess the rate of return on the present value of investments of GoG in the State PSUs as compared to historical value of investments. In order to bring the historical cost of investments to its present value at the end of the year up to 31 March 2018, the past investments/year-wise funds infused by the GoG in the State PSUs have been compounded at the year-wise average rate of interest on government borrowings which is considered as the minimum cost of funds to the government for the concerned year. Therefore, PV of the State Government investment was computed in respect of those 15 State PSUs where funds had been infused by the State Government in the shape of equity and interest free loan since inception of these companies till 31 March 2018.

The present value (PV) of the State Government investment in the 15 undertakings was computed on the basis of following assumptions:

- Interest free loans have been considered as fund infusion by the State Government. However, in case of repayment of loans by the PSUs, the PV was calculated on the reduced balances of interest free loans over the period. The funds made available in the form of grant/subsidy have not been reckoned as investment since they do not qualify to be considered as investment.
- The average rate of interest on government borrowings for the concerned financial year[15] was adopted as compounded rate for arriving at Present Value since they represent the cost incurred by the government towards investment of funds for the year and therefore considered as the minimum expected rate of return on the investment made by the Government.

[14] This includes net profit/losses for the concerned year relating to those State PSUs where the investments have been made by the State Government. In case where annual accounts of any PSU was pending during any year then net earnings for that year has been taken as per latest audited accounts of the concerned year

[15] The average rate of interest on government borrowings was adopted from the Reports of the C&AG of India on State Finances (Government of Goa) for the concerned year wherein the calculation for the average rate for interest paid = Interest Payment/[(Amount of previous year's Fiscal Liabilities + Current year's Fiscal Liabilities)/2]*100

As per latest finalised accounts of three working[16] PSUs and one inactive[16] PSU, a higher quantum of accumulated losses than the capital investment showed that the overall capital of four[16] State PSUs had entirely eroded resulting in negative net worth of ₹ 154.32 crore. In respect of these four PSUs which have accumulated losses, a more appropriate measure of performance is the erosion of net worth due to the losses. The erosion of net worth in respect of these PSUs is commented upon in **Paragraph 3.1.19**.

3.1.17 PSU wise position of State Government investment in these 15 State PSUs in the form of equity and interest free loans on historical cost basis for the period from 2000-01 to 2017-18 is indicated in **Appendix 3.5**. Further, consolidated position of PV of the State Government investment and the total earnings relating to these PSUs for the same period is indicated in **Table 3.1.9** below.

Table 3.1.9 : Year wise details of investment by the State Government and present value (PV) of government investment for the period from 2000-01 to 2017-18

(₹ in crore)

Financial year	Present value of total investment at the beginning of the year	Equity infused by the state government during the year	Interest free loans given by the state government during the year[17]	Total Invest-ment during the year	Average rate of interest on government borrowings (in *per cent*)	Total invest-ment at the end of the year	Present value of total investment at the end of the year	Minimum expected return to recover cost of funds for the year	Total earnings for the year[18]
1	**2**	**3**	**4**	**5=3+4**	**6**	**7=2+5**	**8={7*(1+6/100)}**	**9=8-7**	**10**
2000-01		74.13[19]	-	74.13	9.07	74.13	80.85	6.72	-6.79
2001-02	80.85	10.35	-	10.35	9.47	91.20	99.84	8.64	-15.73
2002-03	99.84	5.16	-	5.16	9.25	105.00	114.71	9.71	-32.15
2003-04	114.71	12.86	-	12.86	8.95	127.57	138.99	11.42	-39.63
2004-05	138.99	14.88	0.62	15.50	7.89	154.49	166.68	12.19	-19.48
2005-06	166.68	15.16	0.62	15.78	8.54	182.46	198.04	15.58	-1.50
2006-07	198.04	31.20	1.00	32.20	7.97	230.24	248.59	18.35	53.46
2007-08	248.59	26.04	-	26.04	7.46	274.63	295.12	20.49	97.40
2008-09	295.12	20.85	6.39	27.24	7.64	322.36	346.99	24.63	24.55
2009-10	346.99	12.85	-	12.85	7.79	359.84	387.87	28.03	24.33
2010-11	387.87	12.47	-0.60	11.87	7.62	399.74	430.20	30.46	5.03
2011-12	430.20	19.40	-1.33	18.07	7.59	448.27	482.29	34.02	-1.32
2012-13	482.29	37.76	-	37.76	7.69	520.05	560.04	39.99	31.62
2013-14	560.05	0.50	-0.53	-0.03	7.44	560.02	601.67	41.67	22.69
2014-15	601.68	-	-0.53	-0.53	7.59	601.15	646.77	45.63	28.21
2015-16	646.78	5.50	-0.53	4.97	7.30	651.75	699.32	47.58	53.87
2016-17	699.33	1.00	-0.72	0.28	7.09	699.61	749.20	49.60	47.95
2017-18	749.21	-	-0.55	-0.55	7.03	748.66	801.28	52.63	49.71
Total		**300.11**	**3.84**						

(Source: compiled from Finance Accounts and information furnished by PSUs)

[16] Goa Handicrafts, Rural and Small Scale Industries Development Corporation, Kadamba Transport Corporation Ltd., Goa Electronics Ltd. (subsidiary of EDC Ltd.) and Goa Auto Accessories Ltd. (non-working subsidiary of EDC Ltd.)

[17] Negative figures of Interest free loans shown in this column represent repayments of loans by the PSUs to the State Government during the concerned year

[18] Total Earnings for the year from 2000-01 to 2017-18 depicted net earnings (profit/loss) for the years relating to 14 PSUs (excluding GITDC and two subsidiary companies) which prepare their annual accounts on commercial accounting principles. In case where annual accounts of any PSU was pending during any year then net earnings for that year has been taken as per latest audited accounts of the concerned year

[19] It is the figure of State Government's investment as on 31/03/2001 as per **Appendix 6** of CAG's Audit Report for the year ended 2000-01 and is cumulative up to 2000-01

The balance of investment by the State Government in these PSUs at the end of the year increased to ₹ 303.95 crore[20] in 2017-2018 from ₹ 74.13 crore in 2000-01 as the State Government made further investments in shape of equity (₹ 225.98 crore) and interest free loans (₹ 3.84 crore) during the period 2004-05 to 2017-2018. The PV of funds infused by the State Government up to 31 March 2018 amounted to ₹ 801.29 crore.

It could be seen that total earnings for the year relating to these companies which were negative up to 2005-06 became positive from 2006-07 and remained positive till 2017-18 except in 2011-12. During the years 2006-07, 2007-08 and 2015-16, the returns/earnings were positive and greater than the minimum expected returns. However, during the period 2008-09 to 2017-18, except 2011-12 and 2015-16, the earnings though remained positive but were less than the minimum expected returns.

3.1.18 Sector-wise comparison of returns on State Government funds at historical cost and at present value for the last five years from 2013-14 to 2017-18 is given in **Table 3.1.10**.

Table 3.1.10 : Return on State Government Funds

(₹ in crore)

Year wise Sector-wise break-up	Total Earnings/ losses (-) for the year	Investment by the GoG in form of Equity and Interest Free Loans on historical cost	Return on State Government investment on the basis of historical cost (*per cent*)	PV of the State Government investment at end of the year	Return on State Government investment considering the present value of the investments (*per cent*)
2013-14					
Social Sector	5.89	64.94	9.07	112.43	5.24
Competitive Sector	-23.55	117.22	-20.09	225.79	-10.43
Others	37.82	117.62	32.15	263.45	14.36
Total	**20.16**	**299.78**	**6.72**	**601.67**	**3.35**
2014-15					
Social Sector	4.78	64.94	7.36	120.96	3.95
Competitive Sector	-23.19	116.69	-19.87	242.35	-9.57
Others	26.39	117.62	22.44	283.46	9.31
Total	**7.98**	**299.25**	**2.67**	**646.77**	**1.23**
2015-16					
Social Sector	7.61	65.44	11.63	130.33	5.84
Competitive Sector	6.29	121.16	5.19	264.84	2.38
Others	38.80	117.62	32.99	304.15	12.76
Total	**52.70**	**304.22**	**17.32**	**699.32**	**7.54**
2016-17					
Social Sector	7.78	66.44	11.71	140.64	5.53
Competitive Sector	-1.73	120.44	-1.44	282.85	-0.61
Others	43.32	117.62	36.83	325.71	13.30
Total	**49.37**	**304.50**	**16.21**	**749.20**	**6.59**
2017-18					
Social Sector	8.33	66.44	12.54	150.53	5.53
Competitive Sector	-9.69	119.89	-8.08	302.15	-3.21
Others	51.07	117.62	43.42	348.60	14.65
Total	**49.71**	**303.95**	**16.35**	**801.28**	**6.20**

(Source: compiled from Accounts of PSUs, Finance Accounts and information furnished by PSUs)

[20] ₹ 303.95 crore=₹ 300.11 crore + ₹ 3.84 crore

The return earned on State Government investment on historical cost basis was 6.72 *per cent* in 2013-14, it declined to 2.67 *per cent* in 2014-15 and then increased to 17.32 *per cent* during 2015-16. It declined thereafter to 16.21 *per cent* and 16.35 *per cent* during 2016-17 and 2017-18 respectively. The returns earned on State Government funds considering the present value of the investments were 3.35 *per cent,* 1.23 *per cent,* 7.54 *per cent,* 6.59 *per cent* and 6.20 *per cent* during 2013-14 to 2017-18 respectively.

Further, during this period, the returns from competitive sector on present value worked out at -10.43 *per cent*, -9.57 *per cent,* 2.38 *per cent,* -0.61 *per cent* and -3.21 *per cent* against -20.09 *per cent*, -19.87 *per cent,* 5.19 *per cent,* -1.44 *per cent and* -8.08 *per cent* of returns respectively based on the historic cost of investment.

Erosion of Net worth

3.1.19 Net worth means the sum total of the paid-up capital and free reserves and surplus minus accumulated losses and deferred revenue expenditure. Essentially it is a measure of what an entity is worth to the owners.

The capital investment and accumulated losses of 16 State Government PSUs excluding GITDC as per their latest finalised accounts as on 31 March 2018 were ₹ 365.20 crore and ₹ 59.13 crore resulting in positive net worth of ₹ 424.33 crore as depicted in **Table 3.1.11** below.

Table 3.1.11 : Net worth of undertakings during 2013-14 to 2017-18

(₹ in crore)

Year	Total PSUs	PSUs preparing Accounts	Total Paid up Capital at end of the year	Accumulated Profit (+)/Loss (-) at end of the year	Net Worth
2013-14	16	15	326.91	-47.24	279.67
2014-15	16	15	346.27	-37.99	308.28
2015-16	16	15	360.01	-13.38	346.63
2016-17	17	15	360.56	26.86	387.42
2017-18	17	16	365.20	59.13	424.33

(Source: Compiled from Accounts of PSUs)

As can be seen, the net worth of these companies increased during the period. It increased from ₹ 279.67 crore in 2013-14 to ₹ 424.33 crore in 2017-18. PSUs reporting net profit as per their financial statements during the period 2013-14 to 2017-18 ranged from 8 to 11. However, EDC Limited had contributed the most *i.e.* 65.52 *per cent* to 83.42 *per cent* of the total profit earned by such PSUs. While three to six PSUs had reported losses during the same period, the overall position was positive for the State Government.

A negative net worth indicates that the entire investment by the owners has been wiped out by accumulated losses and deferred revenue expenditure. The capital investment and accumulated losses in respect of three active PSUs and one inactive PSU as per their latest finalised accounts were ₹ 110.03 crore and ₹ 264.35 crore respectively resulting in negative net worth of ₹ (-) 154.32 crore after deducting nil deferred revenue expenditure as can be seen from **Appendix 3.2**. Of these four PSUs, the maximum net worth erosion was in Kadamba Transport Corporation Limited (₹ 118.16 crore) and Goa Electronics Limited (₹ 19.06 crore). Of these four PSUs where net worth had been fully eroded, one of the PSU *i.e.* GEL as per its latest finalised accounts had recorded profit of ₹ 0.44 crore for 2017-18 although there were substantial accumulated losses.

Out of 15 PSUs where funds were infused by the GoG, 13 PSUs[21] showed positive net worth and net worth of two[22] PSUs was negative during 2013-14 to 2017-18. The net worth of these two PSUs decreased during 2013-14 to 2017-18 whereas it increased in respect of three[23] PSUs during the same period and it fluctuated in respect of balance eight PSUs.

Dividend Payout

3.1.20 The State Government had not formulated any dividend policy. The detail of Dividend Payout relating to PSUs where equity was infused by GoG during the period is shown in **Table 3.1.12**.

Table 3.1.12 : Dividend Payout of 15 PSUs during 2013-14 to 2017-18

(₹ in crore)

Year	Total PSUs where equity infused by GoG		PSUs which earned profit during the year		PSUs which declared/ paid dividend during the year		Dividend Payout Ratio (*per cent*)
	Number of PSUs	Equity infused by GoG	Number of PSUs	Equity infused by GoG	Number of PSUs	Dividend declared/ paid by PSUs	
1	2	3	4	5	6	7	8=7/5*100
2013-14	14	293.61	8	186.83	2	1.38	0.74
2014-15	14	293.61	8	186.83	2	1.38	0.74
2015-16	14	299.11	9	264.20	2	1.38	0.52
2016-17	15	300.11	8	170.31	2	1.38	0.81
2017-18	15	300.11	8	170.31	2	1.38	0.81

(Source: Compiled from Accounts of PSUs)

During the period 2013-14 to 2017-18, the number of PSUs which earned profits ranged between eight and nine. However, only two PSUs paid dividend to GoG. The Dividend Payout Ratio during 2013-14 to 2017-18 ranged between 0.52 *per cent* and 0.81 *per cent*.

Return on Equity

3.1.21 Return on Equity (ROE) is a measure of financial performance to assess how effectively management is using shareholders' fund to create profits and is calculated by dividing net income (*i.e.* net profit after taxes) by shareholders' fund. It is expressed as a percentage and can be calculated for any company if net income and shareholders' fund are both positive numbers.

Shareholders' fund of a Company is calculated by adding paid up capital and free reserves net of accumulated losses and deferred revenue expenditure and reveals how much would be left for a company's stakeholders if all assets were sold and all debts paid. A positive shareholders fund reveals that the

[21] Goa Forest Development Corporation Ltd., Goa Meat Complex Ltd., Goa State Horticultural Corporation Ltd., Goa State Scheduled Castes and Other Backward Class Finance Development Corporation Ltd., Goa State Scheduled Tribes Finance and Development Corporation Ltd., Goa State Infrastructure Development Corporation Ltd., Sewage and Infrastructural Development Corporation Ltd., Imagine Panaji Smart City Development Ltd., Goa Tourism Development Corporation Ltd., EDC Ltd., Info Tech Corporation of Goa Ltd., Goa Industrial Development Corporation and Goa Information Technology Development Corporation

[22] Goa Handicrafts, Rural and Small Scale Industries Development Corporation, Kadamba Transport Corporation Ltd.

[23] Goa State Horticultural Corporation Ltd., Goa State Scheduled Tribes Finance and Development Corporation and Sewage and Infrastructural Development Corporation Ltd.

company has enough assets to cover its liabilities while negative shareholder equity means that liabilities exceed assets.

Return on Equity has been computed in respect of 14[24] State Government PSUs where funds had been infused by GoG. The details of Shareholders fund and ROE relating to these 14 PSUs during the period from 2013-14 to 2017-18 are given in **Table 3.1.13**.

Table 3.1.13 : Return on Equity relating to PSUs where funds were infused by the GoG

(₹ in crore)

Year	Net Income	Shareholders' Fund	ROE (*per cent*)
2013-14	20.14	302.67	6.65
2014-15	7.98	339.16	2.35
2015-16	52.70	377.93	13.94
2016-17	49.37	419.84	11.76
2017-18	49.71	457.58	10.86

(Source: Compiled from Accounts of PSUs)

During the last five years period ended March 2018, the Net Income was positive and the ROE during these years ranged between 2.35 *per cent* and 13.94 *per cent*.

Return on Capital Employed

3.1.22 Return on Capital Employed (ROCE) is a ratio that measures a company's profitability and the efficiency with which its capital is employed. ROCE is calculated by dividing a company's earnings before interest and taxes (EBIT) by the capital employed[25]. The details of total ROCE of all the 17 State PSUs together except GITDC during the period from 2013-14 to 2017-18 are given in **Table 3.1.14.**

Table 3.1.14 : Return on Capital Employed

(₹ in crore)

Year	No. of PSUs	EBIT	Capital Employed	ROCE (*per cent*)
2013-14	15	54.42	613.49	8.87
2014-15	15	69.89	702.77	9.94
2015-16	15	115.82	890.95	13.00
2016-17	16	122.91	1141.34	10.77
2017-18	16	180.17	1534.45	11.74

(Source: Compiled from Accounts of PSUs)

The ROCE of these State PSUs ranged between 8.87 *per cent* and 13 *per cent* during the period 2013-14 to 2017-18. The ROCE increased up to 2015-16 but declined during 2016-17 and has improved in 2017-18.

Analysis of Long Term Loans of the PSUs

3.1.23 Analysis of the Long Term Loans of the PSUs which had leverage during 2013-14 to 2017-18 was carried out to assess the ability of the companies to serve the debt owed by the companies to the Government, banks

[24] Out of total 17 PSUs as on 31/03/2018 excluding three PSUs *i.e.* GITDC which has not finalised its accounts since inception, Goa Electronics Ltd. and Goa Auto Accessories Ltd. which are subsidiaries of EDC Ltd.

[25] Capital employed = Paid up share capital + free reserves and surplus + long term loans - accumulated losses - deferred revenue expenditure. Figures are as per the latest year for which accounts of the PSUs are finalised

and other financial institutions. This is assessed through the interest coverage ratio and debt turnover ratio.

Interest Coverage Ratio

3.1.24 Interest coverage ratio is used to determine the ability of a Company to pay interest on outstanding debt and is calculated by dividing earnings before interest and taxes (EBIT) of a Company by interest expenses of the same period. The lower the ratio, the lesser the ability of the Company to pay interest on debt. An interest coverage ratio below one indicated that the Company was not generating sufficient revenues to meet its expenses on interest. The details of interest coverage ratio in respect of those companies which had interest burden during the period from 2013-14 to 2017-18 are given in **Table 3.1.15**.

Table 3.1.15 : Interest Coverage Ratio relating to State PSUs

Year	Number of PSUs having liability of loans from Government and Banks and other financial institutions	Earnings before interest and tax (EBIT) (*₹ in crore*)	Interest (*₹ in crore*)	Number of PSUs having interest coverage ratio more than one	Number of PSUs having interest coverage ratio less than one
2013-14	10	55.96	38.16	5	5
2014-15	10	70.90	46.93	5	5
2015-16	10	114.51	55.56	7	3
2016-17	10	118.69	68.54	6	4
2017-18	9	184.16	96.64	5	4

(Source: Compiled from Accounts of PSUs)

Of the nine State PSUs having liability of loans from Government as well as banks and other financial institutions during 2017-18, five PSUs[26] had interest coverage ratio of more than one whereas remaining four PSUs[27] had interest coverage ratio below one which indicates that these four PSUs could not generate sufficient revenues to meet their expenses on interest during the period.

Debt Turnover Ratio

3.1.25 During the last five years, the turnover of 16 PSUs except GITDC recorded compounded annual growth of 8.24 *per cent* whereas compounded annual growth of debt was 26.98 *per cent* due to which the debt turnover ratio increased from 0.50 in 2013-14 to 1.15 in 2017-18 as given in **Table 3.1.16**.

Table 3.1.16 : Debt Turnover Ratio relating to the State PSUs

(₹ in crore)

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
Debt from Government and others (Banks and Financial Institutions)	323.48	436.80	649.20	885.73	1070.11
Turnover	651.82	809.08	820.56	909.08	934.44
Debt-Turnover Ratio	0.50:1	0.54:1	0.79:1	0.97:1	1.15:1

(Source: Compiled based on information contained in latest finalised accounts of PSUs for respective years or information for relevant year furnished by PSUs)

[26] EDC Ltd., Info Tech Corporation of Goa Ltd., Sewage and Infrastructural Development Corporation Ltd., Goa Electronics Ltd., and Goa State Infrastructure Development Corporation Ltd.

[27] Goa Handicrafts, Rural and Small Scale Industries Development Corporation Ltd., Goa Auto Accessories Ltd., Goa State Scheduled Castes and Other Backward Class Finance and Development Corporation Ltd., and Kadamba Transport Corporation Ltd.

The debt-turnover ratio ranged between 0.50 and 1.15 during this period. This was mainly due to increase in borrowings by two PSUs namely Goa State Infrastructure Development Corporation Limited and Sewage & Infrastructural Development Corporation Limited.

Winding up of inactive State PSUs

3.1.26 Only one State PSU was inactive company (Goa Auto Accessories Limited) having a total investment of ₹ 5.59 crore towards capital as on 31 March 2018. The number of non-functional PSUs at the end of each year during last five years ended 31 March 2018 are given in **Table 3.1.17**.

Table 3.1.17 : Inactive State PSUs

Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
No. of inactive[28] companies	2	2	2	2	1

(*Source: Compiled from the information included in Audit Report (PSU), GoG of respective years & **Appendix 3.2***)

Major portion of assets of GAAL had been sold (June 2017). The NCLT, Mumbai has vide its order dated 11/12/2018 appointed an Interim Resolution Professional (IRP) to carry out the function under Insolvency and Bankruptcy Code 2016.

Comments on Accounts of active State PSUs

Companies

3.1.27 Fifteen PSUs forwarded 23 audited accounts to the Accountant General during the period from 01 October 2017 to 31 March 2019. Of these, 18 accounts of 15 Companies were selected for supplementary audit. The comments in the Audit Reports of the Statutory Auditors appointed by CAG and the supplementary audit of CAG mention significant observations on the financial statements. These indicate the quality of financial statements and highlight the areas which need improvement. The details of aggregate money value of comments of Statutory Auditors and CAG are given in **Table 3.1.18**.

Table 3.1.18 : Impact of audit comments on active Companies

(₹in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	2	19.80	5	66.93	5	17.71
2	Increase in loss	5	1.52	3	8.67	3	4.49
3	Non-disclosure of material facts	2	0.33	3	8.81	3	0.45
4	Errors of classification	4	2.82	2	79.49	4	389.75

(Source: Compiled from details received from PSUs)

During the year, the Statutory Auditors had given unqualified certificates on 13 accounts of eight PSUs and qualified certificates on seven accounts of five PSUs. In respect of one account[29] they gave adverse certificate which means that the accounts do not reflect a true and fair position. In respect of two

[28] From 2013-14 to 2016-17: Goa Auto Accessories Ltd., Goa Information Technology Corporation Ltd.

[29] Goa Tourism Development Corporation Ltd. (2017-18)

accounts[30] the Statutory Auditors have given disclaimer and qualified certificate that the auditors were unable to form an opinion on the accounts.

Corporations

3.1.28 The State has two Statutory Corporations *i.e.* (i) Goa Industrial Development Corporation (GIDC) and (ii) Goa Information Technology Development Corporation (GITDC). The CAG is sole auditor in respect of both Corporations.

Out of two active Statutory Corporations, one Corporation (GIDC) forwarded its annual accounts for the financial year 2016-17 during 01 October 2017 to 31 March 2019.

The details of aggregate money value of the comments included in supplementary audit by the CAG in respect of Statutory Corporation are given in **Table 3.1.19**.

Table 3.1.19 : Impact of audit comments on Statutory Corporation

(₹in crore)

Sl. No.	Particulars	2015-16		2016-17		2017-18	
		Number of accounts	Amount	Number of accounts	Amount	Number of accounts	Amount
1	Decrease in profit	-	-	-	-	-	-
2	Increase in profit	1	1.10	-	-	-	-
3	Increase in loss	-	-	-	-	-	-
4	Decrease in loss	-	-	-	-	-	-
5	Non-disclosure of material facts	1	10.86	-	-	1	90.01
6	Errors of classification	1	0.49	-	-	1	19.30

(Source: Compiled from comments of the C&AG in respect of Statutory Corporation)

Coverage of this Report

3.1.29 For the Report of the Comptroller and Auditor General of India (Public Sector Undertakings) for the year ended 31 March 2018, One Performance Audit Report and one audit paragraph were issued to the Management and Secretaries of the respective Departments with request to furnish replies within six weeks. The replies were awaited from the State Government (August 2019). The total financial impact of these compliance audit paragraphs is ₹ 32.13 crore.

Follow up action on Audit Reports

Replies outstanding

3.1.30 The Report of the Comptroller and Auditor General of India is the product of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. All the Administrative Departments of PSUs need to submit the explanatory notes indicating the corrective/remedial action taken or proposed to be taken on paragraphs and performance audits included in the Audit Reports. The Finance Department, Government of Goa issued every year, instructions to all Administrative Departments to submit replies/explanatory notes within a period of three

[30] Sewage and Infrastructural Development Corporation Ltd. (2016-17 & 2017-18)

months of their presentation to the Legislature, in the prescribed format without waiting for any questionnaires from the COPU.

Table 3.1.20 : Position of explanatory notes not received (as on 31 March 2019)

Year of the Audit Report (PSU)	Date of placement of Audit Report in the State Legislature	Total Performance Audits (PAs) and Paragraphs in the Audit Report		Number of PAs/ Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2013-14	14/08/2015	0	3	0	0
2014-15	11/08/2016	1	3	0	0
2015-16	07/08/2017	1	1	0	1
2016-17	03/08/2018	0	4	0	4
Total		**2**	**11**	**0**	**5**

(Source: Compiled based on explanatory notes received from respective Departments)

Explanatory notes on two compliance audit paragraphs of Sewage and Infrastructural Development Corporation and three paragraphs of Goa Industrial Development Corporation are pending.

Discussion of Audit Reports by COPU

3.1.31 The status of discussion of Performance Audits and paragraphs that appeared in Audit Reports (PSUs) by the Committee on Public Undertakings (COPU) as on 30 June 2019 is given in **Table 3.1.21**.

Table 3.1.21 : PAs and paragraphs appeared in Audit Reports *vis-a-vis* discussed as on 30 June 2019

Period of Audit Report	Number of PAs/Paragraphs			
	Appeared in Audit Report		Discussed by COPU	
	PAs	Paragraphs	PAs	Paragraphs
2013-14	0	3	0	3
2014-15	1	3	1	3
2015-16	1	1	0	0
2016-17	0	4	0	0
Total	**2**	**11**	**1**	**6**

(Source: Compiled based on the discussions of COPU on the Audit Reports)

The discussion on Audit Reports (PSUs) up to 2012-13 has been completed.

Compliance to Reports of COPU

3.1.32 Action Taken Notes (ATNs) on two reports of the COPU presented to the State Legislature in February 2011 and December 2018 had not been received. One COPU report of 2017-18 and two COPU reports of 2018-19 were presented to the State Legislature on 31 January 2019 and ATNs on these COPU reports are also awaited (June 2019) as indicated in **Table 3.1.22**.

Table 3.1.22 : Compliance to COPU Reports

Year of the COPU Report	Total number of COPU Reports	Total number of recommendations in COPU Report	Number of recommendations where ATNs not received
2009-11	1	4	4
2014-15	1	8	8
2017-18	1	6	6
2018-19	2	12	12

(Source: Compiled based on recommendations of COPU)

These Reports of COPU contained recommendations in respect of paragraphs which appeared in the Audit Report of the CAG of India for the year 2003-04, 2009-10, 2010-11, 2011-12 and 2012-13 respectively.

The State Government may ensure that replies to Paragraphs/Performance Audits and ATNs on the recommendations of COPU are furnished as per the prescribed time schedule.

INFORMATION TECHNOLOGY DEPARTMENT

3.2 Performance Audit on Implementation of e-Tendering System in Goa

Executive Summary

Government of Goa (GoG) implemented an e-Tendering solution named TenderWizard with the objective of improving transparency and efficiency in procurement process across all departments, offices, autonomous bodies and public sector companies/corporations in the State. The Performance Audit on implementation of the e-Tendering system was conducted for the five-year period from 2013-14 to 2017-18 to assess the achievement of transparency and efficiency in procurement after implementation of the TenderWizard.

The implementation of the TenderWizard was not supported by adequate training and awareness amongst users and many relied on help desk staff of the private technology partner for tendering activities. The role and responsibility of ITG as the implementing agency was not spelt out. As key modules were not implemented, many activities were performed manually thereby delaying finalisation/opening of tenders, awarding of contracts and refund of earnest money deposit. Manual intervention in releasing tender documents to bidders after receipt of tender form fees and the users' reliance on help desk for uploading bids and opening tenders compromised transparency and secrecy. Government rules/guidelines on minimum time for submission of bids and collection of tender processing fees and earnest money deposit were not built into the system. Inadequate validation controls over data and absence of separation of duties enabled users to perform multiple e-Tendering roles, affecting the integrity of action done.

3.2.1 Introduction

Electronic Tendering or e-Tendering is the use of information and communication Technology (web based) in conducting the tendering processes with suppliers for the acquisition of goods, works and services. Government of Goa decided (June 2011) that all departments, autonomous bodies, public sector companies and corporations in the State would float tenders costing above ₹ five lakh by using e-Tendering/e-Procurement solution with effect from 01 July 2011, with the objective of improving transparency and expediency in procurement process. The implementation of the e-Tendering solution was entrusted to Info Tech Corporation of Goa Limited (ITG), a company under the Department of Information Technology (DoIT), Government of Goa.

ITG entered (May 2011) into an agreement with Karnataka State Electronics Development Corporation Limited (KEONICS), a public sector company under Government of Karnataka, for the period from July 2011 to December 2017 for setting up State-wide integrated e-Procurement and project monitoring portal named *TenderWizard*[31].

Financial Model of the project

The project was implemented on Public Private Partnership revenue-sharing model between KEONICS and ITG. The tender processing fee was collected from bidders based on the estimated value and type of contract. The minimum and maximum processing fee was ₹ 500 and ₹ 4,000 respectively. The agreement executed with KEONICS allowed ITG to retain 10 *per cent* of the amount (excluding tax) received as tender processing fees (TPF) and registration charges from bidders and transfer the balance receipt (excluding tax) of 90 *per cent* fees/charges to KEONICS on bi-monthly basis. During 2013-18, out of ₹ 9.18 crore (excluding tax) received as TPF and registration charges, ITG paid ₹ 8.26 crore to KEONICS and retained ₹ 0.92 crore.

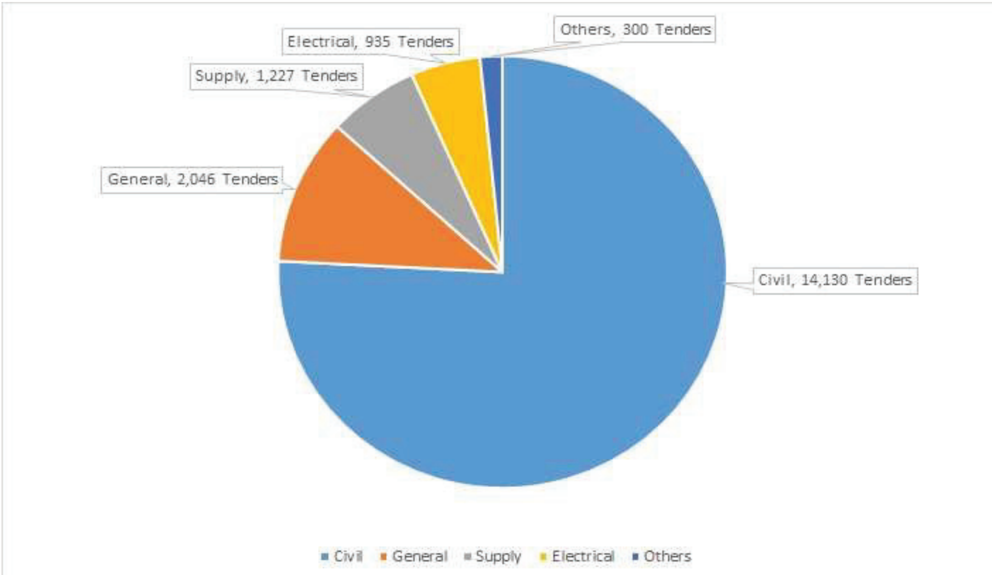
Overview of the TenderWizard

The *TenderWizard* was a software application built on web technology. Its servers were hosted at the data centre of Tata Communications Ltd., Bengaluru and available on the weblink *https://www.etender.goa.gov.in*. The main activities of the application included creation of buyer/vendor database and distributing and accepting electronic bid documents.

As of March 2018, 118 out of 167 State Government departments/autonomous bodies/public sector companies and corporations (hereinafter collectively referred to as buyers) had registered themselves in the *TenderWizard*. While registration of buyers in the *TenderWizard* was free, the contractors/suppliers/vendors (hereinafter collectively referred to as bidders) were required to pay an annual registration fee of ₹ 1,000. As per *TenderWizard* database, there were 5,384 bidders as of March 2018, of which 3,840 bidders had registered during 2013-18. Tenders were categorised as civil, supply, electrical, general, mechanical, consultancy, *etc.* **Chart 3.2.1** depicts the major categories of 18,638 tenders issued during 2013-18.

[31] An Application Service Provider model, jointly developed by KEONICS in technical tie-up with Antares Systems Ltd, a private company and technology partner. Under this model, tendering organisations could control the core tendering activities carried out on the web portal but the ownership and control of portal infrastructure vested with Antares Systems Ltd.

Chart 3.2.1: Diagram showing types of tender issued during 2013-18



3.2.2 Organisational set-up

The Secretary (Information Technology), Government of Goa is the administrative head of DoIT which oversees the implementation of the e-Tendering system in the State. He is assisted by the Director of Information Technology and a Deputy Director (Technical) at the DoIT. The implementing agency, ITG, was headed by the Managing Director assisted by a Joint Managing Director, an Officer on Special Duty (Infrastructure), a Chief Engineer in charge of projects, a Manager (IT), a Deputy Manager (Accounts and Administration) and other technical and administrative staff.

3.2.3 Audit objectives

The audit of e-Tendering system was undertaken to ascertain whether:

- The e-Tendering solution brought about transparency and efficiency in procurement process;
- Adequate controls over the system application and database were in place to ensure security, reliability and integrity of data; and
- The business rules were adequately mapped in the system.

3.2.4 Audit scope and methodology

The audit objectives, criteria, and scope of audit were discussed with the Secretary (Information Technology) in an entry conference held in May 2018. Performance Audit was conducted from April 2018 to August 2018 and the implementation of the e-Tendering system during the period from 2013-14 to 2017-18 was reviewed. The audit involved data analysis, discussion with officials of ITG and examination of records at ITG and 10 select buyers[32] out of 118 registered departments for physical examination of the tender records, which consisted of five departments, two local self-governments, two public sector undertakings and one other agency. The database relating to all the tenders (18,638) issued during 2013-14 to 2017-18 were examined during audit. The data obtained from ITG was analysed using MS Access and Oracle Structured Query Language (SQL).

The audit observations were communicated to ITG and other organisations for response. Their replies have been incorporated in the report at appropriate places. Audit observations were discussed in Exit Conference (January 2019) with the Secretary (Information Technology).

3.2.5 Audit criteria

The audit observations were benchmarked against the following criteria:

- Information Technology (IT) Act, 2000;
- Orders, circulars and guidelines issued by the State Government;
- e-Procurement guidelines issued by Central Vigilance Commission (CVC), Standardisation Testing and Quality Certification (STQC) Directorate and Department of Information Technology, Ministry of Communication and Information Technology, Government of India;
- Central Public Works Department (CPWD) Works Manual, 2007;
- General Financial Rules (GFR), 2005; and
- Good e-Procurement practices in the country.

Audit findings

3.2.6 Implementation of e-Tendering system

3.2.6.1 Inadequate automatisation efforts and training to user departments

The decision to implement the *TenderWizard* was taken (December 2010) based on an unsolicited proposal received (March 2010) from KEONICS. No Request for Proposal (RFP) or Expression of Interest (EOI) was invited for selection of technology partner and the e-Tendering solution. Though the *TenderWizard* was in use in some other States/entities, it required State-specific customisation by incorporating the requirements of user departments and mapping of Government rules and regulations on e-Procurement. It was equally important to sensitise the users to the new digital system.

Though ITG was appointed the implementing agency, neither the State Government order (June 2011) nor the agreement executed with KEONICS defined the role and responsibility of ITG. The agreement signed between ITG and KEONICS required the latter to carry out user requirement study and gap analysis and customise the e-Tendering solution attuned to the needs of the

[32] Organisations were selected using Probability-Proportional-To-Size Sampling method. These included Department of Water Resources (WRD), Public Works Department (PWD), Goa Electricity Department (GED), Directorate of Panchayats (DoP), Directorate of Skill Development and Entrepreneurship (DSDE), Corporation of the City of Panaji (CCP), North Goa Zilla Panchayat (NGZP), Goa Tourism Development Corporation Ltd. (GTDC), Kadamba Transport Corporation Ltd (KTC) and Goa State Urban Development Agency (GSUDA)

State. However, on being inquired, ITG did not provide any specific reply on user requirement study, gap analysis and customisation having been undertaken. On inquiry, six buyers[33] also stated that no user requirement study and gap analysis was carried out while implementing the e-Tendering system. Thus, *TenderWizard* was implemented without incorporating State-specific business rules in respect of EMD, TDF, TPF and processing time and guidelines on e-Procurement as detailed in **Paragraphs 3.2.7.2, 3.2.9.1 and 3.2.9.4** and the requirement of buyers was neither sought for nor understood during implementation phase.

As per the agreement between ITG and KEONICS, the latter was to arrange training workshops to the concerned officials from time to time so as to update them with the latest product. However, during the period of seven years (2011-18) after implementation of the *TenderWizard*, personnel of only 10 buyer organisations[34] (eight *per cent*) out of 118 buyer organisations were provided (June/July 2011) some theoretical training. As a result, most buyers relied on helpdesk staff of Antares Systems Ltd.[35] (technology partner) stationed at ITG for all their e-Tendering activities. None of the 10 select buyers except Public Works Department (PWD) had a dedicated cell/section to regularly monitor and report on the status of e-Tenders issued by them.

ITG replied (August 2018) that training was provided to users, who were informed of changes, if any, to processes, and detailed help manuals were available in the website. However, 15 units[36] of eight selected organisations admitted (October 2018) that their officials were not given adequate training. The buyers also acknowledged that no feedback was solicited by ITG or provided by them post implementation. Since efforts to inculcate a digital culture for tendering amongst buyers was insufficient, buyers lacked the desire to shift fully to a digital environment. To determine the extent of usage of e-Tendering system, the Audit independently sought information from 42 out of 118 registered buyers. Out of 19 buyers who responded, seven[37] buyers had manually issued and processed 63 tenders, each valuing more than ₹ five lakh and aggregating ₹ 4.31 crore during 2013-18. ITG too floated (August 2018) an RFP manually for selection of a new agency for implementation of an e-Tendering solution after the validity of agreement with KEONICS expired in December 2017.

ITG replied (August 2018) that it had no record/did not exercise any control over organisations issuing tenders above ₹ five lakh in physical mode. It added (October 2018) that the RFP for selection of a new agency for e-Tendering system was floated manually as per directions of DoIT. The reply indicates that transition to digital tendering was yet to take full roots with even the implementing agency for e-Tendering resorting to manual tendering.

[33] DSDE, KTC, GED, GTDC, NGZP and PWD

[34] GED, Goa Handicrafts Rural and Small Scale Industries Development Corporation (GHRSSIDC), GSUDA, GTDC, PWD, and WRD

[35] A private company based in Bengaluru, providing web-based e-Procurement solutions

[36] CCP, DSDE, GED Contract Service Cell (CSC) and Divisions-VI and XVII, GSUDA, KTC, NGZP, PWD Divisions- XIII, XIV, XV, XVIII and XXIII and WRD Divisions I and II

[37] Canacona Municipal Council (one tender), Goa AIDS Control Society (five tenders), Human Resource Development Corporation (three tenders), Institute of Public Assistance Provedoria (two tenders), South Goa Zilla Panchayat (38 tenders), and village *panchayats* of Socorro (12 tenders) and Candolim (two tenders)

3.2.6.2 Partial implementation of e-Tendering modules

The *TenderWizard* was expected to provide an end-to-end procurement solution, from creation of dynamic vendor database for award of contract, management of tender contract operations and re-Tendering. It consisted of the following 10 modules:

1. Creation of dynamic vendor database	6. Techno-commercial evaluation
2. Tender notification and corrigendum announcement	7. Auto-generation of comparative statement
3. Distribution of tender document	8. Negotiation and award
4. Submission of sealed tender document in secured tender box	9. Management of tender contract Operations
5. Tender opening in stages	10. Re-Tendering

However, Audit noticed that four[38] out of the aforesaid 10 modules in the system were not made operational/utilised. The system also lacked transparency, as the buyers resorted to manual process for evaluating technical suitability, awarding of contract, management of contract operations and re-Tendering. Non-use of these modules was also confirmed by eight[39] out of 10 select buyers. Thus, due to partial implementation of modules of the *TenderWizard,* the benefits of migrating from a manual to an automated procurement system could not be fully achieved as indicated in **Appendix 3.6**.

ITG stated that though *TenderWizard* facilitate all modules, the Government of Goa did not utilise four modules. Thus, with partial implementation of the end-to-end e-Tendering solution the State could not reap full benefits that were possible due to automation.

Recommendation: The State Government may take steps to implement an e-Tendering solution with all modules fully operationalised so that benefits of automation accrue to users and transparency is ensured at all stages. Efforts may also be made to ensure that all buyers make use of e-Tendering solution for all tenders above the stipulated threshold.

3.2.7 System deficiencies

The online registration form in the *TenderWizard* had provision for enrolling users[40] and assigning them user name/password for logging into the application software for performing tendering activities. Further, the user name was mapped by the system at the time of registration with the user's Digital Signature Certificate (DSC) for authentication. Audit, however, observed infirmities in data and validation protocols/controls over data, which are discussed below.

3.2.7.1 Inadequate validation controls over data

As per the guidelines for compliance to quality requirement of e-Procurement Systems issued by STQC Directorate, Department of Information Technology,

[38] Creation of dynamic vendor database, negotiation and award, management of tender contract operations and re-tendering

[39] CCP, DSDE, GED-CSC and Divisions-VI and XVII, Goa State Urban Development Agency, GTDC, KTC, NGZP and PWD

[40] Users here refer to buyers as well as bidders

Government of India, the data of users of the e-Tendering system should have the qualities of completeness, reliability, integrity and accuracy, and this should be ensured through adequate validation controls in the application/database. The particulars of users, such as e-mail ID, PAN, telephone number and DSC/public key infrastructure[41] (PKI) serial number (encrypted) constitute vital data, as these are required for registration, building up repository of vendor database and online communication in an e-Tendering system. We observed that essential details were not correctly/mandatorily entered by users at the time of online registration, resulting in an invalid information system, as shown in **Table 3.2.1**.

Table 3.2.1: Incomplete/invalid data of users

Attributes	Number of cases
Total number of users	5384
Invalid e-mail ID *(eg.*, test@test.com (273), test@gmail.com (57), testtest@gmail.com(12), twmailtest@gmail.com(38))	380
Invalid PAN (*eg., ABCD123, SAER1234*)	122
Invalid telephone number (*eg., 123456789, 1234567890, 987654*)	42

(Source: Database provided by ITG)

The system accepted incorrect/invalid values in the database as data field limit and type were not mandatorily set, which rendered the data unreliable.

Admitting that data fields were not made mandatory at the time of registration of users, ITG replied (August 2018) that the relevant information was not fed into the system by users of the *TenderWizard*. The reply is not tenable as ITG being the implementing agency, should have ensured that critical data fields were populated accurately for providing full benefits to users in an online environment. Further, adequate validation checks should have been in place in the system to ensure capturing of correct data. In absence of validated bidder data, each bidder's details had to be manually verified every time they participated.

3.2.7.2 Business rules not mapped in the application software

The procurement process should comply with the provisions of CPWD Works Manual 2007 (updated in 2014), the GFR 2005 (updated in 2017) and instructions/guidelines issued by the State Government from time to time. In an e-Tendering system, this is made possible by mapping business rules in the application software and applying adequate checks. Audit observed that ITG did not impress upon with KEONICS to incorporate the business rules/guidelines in the system, resulting in deficiencies discussed below:

- **Insufficient time for submission of bids**

The CPWD Works Manual 2007 prescribed (Section 16.5 – Time limit for publicity of tenders) number of days ranging from 7 to 14 days between date of publication of tender on the website and the date of receipt of bids

[41] A public key infrastructure is a set of roles, policies and procedures needed to create, manage, distribute, use, store and revoke digital certificates and manage public key encryption. It facilitates secure electronic transfer of information over the internet/network, confirms the identity of parties involved in the communication and validates the information being transferred

depending upon the tender value. Providing a shorter period to vendors for submission of bids than that stipulated could adversely affect competitiveness in procurement process. However, Audit observed that the time limit prescribed in the CPWD manual for submission of bids was not incorporated in the system and the submission dates were manually entered by the buyers. Audit analysed 18,638 tenders and found that in 896 tenders, the stipulated days were not given to bidders as detailed in **Table 3.2.2**.

Table 3.2.2: Buyer-wise summary of shorter period given for submission of bids

Sl. No.	Buyer	Tenders upto ₹ 20 lakh	Tenders between ₹ 20 lakh to ₹ two crore	Tenders above ₹ two crore	Total
1	Water Resources Department	11	4	3	18
2	Directorate of *Panchayats*	2	-	-	2
3	District Rural Development Agency (DRDA), North Goa	4	2	-	6
4	Goa Electricity Department	-	1	-	1
5	Goa Housing Board (GHB)	-	1	-	1
6	Goa Industrial Development Corporation (GIDC)	5	10	4	19
7	Goa Meat Complex Limited	-	1	-	1
8	Goa Tourism Development Corporation Ltd.	-	1	-	1
9	Mapusa Municipal Council	7	6	-	13
10	Mormugao Municipal Council	1	-	1	2
11	Public Works Department	576	148	87	811
12	Sports Authority of Goa	2	11	8	21
Total number of tenders		**608**	**185**	**103**	**896**
Total estimated cost (₹ *in crore*)		**63.45**	**125.85**	**228.57**	**417.87**
Minimum time required to be given as per CPWD Works Manual		**7 days**	**10 days**	**14 days**	
Actual time given to bidders		**2 to 6 days**	**3 to 9 days**	**3 to 13 days**	

(Source: Database provided by ITG)

ITG replied that the tender dates are decided by the tender inviting Departments. ITG being the e-Tender service provider does not hold any control on fixing the time frames of the tenders. The fact remained that ITG did not insist for mapping the provisions of CPWD Works Manual in the system to prevent unauthorised curtailment of time limits.

- **Short-collection of tender processing fee and tax**

The State Government prescribed (October 2011) collection of tender processing fee (TPF) from bidders, at the rate of 0.1 *per cent* of the estimated tender value subject to a minimum of ₹ 500 and maximum of ₹ 4,000 for value-based works tenders, and ₹ 1,500 for value-based tenders for goods and consultancy services. Audit observed that processing fee was manually entered by the buyers and there was no check in the system to ensure that processing fee is being collected in accordance with the specified rates. This resulted in short-collection of ₹ 1.21 crore by 41 buyers in 13,297 bids during 2013-18. Further, a sum of ₹ 0.69 crore was collected in excess of the prescribed TPF by 61 buyers in 3,666 bids. The applicable GST amounting to

₹ 50.91 lakh[42] on tender document fees (TDF) levied from contractors/vendors was also not collected and remitted to Government account from 01 July 2017 as there was no in-built facility in the system for the same.

ITG replied that it does not hold any control on fixing the Tender Document Fee and Tender Processing Fee. Regarding GST, ITG stated that the matter will be taken up with the Government for further decision on this matter. The reply indicates that DoIT/ITG did not get KEONICS to incorporate State Government orders in the *TenderWizard* for compliance.

Thus, the *TenderWizard* did not incorporate the minimum bid submission periods based on the estimated cost and category of tenders and failed to ensure collection of applicable fees and tax due to non-mapping of the business rules in the system.

3.2.7.3 Test data comingled with real-time data

Good practices dictate that test/dummy data should be run on a database separate from real-time data and the former should be filtered/hidden from users of real data. Audit observed that the *TenderWizard* contained 913 dummy tenders that were created and used for testing purpose by users at various times (since 2011-12) till date. Of this, 449 dummy tender records were shown as cancelled while 464 records remained comingled with real time data. Of the 464 test records, 342 appeared against non-existent user named 'GOA' and the balance 122 records were recorded against 52 buyers. The existence of undeleted test data in live database presented the possibility of generation of information that contained redundant (dummy) data. Being the implementing agency, ITG should have worked with KEONICS for clearing all test data from live database so that the users had access only to correct and meaningful information.

Recommendation: The State Government may implement an e-Tendering solution that mandatorily captures vital data on all users at the time of their registration and validates it with every transaction. The implementing agency should ensure that business rules are mapped in the system for compliance.

3.2.8 Transparency in e-Tendering system

3.2.8.1 Release of tender documents to prospective bidders

The GFR, 2005 prescribed (Rule 137) that public procurement should be efficient and suppliers should be treated in an equitable manner. CPWD Works Manual, 2012 also stipulated (Section 18.2.1) that tenders should be sold to eligible contractors who fulfilled the criteria as stipulated in the tender document. These rules should have been mapped in the *TenderWizard* so as to limit acceptance of tender document fee from bidders who fulfilled the tender criteria and issue of tender documents to eligible applicants immediately on payment of requisite TDF. However, this was not ensured.

The *TenderWizard* contained a feature named *Auto Send* (with an option of '*Yes*' or '*No*') to be used by buyers at the time of authorising each tender. While selection of '*Yes*' option enabled the detailed tender document to be

[42] Computed at the rate of 18 *per cent* per annum on ₹ 2.83 crore collected as tender document fees during the period from 01 July 2017 to 31 March 2018

automatically released online to registered bidders, selection of '*No*' option enabled buyers to withhold tender documents and release them manually at their discretion after verifying the eligibility of bidders. Data analysis revealed that out of 18,638 tenders issued during 2013-18, the *Auto Send* feature was set to '*Yes*' by 110 buyers for 16,335 tenders with estimated cost aggregating ₹ 9,352 crore and to '*No*' by 40 buyers for 2,303 tenders with estimated cost aggregating ₹ 2,493 crore. Though selection of *Auto Send* - '*Yes*' option enabled automatic release of tender documents on receipt of TDF, verification of eligibility of bidders was not ensured in the system. In these cases, the eligibility of bidders was verified at the time of opening of technical bids manually.

Audit observed that the buyers who opted for *Auto Send* - '*No'* took time varying from 2 to 300 days to issue tender documents after receipt of TDF. **Appendix 3.7** shows some instances where 11 buyers set *Auto Send* - '*No*' in 20 tenders and released tender documents to 58 bidders at different dates resulting in availability of lesser time to some bidders to respond though they had paid TDF on the same date as the others.

ITG stated (August 2018) that dates of issuing tender document and bid submission were fixed by buyers and the e-Tendering service provider had no control over tender schedules. The replies are untenable as the e-Tendering system envisaged reduction in activity burden of buyers and it should have facility for verification of eligibility of bidders. However, it allowed release of tender document without prescribed checks and also allowed manual intervention by buyers through *Auto Send* - '*No*' feature which led to delays in issue of tender documents to the bidders. The manual intervention during this process of e-Tendering compromised the purpose of automation for greater transparency and efficiency.

3.2.8.2 Secrecy of bids not maintained

As per guidelines of CVC on implementation of e-Tendering solutions, Public Key Infrastructure is one of the most critical security feature that is required to be implemented in order to establish non-repudiation and ensure the security of the online system. Under the system, participating contractors as well as the departmental users are issued with a Digital Signature Certificate (DSC) by a licensed Certification Authority.

To ascertain if authorised users perform e-Tendering activities by themselves, Audit witnessed (09 August 2018 and 11 September 2018) two tender opening events[43] (TOE). It was observed that authorised user(s) at buyer's offices were not adequately trained to use the *TenderWizard* and solicited assistance of help desk staff for the purpose. This arrangement compromised secrecy in the following manner:

- The TOE for an e-Tender floated by Nerul VP took place at 11:30 a.m. on 09 August 2018 at the conference room of ITG instead of the notified venue (Nerul VP), and was attended by a clerk from Nerul VP in place

[43] Nerul VP tender number VP/NER/Tender/E-tender/2018-19/302 dated 12 July 2018 inviting two-stage bids for door-to-door collection, segregation and transportation of garbage waste in nine Wards of Nerul VP at an estimated cost of ₹ 15.17 lakh and WRD tender number 6-9/WD-I/WRD/Accts/2018-19/e-19 dated 06 August 2018 for servicing and recalibration of in-place automatic and manual inclinometer systems at an estimated cost of ₹ 18.59 lakh

of the authorised user(s), *viz.*, the *Sarpanch* and the Secretary of Nerul VP.

- The help desk staff logged in the *TenderWizard* using his laptop (IP address 192.168.43.216) with user name/password of VP Secretary, which was disclosed by VP clerk. The clerk also handed over the DSC/PKI key of VP Secretary to help desk staff for authenticating the PKI-based session.
- One of the two bidders who submitted bids did not submit proof of experience in doing similar work, as required by tender terms but was considered technically suitable by the clerk present.
- The default personal identification number (PIN) printed on DSC/PKI security token (ePass 2003) needs to be changed in first login itself as it is known to the issuing authority. However, though the system prompted to change the default PIN, it was not changed and the session continued with default (Admin) PIN.
- The online comparative statement carried a message that it was digitally signed. However, none of the bidders were simultaneously present online at the time of TOE, indicating that it was a pre-set message and not digitally signed by bidders in real time.
- In the e-Tender floated by WRD Division-I, two DSC keys belonging to Executive Engineer and Superintending Engineer were required to open the tenders. The Executive Engineer had handed over his DSC key to the help desk staff. The help desk staff logged in the *TenderWizard* on the due date (11 September 2018) using his laptop with username, password and DSC/PKI key provided by the Executive Engineer. However, as the DSC key of the Superintending Engineer was not available, the tender opening was postponed.

Thus, two tender opening authorities, who were to open a tender in the online presence of bidders, abdicated their roles and responsibilities, and handed over their DSCs to help desk staff, a third party located outside the buyer's office. Such a situation resulted in violation of Section 42(1)[44] of the IT Act, 2000 and vitiated the sanctity of public procurement process.

The secrecy of bids was not maintained as help desk staff (a third party) logged in, viewed and gained knowledge about bids submitted. The system did not ensure online attendance of bidders and their digital counter-signing (by authorised users at buyer's office) of each opened bid, in simultaneous online presence of all participating bidders. The transparency and secrecy available in manual tendering process was not preserved in the *TenderWizard*. Audit could not ascertain the number of cases where help desk staff logged in and assisted buyers in performing tendering activities as no permanent record/log was maintained at the help desk.

[44] Every subscriber shall exercise reasonable care to retain control of private key corresponding to the public key listed in his Digital Signature Certificate and take all steps to prevent its disclosure to a person not authorised to affix the digital signature of the subscriber

3.2.8.3 Participation of multiple bidders in a particular work from same machine/IP address

Analysis of log table in the *TenderWizard* revealed that 44,004 events relating to technical/cost evaluation and tender opening were performed by buyers in respect of 18,638 tenders during 2013-18 from 4,433 machines/IP addresses[45]. Of these, 3,266 tender opening events were carried out by 42 buyers from three machines/IP addresses[46] that were assigned to help desk located at ITG, indicating that most activities (about 18 *per cent*) were performed by help desk staff on behalf of buyers. Similarly, out of 63,463 events of uploading bids/documents that were performed on behalf of bidders from 26,550 IP addresses during the period, 537 events were carried out from the aforesaid three IP addresses assigned to help desk. Further analysis revealed that two[47] of the help desk IP addresses were used to upload/submit bid documents for all bidders who participated in 26 tenders issued by four buyers (PWD, DRDA, GHRSSIDC and Goa Forest Development Corporation Ltd.). Thus, help desk staff gained access to and had knowledge of bids submitted by different bidders for a tender.

GTDC stated (October 2018) that they were unable to use the *TenderWizard* portal with ease as it was not compatible with the latest update of web browser. CCP, PWD Division XXIII and NGZP stated that *TenderWizard* required the web browser to have the latest update of *Java* programming language installed, which they did not have on their computer systems and had to download it every time before logging in to the system. This, coupled with lack of training, made them dependent on help desk and thereby compromised secrecy.

Fourteen buyers[48] acknowledged (October 2018) that help desk staff logged in and performed all tendering activities on their behalf. ITG replied (August 2018) that there were chances of multiple users logging in the system from the same IP/machine address as many of them used the support of help desk staff for uploading bids/documents and during TOEs. DSDE added that there were no clear instructions from the State Government/ITG to the effect that the *TenderWizard* is to be operated only by buyers' authorised users. The replies indicate inability of buyers to use the *TenderWizard* independently of help desk staff, which compromised secrecy in procurement process. Adequate training and sensitisation of staff regarding operating in a digital environment prior to and post implementation of the *TenderWizard* would have enabled the buyers to perform their tendering activities independently and securely.

[45] An Internet Protocol address is a numeric address that is assigned to every computer and any other device that is part of the network

[46] 2,017 events were performed from IP address 59.144.97.67 and 1,191 events from IP address 59.144.97.75 allocated to help desk staff at ITG, Goa while 58 events were performed from IP address 203.201.63.130 allocated to Antares Systems Ltd., Bengaluru. Out of 3,266 events, 2,319 events were performed on behalf of PWD, 271 events on behalf of WRD, 88 on behalf of GSUDA, 84 on behalf of GTDC and the remaining 504 events on behalf of other 38 buyers

[47] IP addresses 59.144.97.67 and 59.144.97.75

[48] CCP, DSDE, GED Contract Service Cell and Divisions-VI and XVII, GSUDA, GTDC, KTC, NGZP, PWD Divisions-XIII, XV, XVIII and XXIII, and WRD

Recommendation: The State Government may implement an e-Tendering solution which should have facility for online verification of eligibility of bidders. The Government and the implementing agency should ensure that authorised users are well trained to use the e-Tendering solution so that they do not rely on third party for their e-Tendering activities.

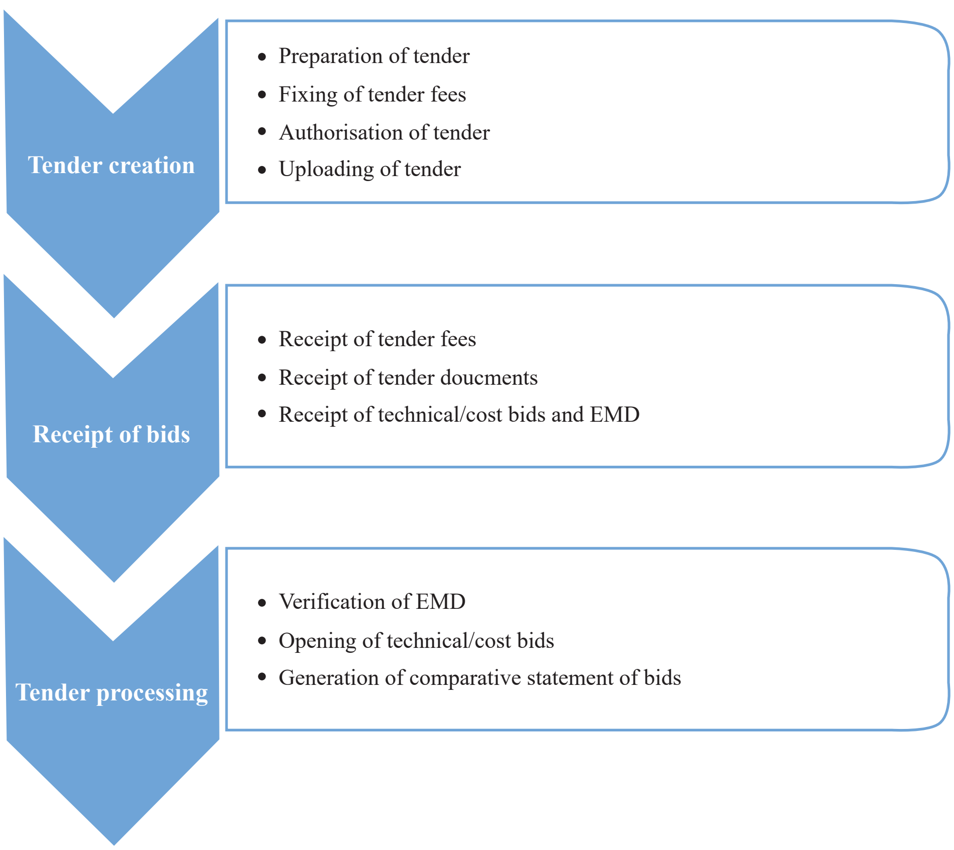
3.2.9 Impact of e-Tendering system on efficiency

3.2.9.1 Delay in disposal of tenders

GoG implemented *TenderWizard* with the objective of reducing time and effort involved in manual tendering process. This required that the e-Tendering system seamlessly process each activity within adequate/minimum time for smooth operations. Rule 161 (i) of GFR 2005 states that to reduce delay, appropriate time frame for each stage of procurement should be prescribed by the Ministry or Department. Para 20.3.1 of CPWD Manual 2007 also prescribed that maximum time period allowed for scrutiny and disposal of a tender was 45 working days.

However, rules were not incorporated in the system for prescribing time limits for the critical events and activities in e-Tendering environment as depicted in a flow chart (**Chart 3.2.2**) below. This gives open-ended discretion to the authorities.

Chart 3.2.2: Events and activities in e-Tendering system



Data analysis revealed abnormal delays at each stage of e-Tendering. The buyers took three months to more than a year for receipt of bids after tender authorising in respect of 205 out of 18,638 tenders with estimated cost

₹ 217.41 crore. In 84 tenders with estimated cost ₹ 84.34 crore, the buyers took three months to a year for opening bids after their receipt. The delay encountered at vital stages of e-Tendering is shown in **Appendix 3.8**. The delay in pre-award tendering activities beyond a reasonable period of three months indicated that manual intervention and discretion was still at play despite implementation of the e-Tendering solution.

Further, as post-tender opening modules of the *TenderWizard* were not implemented, the users resorted to manual awarding of contracts. Audit analysis was carried out in respect of 349 tenders of PWD Division-XVII which revealed delays ranging from two months to more than a year in respect of 274 tenders. In respect of two[49] other tenders, the award of works was delayed beyond two years after evaluation of the successful bidder through e-Tendering.

The delay in awarding contracts could not be curtailed despite implementation of the *TenderWizard* as award of works/contracts were not managed through the system and manual intervention/discretion prevailed in critical stages of procurement process. The *TenderWizard* was, thus, not effectively leveraged by buyers for expediting the procurement process and did not result in reduction of time in processing the tenders.

3.2.9.2 Incorrect status of tenders

The GFR, 2005 (Rule 161 – Efficiency, economy and accountability in public procurement system) stipulated awarding of contract within the original validity of bids and discouraging any extension of validity except in exceptional circumstances. The *TenderWizard* portal displayed the status of tenders as 'created', 'unapplied', 'in progress' and 'opened'. The issuing of a tender denoted its creation, which remained 'unapplied' till receipt of bids and continued to be 'in progress' till opening of bids for technical/cost evaluation.

Analysis of portal data extracted and provided by ITG showed that 242 tenders[50] (estimated cost ₹ 134.22 crore) issued during 2013-17 were 'in progress' as of March 2018, of which 109 tenders (45 *per cent*) were issued prior to March 2015 but not yet finalised/opened. The earliest of these tenders[51] (numbering 54 and having an estimated cost of ₹ 38.71 crore) dated to 2013-14, which cannot be the case as the validity of bids must have expired long ago. In normal course, 'in progress' tenders should move to the status of 'opened' tenders once they are opened and/or re-tendered/cancelled. We checked 19 such tenders of seven[52] buyers. Scrutiny revealed that such tenders had been opened and re-tendered subsequently due to lack of response or receipt of single bid but were not removed from the 'in progress' tab.

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[49] Tender numbers W-146/PC/GTDC/2015-16/946 dated 11 January 2016 and 3/1794/14-DT/P.F./1107 dated 26 June 2015

[50] 104 tenders of PWD (₹ 77.21 crore), 24 tenders of GTDC (₹ 10.76 crore), 18 tenders of GED (₹ 17.08 crore), 17 tenders of WRD (₹ 1.79 crore), 12 tenders of Mapusa Municipal Council (₹ 1.55 crore), 10 tenders each of GIDC and Goa Medical College (₹ 5.17 crore), eight tenders of DoP (₹ 0.71 crore), seven tenders of CCP (₹ 0.29 crore) and 32 tenders of 20 other buyers (₹ 19.66 crore)

[51] 22 tenders of PWD (₹ 15.87 crore), eight tenders of GED (₹ 12.59 crore), six tenders of Mapusa Municipal Council (₹ 1.10 crore) and 18 tenders of 11 other buyers (₹ 9.15 crore)

[52] PWD Divisions-XIII (five tenders), XIV (one tender) and XXIII (one tender), WRD Divisions-I (eight tenders) and II (one tender), GTDC (one tender) and GHB (two tenders)

As most buyers were unaware of the features of the *TenderWizard* due to lack of training, they did not close the previous tender before going for re-tendering resulting in incorrect display of status. The incorrect status of tenders has a cascading effect on the data regarding the number of tenders for which technical/financial evaluation has been completed/finalised, for award of contracts. As the award module in the *TenderWizard* was not implemented, information on contracts completed or works/supplies in progress could not be monitored online.

Seven buyers[53] replied (October 2018) that necessary action would be taken to cancel tenders shown as 'in progress' as those were subsequently re-tendered. The lack of awareness underscored the need to educate users about proper use of features/functionalities in the e-Tendering system.

3.2.9.3 Stipulation of physical submission of bids

In an e-Tendering system, bidders are required to upload their bids with supporting documents online/electronically, using their login credentials and DSC. Such a system ensured that the bids were encrypted on submission and remained secret till their opening. The need for physical submission of bids/documents by bidders and its verification by buyers are obviated, which saves time and effort. Audit observed that in six[54] e-Tenders, the buyers stipulated submission of bids and relevant documents online/electronically as well as in physical form before the tender closing date. Such requirement did not serve any meaningful purpose and rendered the e-Tendering system redundant. In a tender for empanelment of consultants, the GSUDA disqualified three consultants for not uploading requisite documents in e-Tender opening. It however, declared them qualified on manual tender opening bypassing *TenderWizard*. Ironically, the RFP floated (August 2018) by ITG for selecting a new implementing agency for the e-Tendering solution (after the agreement with KEONICS expired in December 2017) stipulated submission of technical/commercial bids in physical form only.

ITG replied (August 2018) that it did not have any role in buyers stipulating submission of bids in physical form and the *TenderWizard* did not insist on such a requirement. The reply is not tenable as ITG itself solicited physical submission of bids in its RFP. Insistence on physical submission of bids defeated the purpose of e-Tendering. After implementation of the *TenderWizard*, steps should have been taken by buyer organisations to discourage submission of bids/documents in physical form.

[53] CCP, GHB, GTDC, KTC, PWD Divisions-XIII and XXIII, and WRD Division-II

[54] Based on a test-check of 136 (out of 18,638) e-Tenders issued by 12 buyers during 2013-18. Of these, physical submission of bids was stipulated in six e-Tenders, *viz.*, (1) GTDC tender number GTDC/PC/EE/2016-17/e10 dated 16/09/2016 for development of coastal circuit under *Swadesh Darshan* Scheme at Calangute; (2) Goa Police tender number 02-SP/Security/PAN/1056/2016 dated 23/11/2016 for supply of bomb detection equipment; (3) KTC tender number KTC/Pur/Spare/12/2017-18/2781 dated 21/12/2017 for annual rate contract for supply of oil and lubes; (4) GTDC tender number GTDC/PC/EE-I/2017-18/e-25 dated 08/02/2018 for development of tourism infrastructure at Mangueshi, Ponda; (5) PWD tender number PWD/WDXV(NH)/35/2013-14 dated 04/02/2014 for construction of junction at km. 9/500 of NH-17B; and (6) WRD tender number WRD/WDII/ASW/F.17/22(e)/2013-14 dated 10/10/2013 for renovation of bund and sluice gate of Novem Tollem lake at Telaulim VP

3.2.9.4 Collection and management of earnest money deposit

As per CPWD Works Manual 2007 (Section 18.3) EMD should be collected at two *per cent* of the estimated value for works costing up to ₹ 10 crore and, in case of works with estimated value above ₹ 10 crore, at ₹ 20 lakh plus one *per cent* of the estimated value in excess of ₹ 10 crore. The EMD of the unsuccessful bidders shall be refunded at the earliest after expiry of the validity period of the tender.

The State Government directed (October 2011) that EMD amount should be paid by bidders into a single/common bank account[55] of ITG, which would be pooled, disbursed and refunded at various stages of tendering process. Audit observed the following systemic lapses in collection and management of EMD, which was deposited online while submitting bids and credited to the bank account of ITG -

- As EMD rates were not mapped in the *TenderWizard* for automatic calculation of EMD, the amount of EMD was manually entered by buyers. As a result, in respect of 176 tenders, 24 buyers collected EMD totaling ₹ 22.71 crore, at rates less than that prescribed in the CPWD Works Manual, from 391 bidders. Proper mapping of the rates in the system would have prevented the short collection.
- As of March 2018, ITG collected a sum of ₹ 62.35 crore as EMD from bidders and parked it in fixed deposit account(s) with Axis Bank. It utilised interest income of ₹ 2.80 crore earned on such fixed deposit account(s) to meet its own expenditure such as payment of salaries to staff and working capital requirement. This violated the provisions of the Goa Receipt and Payments Rules 1997, which proscribed appropriation of Government money and its use to meet departmental expenditure.
- The *TenderWizard* contained a feature named *Auto Refund*[56] to enable expeditious refund of EMD to unsuccessful bidders but this was not utilised/made operational while implementing the e-Tendering solution. EMD refunds were processed manually, leading to abnormal delay in refunding EMD. According to data furnished by ITG for EMD refunded to bidders during 2017-18, there were 597 refund cases during the year, out of which 223 cases involving EMD of ₹ 3.16 crore were refunded with delay ranging from two months to three years, at an average delay of eight months (243 days).
- The *TenderWizard* did not capture and exhibit EMD amounts correctly. Data analysis revealed that EMDs varying from ₹ 0.50 to ₹ 1,000 *per* tender were shown as collected in case of 301 tenders (estimated cost aggregating ₹ 12.06 crore) issued by 58 buyers[57] during 2013-18. This included 264 tenders (estimated cost ₹ 10.25 crore) issued by 53 buyers where EMDs were between ₹ 0.50 and ₹ 10. Test check revealed that where e-Tender notices stipulated payment of EMD as two *per cent* of the estimated cost of tender, the *TenderWizard* captured only the

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[55] Account No. 914020008309796 with Axis Bank Ltd., Porvorim Branch

[56] The feature enables automatic online refund of EMD from the pooling account to bank accounts of unsuccessful bidders based on daily refund reports from ITG to the nodal bank

[57] Directorate of Animal Husbandry & Veterinary Services (45 tenders), Directorate of Fisheries (27 tenders), Directorate of Women & Child Development (22 tenders), Directorate of Health Services (17 tenders), and 54 other buyers (190 tenders)

numerical part, *i.e.*, two, and not the computed value (percentage of the estimated cost) of EMD. The e-Tendering solution, therefore, did not accurately capture EMD data to enable its online processing/refund.

ITG stated (August 2018) that e-payment mode was enabled to bring in more transparency and expediency in handling EMD payments, and it processed refund of EMD based on reports received from buyers. The reply is not tenable as efficient collection and management of EMD was not ensured through *TenderWizard*. GED-CSC and Division-VI, KTC, NGZP and PWD also confirmed (October 2018) that the *TenderWizard* was not used for automatic/online refund of EMD, which delayed its processing.

Thus, the objective of ensuring collection of requisite EMD from bidders and expediting the process of refund of EMD to unsuccessful bidders could not be achieved through the *TenderWizard*, rendering it inefficient.

3.2.9.5 Delay in remitting tender fees to Government account

The State Government mandated (October 2011) that TDF collected by buyers from bidders should be deposited in a separate bank account[58] of ITG, which ITG will remit on weekly basis by e-challan to the receipts heads of respective departments concerned. The Goa Receipt and Payment Rules, 1997 also prescribed for collection and remittance of all revenues/receipts into an accredited bank account for inclusion in Government account and ensuring that the money was not appropriated to meet departmental expenditure or kept apart from Government account.

Test-check of records at PWD Division-XIII and WRD Division-I revealed that TDF of ₹ 14.42 lakh received in 471 cases during the period from September 2017 to January 2018 was remitted by ITG to State Government/buyers' account(s) after delay ranging from 34 days to 165 days. Further, ITG appropriated (June 2016 and March 2018) a sum of ₹ one crore from the designated bank account and invested it in fixed deposit account(s), in violation of Government Rules.

ITG replied (August 2018) that the amounts in the TDF account was transferred to buyers' accounts on monthly basis by e-challan mode. The reply is not convincing as there were delays in 471 cases during September 2017 to January 2018 in transferring TDF to buyers' accounts. Further ITG was not entitled to appropriate TDF for investing in fixed deposits before transferring it to buyers' accounts.

Recommendation: The State Government should monitor implementation of e-Tendering system to ensure that procurement activities get completed within reasonable time, manual duplication of work is avoided and the fees collected on government's behalf are dealt with in accordance with prescribed rules.

3.2.10 Security in e-Tendering system

3.2.10.1 Deficiencies in use of digital signature

The guidelines for usage of digital signatures in e-governance issued (December 2010) by GoI defines a digital signature as an electronic signature

[58] Account No. 914020008309482 with Axis Bank Ltd., Porvorim Branch

used to authenticate the identity of the sender of a message or the signatory of a document, and to ensure that the original content of the message or document sent is unchanged. Thus, a DSC provides message authentication, message integrity and message non-repudiation. It is essential that DSCs are renewed on expiration of their validity.

The *TenderWizard* compulsorily mandated Class-III DSC[59] for all vendors at the time of their registration. Data analysis of log table revealed that 21 users of 19 buyers logged in the system after the validity of their DSCs expired (as of March 2018), and performed 88 activities during 2013-18, which included creating, uploading, modifying and approving corrigenda, generating tender snapshot, processing fee e-payment, opening techno-commercial bids, *etc.* The DSCs, therefore, did not bind users to the activities performed and their operations suffered from uncertainty about message integrity and non-repudiation. The summary of actions performed by users whose DSCs had expired is given in **Appendix 3.9**.

The validity of DSCs of other users who performed some e-Tendering role in 28,910 instances involving 46 buyers (17,061 instances) and 112 bidders (11,849 instances) during 2013-18 were not known as the dates of expiration of their validity were not captured/available in the *TenderWizard* database. These buyers performed critical e-Tendering activities such as creating tenders, opening tenders (technical bid and cost bid), issuing corrigendum *etc.* while the bidders performed activities such as request form through e-payment, EMD payments, signing and uploading of bid document *etc.*

3.2.10.2 Improper user roles in e-Tendering system

Separation of duties is an effective internal control to ensure oversight over possible errors and prevention of fraud. CVC Circular (September 2009) on implementation of e-tendering solution prescribed that role based access controls should be enforced at the database as well as the application interface level. If a single user performs all the activities related to tender creation, tender authorisation and tender opening, he/she could have complete control over procurement process which is not desirable. The system design and work flow should be such as to ensure internal control and transparency, and critical activities ought to be performed by different officials/users having different login credentials and DSC.

Data analysis revealed that out of 110 buyers[60] who floated at least one e-Tender during 2013-18, 41 buyers had at least two authorised users for performing e-Tendering activities and 69 buyers had only one authorised user who did all tendering activities. Further, data analysis revealed that in case of

[59] Class-III DSC is the highest type/level of DSC where a person needs to present himself/herself before the Registration Authority and prove his/her identity. It is normally issued and valid for one or two years and needs to be renewed thereafter

[60] DoP (73 users in 191 VPs), PWD (32 users in 25 Divisions), GED (23 users in 17 Divisions), WRD (16 users in 14 Divisions), GTDC (11 users), Goa Police (eight users), DoIT (seven users) and 103 other buyers (154 users)

15,365 tenders out of 18,638 tenders issued during 2013-18, only one user performed all the critical roles of tender creation, authorisation and opening. This indicated lack of awareness amongst buyers regarding segregation of duties amongst employees to establish proper internal controls to prevent fraud and error. This led them to assign multiple roles to a single user. Though, no specific instances of fraud have come to the notice of audit, however, considering the risk involved, possibility of misuse cannot be ruled out.

ITG replied (August 2018) that it had no control over assignment of access roles by buyers. However, out of 17 buyers from whom information regarding segregation of duties was called for, thirteen[61] buyers admitted (October 2018) that all their tendering activities devolved on a single user/official which confirms that many buyers did not practice segregation of duties on need-to-know basis, which rendered the *TenderWizard* vulnerable to the risk of misuse. Further, ITG cannot absolve itself of the responsibility as a nodal agency for creating awareness among users.

3.2.10.3 Password management

The STQC Directorate prescribed (August 2011) guidelines for compliance to quality requirements of e-Procurement systems, which required that an e-Procurement system should not have *Forgot Password* feature providing administrator-generated or system-generated temporary password to users. Ideally, a new password should be allotted after following a set of procedures involving the user's DSC for re-setting/accessing the password, and the *Forgot Password* request, if available and used, should be digitally signed. Data analysis revealed that passwords of 7,244 (out of 10,411) users were enabled in the *TenderWizard*. Of these, 114 user requests for change of password were received in the *TenderWizard* during 2013-18 through *Forgot Password* feature. It allowed a new password to be sent to the registered e-mail ID of users, sans requirement of their DSC. Further, the hint question and answer for retrieving forgotten passwords were not encrypted in the *TenderWizard* database, thereby enabling anyone to reset the password of a user without accessing DSC. Though, no instances of breach of security were noticed by Audit, however, this poses a threat to the security of data and needs to be addressed.

ITG replied (August 2018) that *Forgot Password* feature allowed users to change their password based on a link sent to their registered e-mail ID and they could log in using new password and DSC. The reply is untenable as the procedure for changing/re-setting password without using DSC was vulnerable to breach of security.

Recommendation: The implementing agency should sensitise buyers about the importance and need for proper separation of duties amongst users.

[61] GED-CSC and Divisions-VI and XVII, GSUDA, GTDC, NGZP, PWD Divisions-XIII, XIV, XV, XVIII, XXIII and WRD Divisions-I and II

3.2.11 Post-implementation inadequacies

3.2.11.1 Absence of Service Level Agreement

Service Level Agreements (SLA) are required to be executed between the service provider and the implementing agency of an e-Tendering solution for ensuring adherence to project timelines, quality and availability of critical services. The agreement between ITG and KEONICS covered commercials; scope of work of KEONICS, indemnities, warranties, termination clause, information non-disclosure and other terms but no SLAs for performance indicators such as accepted downtime, speed and processing, lead time for resolving user complaints/queries, back up policy, disaster recovery plan, business continuity in the event of disruption and penalty for non-compliance *etc*. In the absence of SLAs, the methodology and periodicity to ensure correctness of the software application free from errors/bugs, methodology of logging complaints/query by users and their resolution, *etc.*, could not be defined and addressed. It also pointed to deficient monitoring of various services by ITG.

ITG admitted (August 2018) that it did not execute SLAs with KEONICS and noted the audit finding for future compliance.

3.2.11.2 Inadequate Management Information System

Management Information System (MIS) reports are intended to serve as a critical component to collect, record, store and process data from all parts of the e-Tendering system in an integrated manner, thereby serving as a tool for eliciting crucial information for decision-making and monitoring. The agreement signed with KEONICS stipulated that the *TenderWizard* should have in-depth MIS reports for reporting each and every activity in the software. Audit observed that the *TenderWizard* provided the functionality to extract four types of reports[62] for a limited period of three months at a time. These reports were of the nature of status reports. Further, the requirement of specific MIS/exception reports was not documented in the agreement with KEONICS, and consequently, vital MIS reports such as tenders invited but not opened for significantly long period, tenders cancelled and/or re-tendered, 'in progress' tenders, online reconciliation of TDF and EMD collected with remittance to Government account, *etc.*, were not available. Further, the presence of test/invalid data in the system, ambiguity in nature of works/supplies included in different categories of tender and non-utilisation of critical modules resulted in generation of unreliable reports.

ITG replied (August 2018) that complete MIS reports were available in the e-Tendering system and could be enabled on request by buyers. The reply is

[62] Financial reports showed details of payment of TDF and EMD in respect of each buyer for a given period; Tender reports indicated details of unapplied tenders, tenders in progress, cancelled tenders and opened tenders in respect of a buyer for a given period; User reports showed details of creation of new users in respect of a buyer; and Vendor reports gave details of renewal of registration of vendors and the vendors enabled for a given period

not acceptable as only a limited number of status reports relating to payment of TDF and EMD, renewal of bidder registration and status of tenders were available in the *TenderWizard* for use of buyers.

Recommendation: The State Government may ensure that the e-Tendering solution provides adequate MIS reports for improvement of processes and procedures. SLAs should be executed with the service provider to ensure quality and availability of uninterrupted service to users.

Conclusion

The e-Tendering portal of KEONICS was not used to provide secure end-to-end procurement solution. Audit has brought out shortcomings in the architecture of existing e-Tendering system, issues of data integrity and manual intervention. There was a need for greater training and digital awareness amongst users to enable an efficient and effective implementation and utilisation of the e-Tendering system. The concerned authorities have to be sensitised to their roles and responsibilities and have to be informed that sharing their DSCs/PKI with clerical staff and third parties compromises the secrecy and trustworthiness of the e-Tendering system. Efforts of the State Government to move to a new e-Tendering solution and implementing agency would yield results only if greater efforts are taken to inculcate a digital culture amongst users. Further, the e-tendering system should be used as an end-to-end solution and it must map all relevant rules/regulations and also have adequate features to ensure robustness of data and security of operations.

GOA INDUSTRIAL DEVELOPMENT CORPORATION

3.3 Irregular utilisation and transfer of land acquired for industrial purposes

GIDC acquired and allotted 2.42 lakh square metre (m^2) land to a company (on request) for manufacturing Copper strips and alloys. The company utilised only 27,682 m^2. They used the entire land as collateral to raise loan of ₹117.60 crore. The balance land remained unutilised for over 15 years and was transferred to another party for non-industrial use as an exception. While executing the transfer deed the GIDC short-recovered transfer fee by ₹26.61 crore.

Goa Industrial Development Corporation (GIDC) set up by the State Government in February 1966 to assist rapid and orderly establishment of industries in Goa. In response to a request (September 1997) of M/s. Meta Strips Limited[63] (MCAL) GIDC acquired and allotted (January 1998) 2.42 lakh square metre (m^2) land at Cortalim and Sancoale Villages in Mormugao Taluka for setting up an export oriented unit for manufacture of

[63] Meta Strips Ltd. renamed to Meta Copper and Alloys Ltd. in January 2006

Copper and Copper Alloys Foils and Strips. The lease deed was executed (December 1998) for a period of 30 years on payment of lease premium of ₹ 1.47 crore. The annual lease rent fixed was ₹ 73,567. The MCAL is responsible for payment of any enhanced compensation on land acquisition.

One day prior to executing the lease deed the lessee sought (23/12/1998) and obtained (January 1999) a No Objection Certificate from GIDC for mortgaging the land for availing a loan of ₹ 117.60 crore from financial institutions. The lessee also established (2001) an industrial unit utilising 27,682 m^2 out of total allotted land of 2.42 lakh m^2 .

Due to continuous losses in the business and consequent inability of the MCAL to generate finances for its working capital requirements it suspended manufacturing activities from June 2011 onwards. Amount due on loan taken from various banks and financial institutions while closing the operations stood at ₹ 400 crore.

MCAL applied (March 2015) for transfer of land to M/s. Varama Sir India Logistic and Infrastructure Pvt. Ltd. (VSIL). As transfer of land from industrial to warehousing and logistics was prohibited under section 6(i)d of the Goa IDC Transfer and Sublease Regulations, 2014, GIDC advised (August 2015) MCAL to approach the Government. The Government refused (September 2016) the permission for transfer.

However, GIDC made another request (November 2016) to Government to reconsider the proposal of transfer of land and this time the Industries Department approved (December 2016) transfer of land from MCAL to VSIL. The land was transferred (March 2017) in the name of VSIL and transfer fee was charged at 10 *per cent* of the prevailing plot rate per square meter for the plot area.

Audit scrutiny revealed that:

- The enhanced compensation of land acquisition ₹ 6.36 crore payable by the MCAL on behalf of GIDC to land owners had not yet been paid and the MCAL stated (March 2017) that it filed appeal in the High Court against enhanced compensation.
- Against 2.42 lakh m^2 land allotted the actual area constructed was only 27,682 m^2, hence substantial portion of land remained unutilised. The surplus land acquired from villagers for industrial purpose was mainly utilised to raise loan by the lessee.
- The entire land was under mortgage during the period of operation of industry and the loan dues reached to the extent of ₹ 400 crore by the time it closed its industrial unit. This made it impossible for the GIDC to get back the possession of unused land and to re-allot to other industries for the remaining period.

- According to regulations[64] governing the transfer of plots all applications for transfer of plots shall be verified by a Scrutiny Committee and placed before the Screening Committee along with a duly filled up check list. The Screening Committee shall scrutinise the applications and the project report furnished by the applicants on the basis of these regulations and submit its recommendations to the Managing Director of the Corporation who shall decide upon the said applications. In this case the transfer application was directly dealt with by the Managing Director without following the procedure of scrutiny by Scrutiny Committee or Screening Committee.
- In December 2016 the Government amended the definition of the term "substantial completion" under para 3 (g) of Transfer and Sub-lease Regulations 2014. As per the amended regulations one of the conditions for determining plot with substantial building construction was "building constructed to the extent of 30 *per cent* of the plot area". As the MCAL constructed only 27,682 m^2 of the 2.42 lakh m^2 allotted (11.50 *per cent*), this case does not come under the definition of substantial completion. The transfer fee chargeable in cases which does not come under the definition of substantial completion was 60 *per cent* of the prevailing plot rate, whereas the transfer fee charged was only 10 *per cent* resulting in short recovery of transfer fee of ₹ 26.61 crore.
- While the refusal of transfer in September 2016 had the approval of the Chief Minister, the subsequent decision (December 2016) to permit of transfer had no approval of the Chief Minister.
- After one month of execution of transfer deed, the Government directed (April 2017) GIDC to stop the registration of transfer deed and directed to examine the matter which appeared to be highly irregular and devoid of procedural compliance. The Managing Director in his report (May 2017) stated that the transfer had been effected in March 2017; that there were violation in procedures; one of the Director of MCAL is a Director for VSIL; the transfer fee was undercharged to the extent of ₹ 26.61 crore. Further action taken on the report is awaited (March 2019).

Thus, the land acquired by GIDC from villagers for setting up industry was utilised only to the extent of 12 *per cent* for the purpose for which it was acquired. The GIDC allowed the lessee to mortgage the entire plot enabling MCAL to raise large finances for itself finally creating encumbrance of over ₹ 400 crore on the land that it had obtained by paying ₹ 1.47 crore. The encumbrance created on the plot made it impossible for GIDC to get back the possession and to re-allot to other industries for a period of over 15 years.

[64] Goa IDC Transfer & Sublease Regulations, 2014 (Chapter I-Transfer)

They finally settled for transfer to another company but failed to recover transfer fee applicable as per transfer regulations resulting in short recovery of ₹ 26.61 crore.

The matter was referred to the Government in August 2018; their reply is awaited as of June 2019.

Panaji **(ASHUTOSH JOSHI)**

The 30 December 2019 **Principal Accountant General**

Countersigned

New Delhi **(RAJIV MEHRISHI)**

The 03 January 2020 **Comptroller and Auditor General of India**