

CHAPTER – I

Social, General and Economic Sectors (Non-PSUs)

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SOCIAL, GENERAL AND ECONOMIC SECTORS (Non-PSUs)

1.1 Trend of Expenditure

The comparative position of expenditure incurred by the Government during the year 2018-19 and in the preceding two years is given below in **Table 1.1**.

Table 1.1: Comparative position of expenditure

	(₹ in crore)		
Disbursements	2016-17	2017-18	2018-19
Revenue expenditure			
General services	2872.43	3516.93	3792.81
Social services	2265.44	2732.11	2645.94
Economic services	2402.80	2658.63	2868.81
Grants-in-aid and contributions	1325.31	1635.23	1775.28
Total	8865.98	10542.90	11082.84
Percentage of increase of Revenue expenditure from year 2016-17		18.91	25
Capital Expenditure			
Capital outlay	1638.73	2094.07	2149.14
Loans and advances disbursed	3.41	33.93	3.10
Repayment of public debts	467.75	790.09	920.46
Total	2109.89	2918.09	3072.70
Grand total	10975.87	13460.99	14155.56
Percentage of increase of total expenditure from year 2016-17		22.64	28.97

(Source: Finance Accounts of the State for the respective years)

The total expenditure of the State increased by 29 per cent from ₹ 10,976 crore in 2016-17 to ₹ 14,156 crore in 2018-19. The revenue expenditure of the State increased by 25 per cent from ₹ 8,866 crore in 2016-17 to ₹ 11,083 crore in 2018-19.

The share of revenue expenditure to total expenditure was 81 per cent during 2016-17. However, it was reduced to 78 per cent during 2017-19. There was corresponding increase in capital expenditure to 22 per cent during 2017-19, when compared to 19 per cent during 2016-17.

1.2 Authority for Audit

The authority for audit by the Comptroller and Auditor General (CAG) is derived from Articles 149 and 151 of the Constitution of India. The Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 (CAG's (DPC) Act) further reinforce its authority. The CAG conducts audit of expenditure of the Departments of Government of Goa under Section 13 of the CAG's (DPC) Act. The CAG is the sole auditor in respect of 13 Autonomous Bodies which are audited under the provisions of Sections 19 and 20 of the CAG's (DPC) Act. In addition the CAG also conducts audit of bodies/authorities which are substantially funded by the Government, under Section 14 of the CAG's (DPC) Act. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the CAG.

1.3 Planning and conduct of Audit

There are 59 departments in the State at the Secretariat level headed by Chief Secretary/Principal Secretaries/Secretaries. They are assisted by Directors/Commissioners and subordinate officers under them. In addition there are 13 autonomous bodies which are audited by the Accountant General, Goa.

Audit process starts with the assessment of risks faced by various departments of Government. The risks are assessed on the basis of expenditure incurred, criticality/complexity of activities, levels of delegated financial powers, internal controls, media reports and concerns of stakeholders. Previous audit findings are also considered in this exercise. Based on this risk assessment, the frequency and extent of audit are decided.

After completion of audit of each unit, Inspection Reports (IRs) containing audit findings are issued to the Heads of the Departments. The Departments are requested to furnish replies to audit observations within four weeks of receipt of the IRs. Whenever replies are received, audit observations are either settled or further action for compliance is advised. The important audit observations arising out of these IRs are processed for inclusion in the Audit Reports. The Audit Reports are submitted to the Governor of the State under Article 151 of the Constitution of India.

During 2018-19, in the Social and General Sector Audit Wings, 701 party-days were used to carry out audit of 147 units. The Economic Sector-I Audit Wing conducted audit of 82 units utilising 827 party days and the Economic Sector-II Audit Wing audited 50 units utilising 298 party days. The audit plan covered those units/entities which were vulnerable to significant risk as per our assessment.

1.4 Lack of responsiveness of Government to Audit

1.4.1 Inspection reports outstanding

The Accountant General (AG) arranges to conduct periodical inspections of Government departments to test-check their transactions. The AG also verifies the maintenance of important accounting and other records as per prescribed rules and procedures. These are followed up with inspection reports (IRs) which are issued to the heads of the offices inspected with copies to the next higher authorities. Half yearly reports of pending IRs are sent to the Secretaries of the concerned departments. This will facilitate monitoring of the action taken on the audit observations included in these IRs.

As of June 2019, 570 IRs (2,245 paragraphs) were outstanding for want of compliance. Year-wise details of IRs and paragraphs outstanding are detailed in **Appendix 1.1**.

1.4.2 Response of departments to the draft paragraphs

Four draft paragraphs were forwarded (July-August 2019) to the Secretaries of the concerned departments. The Government's replies to these draft paragraphs were required to be received within six weeks. But replies to all draft paragraphs have not been received (March 2020).

1.4.3 Follow up on Audit Reports

Timeline for follow up of Audit Reports is prescribed in the Internal Working Rules of the Public Accounts Committee of the Goa Legislative Assembly. According to it, the Administrative Departments were required to furnish Explanatory Memoranda (EM) to the Accountant General for vetting. The EMs in respect of the paragraphs included in the Audit Reports were to be furnished to the State Legislature within three months from the date of tabling of Audit Report.

Eight departments as detailed in **Appendix 1.2** had not submitted EMs for nine paragraphs pertaining to Audit Reports for the years 2014-15 to 2017-18 (March 2020).

PUBLIC WORKS DEPARTMENT

1.5 Misappropriation of Government receipts

Lack of monitoring and failure to follow the prescribed control procedures by Public Works Department led to misappropriation of Government receipts of ₹ 15.16 lakh by a Cashier.

The Government of Goa (Receipts and Payments) Rules, 1997 stipulates that all monetary transactions should be entered in the cash book as soon as they occur and should be attested by the head of the office as token of check. It is also stipulated that the cash book should be closed regularly and completely checked by the head of the office and verify the totalling of the cash book or have this done by some responsible subordinate other than the writer of cash book. These are the control mechanisms to prevent frauds or misuse of public money.

The Government of Goa has a Guest House at Altinho, Panaji (Circuit House) having 41 residential rooms, six VVIP suites and a restaurant. While the allotment of rooms is done by the General Administration Department of the State Government, the responsibility for up-keep and maintenance of Circuit House and collection of room rent rests with a private contractor. As per prescribed procedure, the rent collected by the outsourced contractor is handed over to the Assistant Engineer (AE), Sub-Division V of Division I of Public Works Department (PWD), who subsequently deposits it with PWD Division I with a remittance letter.

The Cashier of Division I acknowledges the cash receipts (in GAR 5), records it in the Division's cash book and remits the same into the Government Account. The counterfoil of receipts is retained by the Cashier while the AE, Sub-Division V attaches the original receipts with the records of the Sub-division.

Audit scrutiny of records of the AE, Sub-Division V revealed that between April 2012 and April 2018, the Sub-Division V collected ₹ 1.65 crore (through 1,155 receipts) towards rent for the Circuit House and handed over the same to the Cashier of Division I. However, against ₹ 25.59 lakh collected through 100 of these 1,155 receipts (issued between 18 March 2013 and 09 April 2018), the Cashier of Division I recorded only ₹ 10.43 lakh in the cash

book, thereby misappropriating ₹ 15.16 lakh. The receipt-wise misappropriation ranged between ₹ 1,000 and ₹ 60,000¹.

Cross-examination of the remittance letters and the original cash receipts held by Sub-Division V with the cash book of Division I revealed that while the Cashier acknowledged the actual cash receipts (in GAR 5), he manipulated the transactions subsequently by posting/recording reduced amount in the counterfoils of GAR 5 as well as the cash book and misappropriated the difference.

Further, being the drawing and disbursing officer, the Executive Engineer (EE), PWD Division I was duty-bound to attest all the entries in the cash book. However, this was not done regularly, thus, violating the provisions of Government of Goa (Receipts and Payments) Rules, 1997. Besides, neither the EE nor any designated authority of Division I cross-checked/verified the cash book entries or the amounts recorded in the counterfoils with those mentioned in the remittance letters issued by Sub-Division V. Gross negligence on the part of the appropriate authorities allowed the misappropriation to go undetected over five years.

PWD Division I confirmed the audit findings in September 2018. The accused Cashier was placed (December 2018) under suspension by the PWD and the matter had been referred to the Anti-Corruption Branch (ACB), Directorate of Vigilance for further investigations. The ACB registered a First Information Report in February 2019 and investigations were in progress as of March 2020.

Thus, lack of monitoring and failure to follow the prescribed control procedures facilitated misappropriation of Government receipts of ₹ 15.16 lakh by the Cashier.

The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

PUBLIC HEALTH DEPARTMENT

1.6 Excess payment to the supply contractor on purchase of medicines

Non-deduction of Excise duty component from prices of purchased medicines after implementation of GST as per procedure prescribed by Government resulted in excess payment to the supply contractor.

Upon implementation of GST, several taxes including Central Excise Duty were subsumed in the GST. In order to regulate the payments for works or supplies where tenders had been finalised by Government departments on the basis of cost worked out prior to implementation of GST, but the actual supplies were to be made post implementation of GST, the Government of Goa issued detailed guidelines (November 2017). As per the guidelines with regard to procurement of any materials, the rate quoted by the contractor shall be reduced by the relevant duties and taxes including Excise Duty which was included in the cost worked out prior to GST regime, and thereafter appropriate incidence of GST shall be applied and payments made.

¹ Receipt No. 471/2 dated 30/05/2013 (for ₹ 1,000) and Receipt No. 720/36 dated 05/06/2017 (for ₹ 60,000)

Goa Medical College and Hospital (GMCH) finalised tenders for supply of medicines, surgical items and chemicals required by the Goa Medical College & Hospital (GMCH) on 16 May 2017. These tenders were received prior to implementation of GST and the medicine prices tendered included an excise duty component. The GMCH placed the supply orders with effect from October 2017. As Goods and Services Tax (GST) was implemented with effect from 01 July 2017, the supplies attracted GST. Therefore, payments against these supplies should have been made by adopting the above procedure prescribed by the Government. However, GMCH paid the suppliers at the prices fixed by contract after adding GST, but without reducing the Excise Duty component which was included in the tendered prices.

As per the Central Excise Act, Excise Duty on Medicines is assessed on the basis of Maximum Retail Price (MRP). After allowing an abatement of 35.5 per cent of MRP, the duty was calculated at the rate of six per cent on 64.5 per cent of the MRP.

Audit test checked the supplies made by three out of 17 vendors during the period April 2018 to February 2019 (up to 20 February 2019) and found that these vendors supplied medicines against 277 invoices amounting to ₹ 6.45 crore² at prices which included Excise Duty (ED) component. As the ED component was embedded in the tendered rates, GST was also paid on the ED component. While the amount of ED included in the tendered rate worked out to ₹ 89.38 lakh, GST incorrectly paid on ED component worked out to ₹ 10.61 lakh.

Thus, the non-deduction of ED component included in prices after introduction of GST on purchase of medicines, as per procedure prescribed by Government, resulted in excess payment to the supply contractors to the extent of ₹ 99.99 lakh in purchases worth ₹ 6.45 crore.

GMCH replied that the suppliers are not manufacturers and they have supplied medicines at institutional rates provided by the company. With the implementation of GST they received goods at the same quoted price with applicable GST. Their tender rates included basic rate with their margin amount + applicable local taxes. Hence, GMCH replaced GST extra in place of VAT extra in the supply orders. Hence no excess payment.

The tenders were finalised before introduction of GST when excise duty was levied as per law and so had to be included in quoted prices but the supply was made when excise duty had been abolished. To prevent extra payment due to this very reason the Government had issued guidelines to all departments. The GMCH was bound to follow the same, irrespective of what payment had been made by their vendor to the manufacturer. Any abolished duty charged by the manufacturer had to be settled by the vendor with the manufacturer. There was no occasion for GMCH to follow any procedure other than that prescribed by the Government. Therefore, the response by GMCH is not tenable.

The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

² Actual supplies of ₹ 6.45 crore delivered by three vendors during April 2018 to 20 February 2019 against the supply orders of ₹ 10.37 crore issued to them was commented

1.7 Avoidable expenditure on procurement of medicines

Delay in finalisation of tenders by Goa Medical College and Hospital for the year 2016-17 resulted in avoidable extra expenditure of ₹ 10.75 crore on procurement of medicines through local purchase.

Mention was made in Paragraph 1.5.7.5 of the Report of the Comptroller and Auditor General of India for the year ended 31 March 2015, Government of Goa regarding inordinate delay in finalisation of annual tenders for procurement of tablets, injectables, ointments, surgical items, chemicals *etc.* (hereinafter called medicines) by Goa Medical college and Hospital (GMCH) and the Public Health Department (Department) during 2010-15, leading to merely 25 *per cent* of total expenditure (₹ 131 crore) being spent on procurement of medicines through tendering process. Almost 54 *per cent* of the expenditure was made on purchase of medicines at old tendered rates, while, another 21 *per cent* was incurred on local purchases to meet the emergent requirements. Audit, therefore, emphasised the need for reviewing the annual tendering process, which appeared to be long-drawn, and for adopting a time-bound approach for procurement of medicines.

Despite being pointed out in audit, there was no palpable improvement in the situation. Audit observed that GMCH and the Department took 17 months³ to finalise the tendering process for the year 2016-17, and GMCH started issuing supply orders to the lowest bidders from October 2017 (*i.e.* after the end of the financial year 2016-17).

Pending finalisation of tender for the year 2016-17, GMCH procured medicines (April 2016 to October 2017) from the old suppliers through local purchase at rates significantly higher than that approved by the Department for the year 2016-17, leading to extra expenditure of ₹ 10.75 crore, which was largely avoidable.

GMCH stated (January 2020) that delay was not intentional, but, the tendering process was time consuming and performed with limited staff strength (many posts of Pharmaceutical Chemists and Pharmacists were vacant). Also, considering the numerous steps involved in the tendering process and involvement of multiple departments, finalisation of tender for the year 2016-17 was delayed. Further, GMCH being the tertiary care institution, cannot function without essential medicines and therefore, these were procured locally with Government approval till finalisation of annual tender for the year 2016-17.

The reply clearly shows that no follow-up action was taken by GMCH and the Department to minimise the tender processing time, despite recommendations of Audit made in previous Audit Report. Further, if GMCH had initiated the tendering process sufficiently in advance and completed the same before commencement of 2016-17, the extra expenditure of ₹ 10.75 crore could have been avoided. But, in the instant case, the tendering process for 2016-17 itself was initiated in April 2016. Even if a timeframe of six months is reckoned as being fair and reasonable for finalisation of tender (after constitution of Drug Purchase Committee in April 2016), GMCH could have issued supply orders

³ Tendering process for the year 2016-17 commenced (April 2016) with constitution of Drug Purchase Committee and the Department issued (August 2017) Administrative Approval and Expenditure Sanction for ₹ 16.73 crore

from October 2016 at the approved tendered rates of 2016-17 and thus, capped the extra expenditure at ₹ 5.71 crore⁴.

The matter was referred to the Government in July 2019; their reply was awaited (March 2020).

1.8 Misappropriation of Hospital Receipts

Weak internal controls in Goa Medical College and Hospital led to misappropriation of hospital receipts of ₹ 6.68 lakh by the hospital staff.

Goa Medical College and Hospital (GMCH) provides super specialty services in Cardiology, Urology, Nephrology *etc.* While treatment to inpatients, who are residents of Goa, is provided free of cost, GMCH recover treatment charges from non-Goan patients (who are not resident of Goa) for availing of treatment in the hospital, with effect from 01 January 2018. For this purpose, a separate procedure for registration of non-Goan patients was introduced and a separate casualty billing counter with seven staff⁵ was established for billing and collection of treatment charges from non-Goan patients.

As per extant procedure, a non-Goan patient is billed online by the Casualty Billing Counter (CBC) staff, on the basis of demand raised by the concerned ward (where the patient was admitted) for treatment⁶ availed of during the period of hospitalisation. On receipt of payment from the patient, CBC staff issues a receipt (in GAR 5) and simultaneously records the details of receipt in the Cash Collection Register maintained by them. The CBC staff then hand over the daily collection to the main Cashier of GMCH who acknowledges it in the Cash Collection Register and makes a suitable entry in the cash book and remit the cash into Government Account.

Scrutiny of records of Medical Records Department of GMCH (maintaining personal case papers of non-Goan inpatients), Accounts Section of GMCH (maintaining used GAR 5 Receipt Books) and CBC (maintaining Cash Collection Registers) for the period 01 January 2018 to 28 February 2019 revealed the following:

- In 12 cases of non-Goan inpatients treated in Cardiology ward of GMCH during the said period, though the CBC staff billed and collected ₹ 6.75 lakh from the patients, they recorded only ₹ 6,840⁷ in the Cash Collection Register, which was subsequently remitted to Government Account by the main Cashier of GMCH. The balance amount (₹ 6.68 lakh) was neither recorded in the Cash Collection Register nor receipts (in GAR 5) for the corresponding amount were found to have been issued by the CBC staff to the patients at the time of their discharge from the hospital. This created a strong suspicion that the CBC staff had acted with the intent to misappropriate the hospital receipts.
- The system of discharge of patients from the hospital was not watertight. Apparently the Cardiology ward in-charge or the ward staff

⁴ On purchases made during the period from November 2016 to October 2017

⁵ One Upper Division Clerk in-charge and six Lower Division Clerks working in three shifts

⁶ Includes charges for bed, doctors, diagnostic tests, investigations, medicines, consumables *etc.*

⁷ An advance payment of ₹ 2,000 each was recorded in the Register in respect of three cases and a payment of ₹ 840 was recorded in one case

did not verify or insist on GAR 5 receipts before discharging the patients from the hospital.

- The system of internal controls in GMCH was also weak. During the 14-month period, the drawing and disbursing officer⁸ did not carry out reconciliation of demands raised by different wards with payments actually realised from the patients and the amounts finally remitted to Government Account. Absence of checks and balances in the system encouraged the propensity to misappropriate Government money at lower level.

On being pointed out by Audit (18 April 2019), GMCH swiftly remitted (22 April 2019) ₹ 6.64 lakh (out of ₹ 6.68 lakh) into Government Account, thus, reinforcing the stand of Audit that Government money was indeed misappropriated. Incidentally, GMCH has not shared the information with Audit regarding (i) the source of funds (₹ 6.64 lakh) that was used to make up for losses, and (ii) pinpointing accountability for misappropriation of Government money, despite being called for in January 2020.

Recommendations

- Given the fact that cases of misappropriation in the Cardiology ward escaped detection, there is a dire need to review the system of receipt and accounting of hospital charges in other wards as well, offering super specialty services to non-Goan inpatients.
- It may be ensured that patients are discharged from the hospital only after cross-checking the payments due (verifiable from the online bills) with payments made (verifiable from receipts in GAR 5) by the ward staff.
- The case needs to be investigated by filing FIR for appropriate action against those who held Government money irregularly and whose actions facilitated misappropriation of Government money.

The matter was referred to the Government in August 2019; their reply was awaited (March 2020).

⁸ Assistant Accounts Officer of Accounts Section of GMCH