

## CHAPTER – IV

### AUDIT OF TRANSACTIONS

This chapter contains audit paragraphs on undue favour to contractors, avoidable/unfruitful expenditure and Regulatory issues and other points of interest that came to notice during the audit of transactions of the Government Departments. The chapter also contains comments on lack of response to audit findings.

#### *4.1 Undue favour to contractors, Avoidable/unfruitful expenditure*

#### INFORMATION AND PUBLICITY DEPARTMENT

##### *4.1.1 Exorbitant expenditure of Rs 5.05 crore on artists resulting in avoidable extra burden of Rs 2.05 crore on public exchequer*

**Acceptance of the proposal of Event Management Agency for spending Rs 5.05 crore on artists to generate similar amount of sponsorship for IFFI 2006, without obtaining any written commitment from the EMA, resulted in avoidable extra burden of Rs 2.05 crore on public exchequer.**

The Entertainment Society of Goa (ESG), responsible for organizing and providing logistical support for the International Film Festival of India – 2006 (IFFI-2006), engaged M/s Brilliant Entertainment Networks Pvt. Ltd as the Event Management Agency (EMA). The IFFI was held between 23 November 2006 and 3 December 2006 and the EMA was paid Rs 7.62 crore including Rs 5.05 crore towards artists' fee.

Audit scrutiny revealed that:

- The ESG approved (September 2006) the proposal of EMA for engaging popular artists for various events like opening and closing ceremonies, concerts, etc. at a total fee of Rs 4.92 crore subject to the EMA generating sponsorship of the like amount. The actual expenditure on artists' fee was Rs 5.05 crore as compared to the expenditure of less than Rs one crore spent on the artists for IFFI 2005.
- Before signing the agreement the EMA stated that though they would try to generate more sponsorship, Rs three crore only may be mentioned in the agreement. Accordingly the ESG reduced (October 2006) the minimum sponsorship limit from Rs 5.00 crore to Rs 3.00 crore and the agreement was signed. Hence, there was no commitment obtained to offset the excess expenditure of Rs 1.92 crore on artists' cost while executing the agreement.
- Though the EMA was paid (September-November 2006) Rs 5.05 crore towards artists' costs, the sponsorship committed by the EMA was only Rs 3.55 crore resulting in an uncovered expenditure of Rs 1.50

crore. Against the committed sponsorship amount of Rs 3.55 crore, Rs 1.50 crore was received by the ESG and Rs 1.50 crore was adjusted (June 2008) against the dues payable by ESG to the EMA. The balance amount of Rs 55 lakh was not recovered as the minimum sponsorship to be generated according to the agreement was only Rs three crore. Hence, even after engaging top artists at a huge cost, the ESG and EMA could collect a sponsorship amount of Rs three crore only resulting in an avoidable extra burden of Rs 2.05 crore on public exchequer.

In spite of having conducted the IFFI for the previous two years in a row, the ESG could not organize itself and act in a cost efficient and judicious manner in conducting the IFFI 2006 but continued to depend on the plans and programmes of EMA. The decision of the ESG to spend a huge amount of Rs 5.05 crore on artists, without any concrete proposal and written commitment from EMA on generating sponsorship of like amount, resulted in avoidable burden on the State/public exchequer to the tune of Rs 2.05 crore.

The Department stated (July 2008) that the increase in expenditure on artists cost was that the artists were internationally renowned, and charged a huge premium. The reply is not tenable as the huge expenditure on artists and low sponsorship resulted in extra burden of Rs 2.05 crore on public exchequer.

#### ***4.1.2 Avoidable expenditure of Rs 29.50 lakh on procurement of TV sets***

**The acceptance of the offer of MEPL Sky Electronics for supply of TV sets of a different brand than the one specified in tender notice, resulted in unreasonable freight and installation charges leading to avoidable expenditure of Rs 29.50 lakh.**

Under the scheme 'Knowledge is Power', the Government of Goa decided (December 2005) to distribute Television sets with Direct to Home (DTH) connections to Panchayats, registered social, cultural and sports clubs, charitable organizations, old-age homes and orphanages. Accordingly the Director of Information and Publicity invited (February 2006) tenders for supply of 1000 numbers of 29" colour television sets and DTH attachment system in phases. The bidders were asked to quote for the television sets of the brands of Onida, Videocon, LG, Samsung, Sansui, Sony, Phillips, Hyundai and BPL only.

In response to advertisement three tenders were received (February 2006). M/s MEPL Sky Electronics Pvt. Ltd, Goa quoted the lowest offer at Rs 16,750 per set plus actual freight. The second lowest offer was from Bharat Electronics, Bangalore at Rs 27,056 per set all inclusive. As the third agency M/s Saish Electronics did not quote for TV sets, their offer was not considered. The Department finally accepted (March 2006) the offer of M/s MEPL Sky Electronics at Rs 22,550 per set inclusive of freight charges (Rs 5,800 per set) for supply of MEPL brand 29" colour TV sets. The Department purchased (March 2006) 308 TV sets at a cost of Rs 77.72 lakh.

Audit scrutiny revealed that:

- As per the conditions of tender document only branded TV sets of Onida, Videocon, LG, Samsung, Sansui, Sony, Phillips, Hyundai and BPL were to be quoted by the tenderers. MEPL Sky Electronics requested (9 February 2006) for permission to quote for their own brand TV set and their offer for MEPL brand was considered. The inclusion of a brand different from the brands mentioned in the detailed tender notice vitiated the fair tendering procedure and amounted to extending undue favour to one agency.
- M/s MEPL Sky Electronics quoted for local brand MEPL TV sets which was finally accepted by the Department at the rate quoted (Rs 13,750) by the company without ascertaining the market rate of the MEPL TV sets. According to the sale statistics of the company during the period from January 2006 to March 2006 the company sold MEPL 29" semi flat colour TV sets at a rate of Rs 9,000 to Rs 9,300 per set to other customers. Hence the acceptance of offer of the company for a brand not specified in the tender notice without ascertaining the market rate resulted in avoidable extra expenditure to the tune of Rs 13.70 lakh.<sup>♦</sup>
- According to the initial offer of M/s MEPL Sky Electronics the company quoted Rs 3,000 for DTH set, Rs 17 per meter for cables and freight as per actuals. After opening the tender the Department sought clarification from the company for the amount of freight charges for which the company quoted Rs 5,800 per connection. It was however seen that the MEPL brand was locally manufactured in Goa and the freight charges at an average distance of 50 kilometers for transporting one TV set would come to Rs 500 (as per the rate approved by Director of Transport for Taxi) and the cable cost for an average of 10 meters per set would come to Rs 170 per set. Against this the Government paid Rs 5,800 without ascertaining the actual/reasonable freight charges incurred by the company. This resulted in avoidable expenditure of Rs 15.80 lakh<sup>♥</sup> on 308 TV sets.

Hence acceptance of an offer for supply of TV sets different from the brands specified in the tender notice without ascertaining the market rate of that brand and without obtaining competitive rates from market for similar brands, and further agreeing for unreasonable freight and installation charges after opening the tenders resulted in avoidable excess expenditure to the tune of Rs 29.50 lakh.

The Department stated (July 2008) that the agency found it difficult to ascertain the actual freight charges as the installations are to be carried out at the remote village level. The Department's contention is not tenable as the freight charge @ Rs 5,800 per television is abnormal. Further the reply is

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<sup>♦</sup> Rs 13750 – Rs 9300 = Rs 4450 per set. For 308 sets = Rs 13.70 lakh

<sup>♥</sup> Rs 5800 – Rs 670 = Rs 5130 per set. For 308 sets = Rs 15.80 lakh

silent about acceptance of different brand other than specified in the tender notice without ascertaining the market rate and not obtaining competitive rate for similar brands.

#### **4.1.3 Avoidable expenditure on payment of income tax**

**Due to non-recovery of income tax from the payments made to a foreign firm, the department had to remit Rs 32.13 lakh towards Income Tax from State exchequer.**

Government of Goa entered into an agreement (April 2004) with M/s HOK Canada Inc (HOK) for assisting and advising the Government on production of events for International Film Festival of India 2004. Total amount of US \$3,86,494 (Rs 1.74 crore) was paid to the firm electronically into its bank accounts in Canada during the period from April 2004 to January 2005.

As per agreement, the State Government had the right to deduct all statutory taxes while releasing the payments. Under Section 195 of the Income Tax Act, any person responsible for making payment to a foreign company shall at the time of payment deduct income tax thereon at the rates in force (20 *per cent*). The Income tax deductible at source for the total payments made to HOK was Rs 36.33 lakh (with two *per cent* education cess and 2.5 *per cent* surcharge). Audit scrutiny revealed that except deduction of Rs four lakh at the rate of five *per cent* on advance payment released in April 2004, no income tax at source was deducted. This resulted in short recovery of income tax to the extent of Rs 32.33 lakh.

On being pointed out (May 2005) by audit, the Department, by re-appropriation of funds, remitted Rs 32.13 lakh (including surcharge and education cess) in March 2007 to Government of India (leaving a balance of Rs 20,000).

A request to withhold the payment to HOK was made (March 2007) to the Goa State Infrastructure Development Corporation (GSIDC) which engaged the HOK as lead consultant for their works. It was however seen that the GSIDC withheld US \$1,80,400 (Rs 70.88 lakh) from the total claim of HOK due to overlapping claims and shortcomings in preparation of the report submitted by HOK. The matter is under arbitration and yet to be settled (January 2008). Thus, failure of the Department to observe the provisions relating to Income tax resulted in avoidable expenditure on payment of income tax amounting to Rs 32.13 lakh.

The Department (April 2008) stated that the dues towards income tax has been cleared. The reply is not tenable as the income tax remitted by the Department is yet to be recovered from HOK.

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**PUBLIC WORKS DEPARTMENT**

**4.1.4 Avoidable expenditure of Rs 54.75 lakh on electricity charges**

**Delay in initiating the land acquisition proposal resulted in non-completion of work of Water Treatment Plant and laying pipe lines to draw water from Tillari Irrigation Project Canal by gravity and consequent avoidable expenditure on electricity charges of Rs 54.75 lakh for pumping water from Assanora River.**

The drinking water demand of Bardez Taluka is met by Assanora Water Supply Scheme. In order to overcome the shortage of treated water the Government sanctioned (August 2000) the work of Augmentation of Assanora Water Supply Scheme by an additional 50 Million Litre Per Day (MLD) at a cost of Rs 76.85 crore. Tillari Irrigation Project (TIP) earmarked 80 MLD raw water for the scheme. As the canal was constructed at a higher altitude than the plant, the water was to come to the plant by gravity.

In August 2005, the Executive Engineer, Goa Tillari Irrigation Development Corporation (GTIDC) informed the Executive Engineer, Division XVII of PWD that the work on the canal of TIP for making available water to the Assanora plant would be completed by November 2005. GTIDC requested PWD to take necessary action to utilize the canal water for Assanora plant. In the meantime the water from TIP was released through the canal on 26 February 2006. As the intake facilities were not ready, the water was allowed to be released into the Assanora River through an escape route.

In order to use the Tillari water for the existing WTP the PWD prepared (January 2006) an estimate for 320 metre intake from TIP canal to plant for Rs 40.03 lakh and the work was awarded to a contractor in February 2006 at a cost of Rs 37.24 lakh with stipulated period of completion of four months. The work of five metre length canal could not be completed (August 2008) due to objection of the land owner of the work site owing to non payment of full compensation of land acquired earlier (2002) for laying pipe line from river to plant and due to dispute with GTIDC regarding the construction of foot over bridge over the canal.

Audit scrutiny revealed that:

The Department forwarded land acquisition proposals for construction of WTP and for laying of gravity main from TIP canal to WTP to the Collector in September 2006. The Government initially issued land acquisition notification without invoking urgency clause in December 2006 and further by invoking urgency clause in January 2008 and the land was finally acquired on 29 August 2008. Though it was envisaged as early as August 2000 to use the TIP canal water for the augmentation scheme, the department could not initiate the land acquisition process in time.

The delay in initiating land acquisition proceedings for gravity main to draw raw water from TIP canal for the existing water treatment plant resulted in delay in completion of laying of gravity main. During this period, the department continued pumping water from Assanora river by spending Rs 54.75 lakh on electricity charges from March 2006 to August 2008 which was avoidable as the TIP canal water was available by force of gravity.

The Department attributed (August 2008) the reasons for delay to the long procedure involved in land acquisition proceedings. The Department further stated that Water Resources Department is yet to certify the uninterrupted availability of water throughout the year and as the water from TIP is not available in monsoon the pumping machinery needs to be maintained as a stand by system.

The reply is not tenable as the department should have initiated land acquisition proceedings well in advance and ensured the availability of land while tendering the work. Further the effort made by the department to ensure uninterrupted water supply from TIP was not on record as the augmentation scheme itself was formulated by projecting Tillari water as source of raw water.

#### ***4.1.5 Irregular acceptance of tender and undue benefit to contractor***

<p><b>Water supply scheme work was revised from Rs 2.20 crore to Rs 8.42 crore after opening the technical bids and the work was finally awarded for Rs 11.78 crore. Work was awarded on the basis of offers received after opening financial bids, which lacked transparency.</b></p>
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In order to cater to the uncovered areas and increase in demand of water in Sattari Taluka the Government sanctioned (January 2004) augmentation of Dabose Water Supply Scheme for Rs 15.21 crore. The scheme aimed to supply an additional 10 million litres per day (MLD) water over the existing 5 MLD capacity under the scheme. The work consisting of “Design, construction, erection, testing and commissioning of 10 MLD Water Treatment Plant, Headworks, V T Pumps, Pumping main” estimated to cost Rs 2.20 crore was tendered (September 2005) on turnkey lump sum contract basis. Though four agencies purchased tender forms, only two agencies (M/s Laxmi Civil Engineering Services Pvt. Ltd and M/s SMS Paryavaran Pvt. Limited) participated in tendering.

Technical bids were opened on 2 December 2005 and necessary clarifications were issued to bring the agencies on a common footing. Though the estimated amount did not include the amount towards operation and maintenance of the plant, the agencies were asked (1 March 2006) to quote the amount towards operation and maintenance cost of the plant for a period of five years, including cost of consumables, electricity and manpower in modified Appendix ‘B’ separately. The agencies were also directed to revise their financial offers, if required, based on above clarifications and submit the same before 14 March 2006.

The financial bids were opened on 14 March 2006 and the offers were as under:

Agency	Appendix A (Water treatment plant)	Appendix B (operation and maintenance)
SMS Paryavaran Pvt. Ltd	<b>Not quoted</b>	Rs 5.45 crore
Laxmi Civil Engineering Services Pvt. Ltd	Rs 6.66 crore	Rs 6.82 crore

Though M/s SMS Paryavaran Pvt. Ltd had not filled tendered amount pertaining to the cost of treatment plant in Appendix 'A', that agency was allowed to quote offer for Appendix 'A' after opening of bids on 14 March 2006 and the agency quoted Rs 6.45 crore which was Rs 20 lakh less than the only other quote. The total price bid quoted by them (Appendix A and B) amounted to Rs 11.91 crore. The agency was called for negotiations in which they offered a total rebate of two *per cent* and the lowest negotiated offer of Rs 11.78 crore was approved (June 2006) by Goa State Works Board (GSWB). The work order was issued with stipulated date of completion as 7 March 2007. The agency has been paid an amount of Rs 2.50 crore up to July 2007.

Audit scrutiny revealed that:

The estimated cost put to tender was Rs 2.20 crore in September 2005 which was subsequently increased to Rs 8.43 crore after opening the technical bids and revised quotes were obtained from the two agencies. Since the estimated cost put to tender and scope of work were increased fresh public tenders should have been invited for the entire work to obtain competitive rates.

Further M/s SMS Paryavaran had not quoted their rate for the treatment plant in Appendix-A. Instead of rejecting their offer, the agency was allowed to quote their offer after opening the financial bids.

Thus, increasing the scope of the work to around four times of the estimated cost after opening technical bids and obtaining financial quotation from one agency after opening the financial bids vitiated the guideline, fairness and transparency in tendering process and denied the Government an opportunity to get competitive offers.

The Department stated (August 2008) that due to the present trend of steep increase in the market prices, there was no possibility of getting lower offer in the event of re-tender and hence the lowest negotiated offer was considered for acceptance. Further the Department stated that SMS Paryavaran's offer was considered only when the other agency failed to respond to the request of the Department to lower their offer to the amount of M/s SMS Paryavaran and hence no compromise on the tendering procedure had taken place.

The reply is not tenable as public tenders were required to be invited afresh due to large scale variation in scope of work which resulted in an undue advantage to the private agency.

**4.1.6 Avoidable expenditure due to non-availing of duty exemption on pipes**

**The Department did not avail of excise duty exemption amounting to Rs 24.36 lakh on pipes for the water supply schemes where the contractors' offers were inclusive of excise duty. The Department also issued incorrect certificate to enable the contractors to claim inadmissible excise duty exemption amounting to Rs 18.99 lakh.**

According to GoI's notifications No. 6/2006 dated 1 March 2006 and 6/2007 dated 1 March 2007, all items of machinery required for setting up of Water Treatment Plants and pipes needed for delivery of water from its source to the Treatment Plant and from there to the first storage facility including pipes of outer diameter exceeding 20 cm are exempted from central excise duty if such pipes are an integral part of the water supply projects. The exemption was subject to the production of an "intended use" certificate from the District Collector.

The Public Works Department awarded contracts for six<sup>⊕</sup> water supply schemes inclusive of all taxes and duties applicable. The tenders in respect of four water supply schemes were opened between November 2006 and January 2007. Work orders were issued during March 2007 and April 2007. A total of 12,985 meters pipes of 250mm and 200mm diameter and 3,244 meters pipes of 150mm diameter were procured by the agencies for these four schemes. The tenders in respect of other two water supply schemes<sup>⊗</sup> were opened in May 2006 and November 2006 and work orders issued in September 2006 and January 2007 respectively. The total quantity of pipes procured for these two schemes was 11,733 meters of various diameters at a cost of Rs 1.18 crore.

Audit scrutiny revealed that in respect of four schemes the department did not obtain reduction in rates for pipes from contractors on account of exemption in central excise duty with effect from 1 March 2007. The contractors were paid at the rates quoted in their original offers. According to the agreement, no provision was incorporated in the contract to avail of the reduction in rates in the event of tax/duty exemption.

The Department subsequently issued exemption certificates to the contractors in April and May 2007 to claim the Excise Duty exemption without asking for reimbursement/adjustment of the duty element in the bills. The total Excise

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<sup>⊕</sup> (i) Improvement of WSS to Moira in Thivim, (ii) Improvement of WSS to Arambol and Morjim in Mandrem, (iii) Extension of WSS to Dhargalim in Pernem (iv) Improvement of WSS to Pissurlem in Poriem, (v) Improvement of WSS to Ibrampur in Dhargal, (vi) Improvement of WSS to Corjuvem in Aldona.

<sup>⊗</sup> (i) Improvement of WSS to Ibrampur in Dhargal and (ii) Improvement of WSS to Corjuvem in Aldona.



Duty in respect of 12,985 meters of 250mm and 200mm diameter pipes which are admissible for exemption works out to Rs 24.36 lakh approximately (worked out on the basis of base rate of pipes offered by the pipe manufacturer as of January 2007). Though exemption was not admissible in respect of 3,244 meters of 150mm diameter pipes the Department issued certificate for claiming exemption of central excise duty to the tune of Rs 4.21 lakh.

In respect of two schemes where the tenders were accepted and pipes were procured before 1 March 2007, the department issued certificates stating that the pipes will not be used for delivery of water from storage place to the place of consumption. Whereas these pipe lines are laid from the Main Balancing Reservoir (first storage) to the Ground Level Reservoirs of the villages for distribution to public. As the exemption was admissible only for pipe lines laid up to first storage facility the issue of incorrect certificates by department enabled the contractors to claim inadmissible Excise Duty on 11,733 meters of pipes to the extent of Rs 14.78 lakh.

Hence by passing on the benefit of Central Excise Duty exemption to contractors who quoted their rates inclusive of central excise duty the department incurred avoidable extra expenditure to the extent of Rs 24.36 lakh on three water supply schemes. Further by issuing wrong certificates to the contractors in respect of other three water supply schemes, the Department extended undue favour resulting in revenue loss to the Government of India to the tune of Rs 18.99 lakh.

The matter was referred to the Government (April 2008). Their reply is awaited (August 2008).

## REVENUE DEPARTMENT

### *4.1.7 Unfruitful expenditure of Rs 3.18 crore on re-survey, loss of interest of Rs 31.31 lakh and non-recovery of mobilisation advance of Rs 70.54 lakh*

**Non-conduct of pilot study before undertaking the project of re-survey of the state resulted in abandonment of project after incurring expenditure of Rs 3.18 crore. Non-observance of codal provisions while releasing mobilisation advance also resulted in loss of interest of Rs 31.31 lakh and non-recovery of balance advance amount of Rs 70.54 lakh.**

The Government proposed to conduct re-survey of cadastral maps in Goa to incorporate changes made in the past 30 years. The re-survey was to be conducted under a centrally sponsored scheme for strengthening of Revenue Administration and updating of Land Records. The Government of India suggested (November 2002) that the State Government may take up the work on a pilot project basis for a few villages and on the basis of experience gained from the pilot project, the same could be extended to cover more areas. Government however tendered and awarded (October 2003) the re-survey

work for the entire State to M/s Theovel Surveys, Bangalore at a cost of Rs 7.88 crore. The Government also paid 15 *per cent* interest free mobilization advance (Rs 1.18 crore) to the contractor, contrary to the provisions of CPWD Manual which restricts the amount of mobilization advance up to 10 *per cent* of the contract value at 10 *per cent* simple interest.

After the work had been executed up to 28 *per cent* (September 2005), the Government instructed (October 2005) the agency to stop the work as it was found that the cadastral maps created by re-survey did not match with the existing Table sheets upon super-imposition and could not be used for any legally valid purpose. The payment made to agency up to March 2006 on the work was Rs 3.18 crore. Besides, the mobilization advance of Rs 70.54 lakh was yet to be recovered from the contractor. Further no interest was charged on the mobilization advance resulting in a loss of Rs 31.31 lakh to Government up to December 2007 calculated at the rate of 10 *per cent* per annum. The contract is yet to be terminated (January 2008).

The Department stated (March 2008) that Goa is too small to be considered for financial assistance on taluka basis and the State is treated as one district on the basis of which pattern for assistance under the Government of India scheme is considered. However the fact remains that had the scheme been implemented on a pilot basis in a few villages, the unfruitful expenditure could have been reduced.

Further the Department stated that 15 *per cent* mobilization advance was granted as the 50 *per cent* cost of surveying machinery to be procured works out to 15 *per cent* of the total contract value. The reply is not tenable as the grant of 15 *per cent* mobilization advance was against codal provisions.

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

### **PANCHAYAT RAJ AND COMMUNITY DEVELOPMENT DEPARTMENT**

#### **4.2.1 Sanction of grant of Rs 3.23 crore to 23 non-entitled Village Panchayats and depriving grants-in-aid to other 44 entitled Village Panchayats**

**Grants amounting to Rs 3.23 crore were sanctioned to 23 VPs which were not entitled for developmental grants as per the income criteria prescribed in the rules. No grants were sanctioned to 44 VPs which were entitled to get the grants.**

In pursuance of sub-section (1) of section 160 of the Goa Panchayat Raj Act, 1994, the Government releases grants-in-aid to the Village Panchayats (VPs) for various purposes<sup>Y</sup> under the terms and conditions prescribed by

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<sup>Y</sup> Construction and maintenance of village roads, drains, culverts, drinking water wells, tanks, ponds, public springs, rural water supply schemes, lighting of public places, burial grounds, general sanitation, public latrines, slaughter houses, parks, cattle ponds, sheds, village libraries, bus stands, taxi stands, sports infrastructure, disposal of unclaimed corpse, prevention and control of water pollution.

Government from time to time. The VPs whose annual income from all sources inclusive of taxes, fees, octroi, rents, fines, sale proceeds, bank interest, matching grants, etc., is less than Rs five lakh only are entitled to the grants-in-aid for development works. The Director of Panchayats had sanctioned grants-in-aid totaling Rs 7.82 crore for various developmental works to 71 VPs in the State during the year 2006-07.

A scrutiny (November 2007) of records of Director of Panchayats revealed that the Department sanctioned grants totalling Rs 3.23 crore to 23 VPs whose annual income was above Rs five lakh. Of these 23 VPs, the Shiroda VP alone was sanctioned grants-in-aid to the tune of Rs 94 lakh which constituted 12 *per cent* of the total grants sanctioned by the Government to all VPs. Whereas no grant was sanctioned to 44 VPs whose annual income was less than Rs five lakh.

This disparity in sanctioning grants-in-aid indicated that grants were sanctioned arbitrarily and not based on any laid down criteria with a view to achieve overall development. The arbitrary allotment of grants-in-aid disregarding the eligibility criteria has resulted in release of inadmissible grants to the tune of Rs 3.23 crore and depriving grants to 44 VPs whose annual income was less than Rs five lakh.

The Department stated (September 2008) that while computing the income of the Panchayats the grants released under octroi and matching grants were not taken into consideration resulting in understatement of annual income. The reply is not tenable as annual income excluding octroi and matching grants in respect of 16 out of 23 Panchayats was more than Rs Five lakh. The Department agreed to include the octroi and matching grants under annual income for determination of the eligibility of the Panchayats for receiving the grants.

### **4.3 General Paragraphs**

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

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

A review of the IRs issued up to December 2007 pertaining to 38 Departments showed that 976 paragraphs relating to 271 IRs were outstanding at the end of June 2008. Failure to comply with the issues raised by Audit facilitated the continuation of financial irregularities and loss to the Government.

Year-wise position of the outstanding IRs and paragraphs is detailed in **Appendix 4.1**. Even the initial replies which were required to be received from

the heads of offices within six weeks from the date of issue of inspection report, were not received upto June 2008 in respect of 270 Paragraphs of 36 Inspection Reports.

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

#### **4.3.2 Follow up on Audit Reports**

As per provisions contained in the Internal Working Rules of the Public Accounts Committee of the Goa Legislature Assembly, Administrative Departments were required to furnish Explanatory Memoranda (EM) duly vetted by the Office of the Accountant General, Goa within three months from the date of tabling of the Audit Report to the State Legislature in respect of paragraphs included in the Audit Reports. In spite of this, there were 30 paragraphs/reviews in respect of which the EMs were not received as of August 2008 from the Administrative Departments, as shown below.

<b>Audit Report</b>	<b>Date of tabling the Report</b>	<b>Number of Paragraphs &amp; Reviews</b>	<b>Number of EMs received</b>	<b>Balance</b>
2003-04	31 August 2005	9	8	1
2004-05	12 July 2006	11	4	7
2005-06	30 July 2007	11	3	8
2006-07	19 August 2008	14	Nil	14
<b>Total</b>		<b>45</b>	<b>15</b>	<b>30</b>

Department-wise details are given in **Appendix 4.2**.