CHAPTER – VII

GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

7.1 Overview of Government companies and Statutory corporation

Introduction

7.1.1 As on 31 March 2003, there were 14 Government companies (all working companies) and one working Statutory corporation as against the same number of working Government companies and working Statutory corporation as on 31 March 2002 under the control of the State Government. The accounts of Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by CAG as per provisions of Section 619 of the Companies Act, 1956. The audit arrangement of Statutory corporation is as shown below :

Name of the corporation	Authority for audit by the CAG	Audit arrangement
Goa Industrial Development Corporation	Section 25(2) of the Goa Industrial Development Corporation Act, 1965 and Section 19(3) of CAG's (Duties, Powers and Conditions of Service) Act, 1971	Sole audit up to the period 31 March 2007 has been entrusted to the CAG

Working Public Sector Undertakings (PSUs)

Investment in working PSUs

7.1.2 The total investment in 15 working PSUs (14 Government companies and one Statutory corporation) at the end of March 2002 and 2003 was as follows:

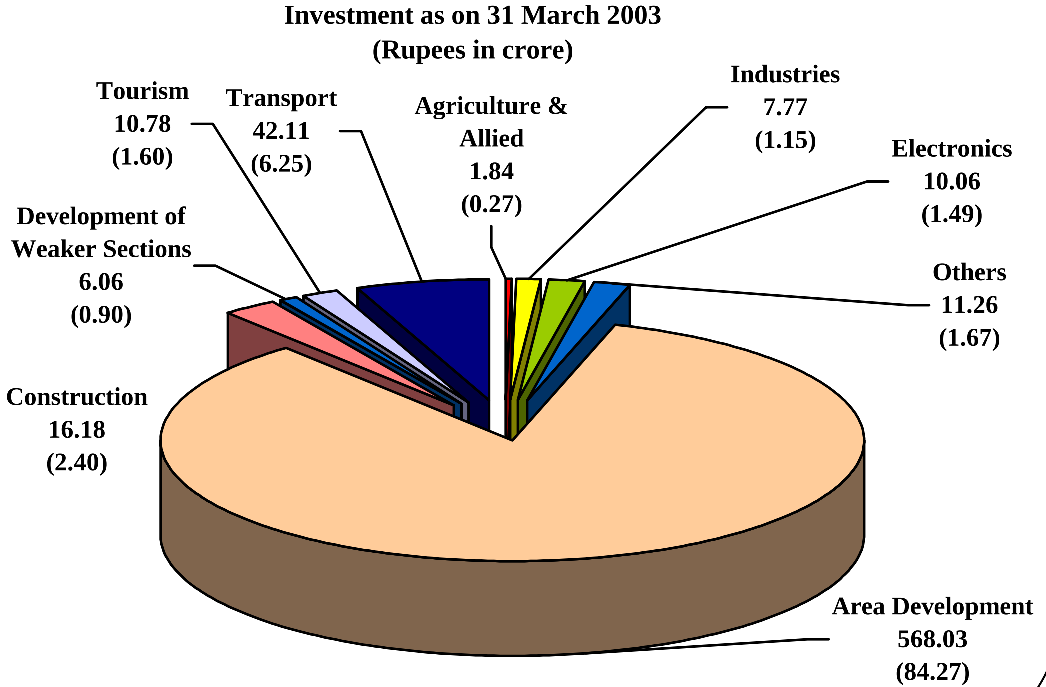
(Rupees in crore)

Year	Number of working PSUs	Investment in working PSUs			
		Equity	Share application money	Loan	Total
2001-02	15	110.91	5.00	517.92	633.83
2002-03	15	120.06	2.50	551.53	674.09

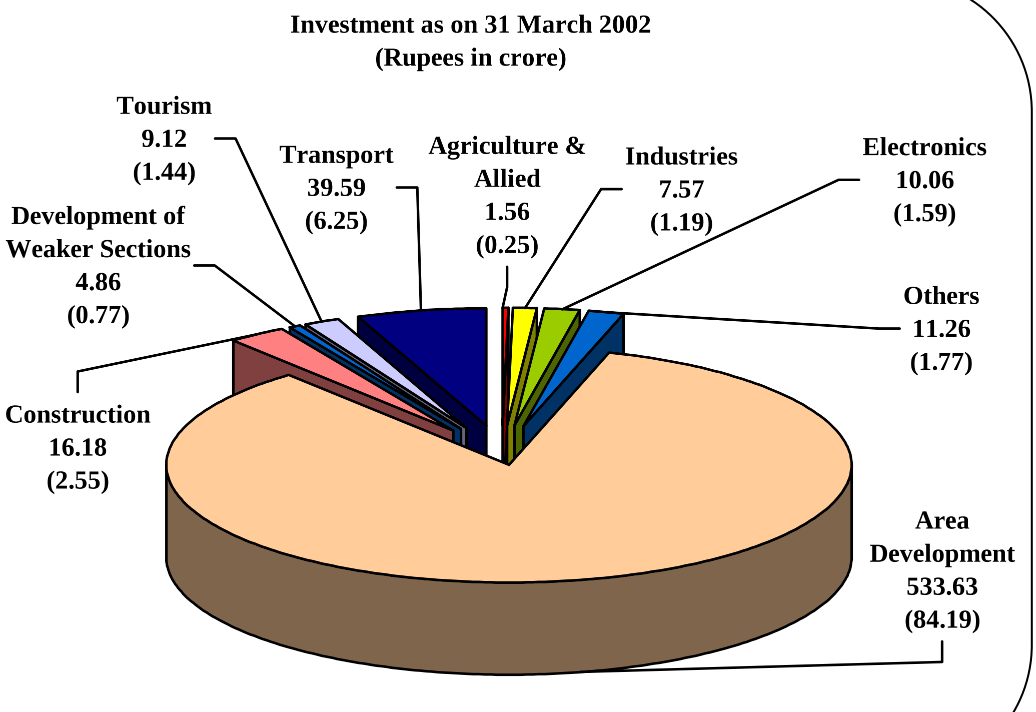
The analysis of investment in working PSUs is given in the following paragraphs.

The investment (equity and long term loans) in various sectors and percentages thereof at the end of 31 March 2003 and 31 March 2002 are given below in the pie charts:

Sector wise investment in working Government companies and Statutory corporation



(Figures in brakets indicate percentage of investment)



(Figures in brakets indicate percentage of investment)

Working Government companies

7.1.3 Total investment in 14 working Government companies at the end of March 2002 and March 2003 was as follows.

(Rupees in crore)

Year	Number of working Government companies	Investment in working Government companies			
		Equity	Share application money	Loans	Total
2001-02	14	86.44	5.00	517.92	609.36
2002-03	14	94.04	2.50	521.53	618.07

The summarised statement of Government investment in working Government companies in the form of equity and loans is given in ***Appendix-XIX***.

As on 31 March 2003, the total investment in working Government companies comprised 15.62 *per cent* of equity capital and 84.38 *per cent* of loans as compared to 15.01 and 84.99 *per cent* respectively, as on 31 March 2002.

Working Statutory Corporation

7.1.4 The total investment in one working Statutory corporation at the end of March 2002 and March 2003 was as follows:

(Rupees in crore)

Sr. No.	Name of the corporation	2001-02		2002-03	
		Capital•	Loan	Capital•	Loan
1	Goa Industrial Development Corporation	24.47	--	26.02	30.00

The summarised statement of Government investment in the working Statutory corporation in the form of equity and loans is given in ***Appendix-XIX***.

Budgetary outgo, grants/subsidies, guarantees and waiver of dues and conversion of loans into equity

7.1.5 The details of budgetary outgo, grants/subsidies, guarantees issued, waiver of dues and conversion of loans into equity by State Government to working Government companies and working Statutory corporation are given in ***Appendix-XIX*** and ***Appendix-XXI***.

• Amount payable to the State Government is treated as capital from State Government.

The budgetary outgo in the form of equity capital, loans and grants/subsidies from the State Government to working Government companies and working Statutory corporation during 2000-03 is given below:

(Rupees in crore)

Particulars	2000-01				2001-02				2002-03			
	Companies		Corporation		Companies		Corporation		Companies		Corporation	
	No.	Amount	No.	Amount	No.	Amount	No	Amount	No.	Amount	No.	Amount
Equity capital	3	0.35	1	1.50	6	11.51	-	-	4	5.05	1	0.05
Loans given from budget	1	1.18	-	-	1	1.49	-	-	-	-	-	-
Grants/subsidies	4	5.09	-	-	3	10.18	-	-	4	11.11	-	-
Total Outgo	**6**[@]	**6.62**	**1**	**1.50**	**9**[@]	**23.18**	**-**	**-**	**7@**	**16.16**	**1**	**0.05**

During 2002-03, the Government had guaranteed loans aggregating Rs.151.91 crore obtained by three working Government companies. At the end of the year, guarantees of Rs.399.34 crore obtained by three Government companies were outstanding as against the outstanding guarantees of Rs.272.44 crore as on 31 March 2002. There was no case of default in repayment of guaranteed loan during the year.

Finalisation of accounts by working PSUs

7.1.6 The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Sections 166, 210, 619 and 619-B of the Companies Act, 1956 read with Section 19 of Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year. Similarly, in case of Statutory corporation, their accounts are finalised, audited and presented to the State Legislature as per the provisions of the Act.

However, as seen from ***Appendix-XX***, out of 14 working Government companies and one Statutory corporation, only five working Government companies and one Statutory corporation finalised their accounts for 2002-03 within stipulated period. During October 2002 to September 2003, six[•] working Government companies finalised six accounts for previous years.

[@] Total number of companies/corporation which have received budgetary support from the State Government in the form of equity, loans, grants and subsidy.

[•] Sr.No. A-1,2,4,8,13 and 14 of Appendix-XX.

The accounts of nine working Government companies were in arrears for periods ranging from one to four years as on 30 September 2003, as detailed below:

Sl. No.	Year for which accounts are in arrears	Number of working companies	Number of years for which accounts are in arrears	Reference to Sl. No. of Appendix-2
1	**2**	**3**	**4**	**5**
1	1999-2000 to 2002-03	1	4	A-10
2	2000-01 to 2002-03	2	3	A-5,7
3	2002-03	6	1	A-1, 8,9, 12,13,14
Total		**9**		

The administrative departments have to oversee and ensure that the accounts are finalised and adopted by the PSUs within the prescribed period. Though the administrative departments concerned and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government. As a result, the net worth of these PSUs could not be assessed in audit.

Financial position and working results of working PSUs

7.1.7 The summarised financial results of working PSUs (Government companies and Statutory corporation) as per their latest finalised accounts are given in ***Appendix-XX***. Besides, statement showing financial position and working results of individual working Statutory corporation is given in ***Appendix-XXVI***.

According to the latest finalised accounts of 14 working Government companies and one working Statutory corporation, ten companies had incurred an aggregate loss of Rs.23.32 crore, whereas four companies earned an aggregate profit of Rs.64.40 lakh and the Statutory corporation incurred a loss of Rs.2.89 crore.

Working Government companies

Profit earning working companies and dividend

7.1.8 Out of five working Government companies, which finalised their accounts for 2002-03 by September 2003, two companies (Sr.No.2 and 6 of ***Appendix-XX***) earned an aggregate profit of Rs.62.62 lakh but did not declare any dividend. Remaining, three companies (Sr. No. 3, 4 and 11 of

Appendix-XX) which finalized their accounts during 2002-03 included aggregate loss of Rs.2.47 crore.

Similarly, out of six working Government companies which finalised their accounts for previous years during October 2002 to September 2003, only one Company (Sr.No. 13 of ***Appendix-XX***) earned profit of Rs.1.75 lakh. The State Government has not formulated dividend policy for payment of minimum dividend.

Loss incurring Government companies

7.1.9 Of the 10 loss incurring working Government companies, six companies had accumulated losses aggregating Rs.129.11 crore which exceeded their aggregate paid-up capital of Rs.70.35 crore by more than one and half times.

7.1.10 Despite poor performance and complete erosion of paid-up capital, the State Government continued to provide financial support to these companies in the form of contribution towards equity, further grant of loans, conversion of loan in to equity, subsidy *etc.* According to available information total financial support so provided by the State Government was Rs.11.11 crore by way of grant and subsidy to four• Companies during 2002-03.

Working Statutory corporation

Loss making Statutory corporation

7.1.11 The lone Statutory corporation, which finalised its accounts for 2002-03 incurred a loss of Rs.2.89 crore during the year and had an accumulated surplus of Rs.9.14 crore.

Return on capital employed

7.1.12 As per the latest finalised accounts (up to September 2003) the capital employed⊘ worked out to Rs.605.81 crore in 14 working Government companies and total return★ thereon amounted to Rs.31.94 crore which was 5.27 *per cent*, as compared to total return of Rs.23.88 crore (4.09 *per cent*) in the previous year (account finalised up to September 2002). Similarly, the capital employed and total return thereon in case of working Statutory corporation as per the latest finalised accounts worked out to Rs.61.77 crore and (-) Rs.2.89 crore. The details of capital employed and total return on capital employed in case of working Government companies and Statutory corporation are given in ***Appendix-XX***.

• Sr.No. 1,2,3 and 5 of Appendix-XXI.

⊘ Capital employed represents net fixed assets (including capital works-in-progress) *plus* working capital except in finance companies and corporations where it represents a mean of aggregate of opening and closing balances of paid-up capital, free-reserves, bonds, deposits and borrowing (including refinance).

★ For calculating total return on capital employed, interest on borrowed funds is added to net profit/subtracted from the loss as disclosed in the profit and loss account.

Status of placement of Separate Audit Report of Statutory corporation in Legislature

7.1.13 The following table gives the status of placement of Separate Audit Report (SAR) on the accounts of Statutory corporation issued by the CAG in the Legislature by the Government.

Sl. No	Name of Statutory corporation	Years up to which SAR placed in Legislature	Years for which SAR not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in the Legislature
1.	Goa Industrial Development Corporation	1999-2000	2000-01 2001-02	31-10-2002 11-12-2003	-- --

Disinvestment, privatisation and restructuring of Public Sector Undertakings

7.1.14 The State Government did not undertake the exercise of disinvestment, privatisation and restructuring of any of its PSUs during 2002-03.

Results of audit of accounts of PSU's by the Comptroller and Auditor General of India

7.1.15 During October 2002 to September 2003, the accounts of six working Government companies and one working Statutory corporation were selected for audit. The net impact of the important audit observations, as a result of review of accounts of these PSUs, was as follows:

Sl. No.	Details	Number of accounts of working Government companies	Amount *(Rupees in lakh)*
i)	Decrease in loss	1	4.82
ii)	Increase in loss	2	393.64
iii)	Non-disclosure of material facts	1	1.02
Iv)	Errors of classification	4	582.29

Some of the major errors and omissions noticed in the course of review of annual accounts of some of the above companies and corporation are mentioned below:

Errors and omissions noticed in case of Government companies

Kadamba Transport Corporation Limited (2001-02)

7.1.16 Non provision towards leave encashment in respect of staff has resulted in understatement of current liabilities and provisions as well as loss for the year by Rs.3.64 crore.

Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited (2001-02)

7.1.17 Non provision towards leave encashment has resulted in understatement of current liabilities and provisions as well as loss for the year by Rs.30.13 lakh.

Internal audit/internal control

7.1.18 The Statutory Auditors, under the guidelines issued by the Comptroller and Auditor General of India under Section 619(3) (a) of the Companies Act 1956, have given major recommendations/comments on possible improvements in the internal audit/internal control system in State Government companies, as detailed in ***Appendix-XXV***. As seen from the annexure, the major comments were that internal audit was not commensurate with the size of the company and nature of its business and there was need to increase the scope of internal audit.

Recommendation for closure of PSUs

7.1.19 Even after completion of five years of their existence, the turnover of seven working Government companies (Sl. No.A-1, 2, 3, 6, 7,10 and 13 of ***Appendix-XX***) has been less than Rs.5 crore in each of the preceding five years of their latest finalised accounts. Similarly, one working Government company (Sl. No.A-12 of ***Appendix-XX***) had been incurring losses for five consecutive years as per its latest finalised accounts leading to negative net worth. In view of poor turnover and continuous losses, the Government may either improve performance of the above eight Government companies or consider their closure. The Government stated (February 2000) that a decision to wind up a company *viz.* Goa Construction, Housing and Finance Corporation Limited had been taken. The Government further stated that action regarding Goa State Scheduled Caste and Other Backward Classes Development Corporation Limited would be taken only in consultation with the Government of India, Ministry of Social Justice and Empowerment. Information about progress made was awaited (September 2003).

Response to inspection reports, draft paras and reviews

7.1.20 Audit observations made during audit are communicated to the heads of PSUs and departments concerned of State Government through inspection reports. The heads of PSUs are required to furnish replies to the inspection reports through respective heads of departments within a period of six weeks. inspection reports issued up to March 2003 pertaining to 15 PSUs disclosed that 125 paragraphs relating to 26 inspection reports remained outstanding at the end of September 2003. Of these, three inspection reports containing 20 paragraphs had not been replied for more than one year. Department-wise break-up of Inspection Reports and Audit Observations outstanding as on 30 September 2003 is given in ***Appendix-XXII***.

It is recommended that the Government should ensure that:

- procedure exists for action against the officials who failed to send replies to inspection reports/draft paragraphs/reviews as per the prescribed time schedule,

- action to recover loss/outstanding advances/overpayment is taken in a time bound schedule, and

- the system of responding to the audit observations is revamped.

Position of discussion of Audit Reports (Civil) by the Committee on Public Undertakings (COPU)

7.1.21 The position of discussion of Chapter on Commercial and Trading Activities included in Audit Reports (Civil) – Government of Goa, reviews and paragraphs pending for discussion by COPU at the end of March 2003 is given below:

Period of Audit Report	Number of reviews and paragraphs appeared in the Commercial Chapter of Audit Report		Number of reviews/paragraphs pending for discussion	
	Reviews	**Paragraphs**	**Reviews**	**Paragraphs**
1992-93	1	--	1	--
1993-94	1	--	1	--
1995-96	1	--	1	--
1998-99	1	2	1	2
1999-00	1	3	1	3
2000-01	--	1	--	1
Total	**5**	**6**	**5**	**6**

The COPU held their last meeting on 27 October 1995 and completed discussion on Commercial Chapter of Audit Reports (Civil)-Government of Goa for the years 1988-89 to 1991-92. The Committee have made recommendations vide their 9th and 11th reports. However, action taken thereon was awaited from the three companies and one Statutory corporation (September 2003).

The Audit Report (Civil) for the year 2001-02 is yet to be placed before the State Legislature (October 2003).

619-B companies

7.1.22 There was only one working company coming under Section 619-B of the Companies Act, 1956. ***Appendix-XXIII*** gives the details of paid-up capital, investment by way of equity, loans and grants and summarised working results of this company based on its latest available accounts.

Departmentally managed Government commercial/quasi commercial undertakings

7.1.23 There were two departmentally managed Government commercial/quasi commercial undertakings *viz*. Electricity Department and River Navigation Department in the State as on 31 March 2003.

The *pro forma* accounts of River Navigation Department for the years 2001-02 to 2002-03 and Power Department for the year 2002-03 were in arrears (October 2003).

The summarised financial results of the Electricity Department for 1999-2000 to 2001-02 and that of River Navigation Department for 1997-98 to 2000-01 are given in ***Appendix-XXIV***.

SECTION 'A' REVIEW

7.2 Goa Industrial Development Corporation

Highlights

The Goa, Daman and Diu Industrial Development Corporation was established in 1966 under the Goa, Daman & Diu Industrial Development Act, 1965 with the main object of securing and assisting in rapid establishment and organisation of industries. Consequent upon the re-organisation of Goa State, the name of the Corporation was changed to Goa Industrial Development Corporation in 1997.

(Paragraphs 7.2.1-7.2.2)

Availing of overdraft from Centurion Bank despite comfortable funds position resulted in undue benefit of Rs.1.23 crore to the private bank.

(Paragraph 7.2.8)

Ninety six *per cent* of the saleable area of land acquired (8.53 lakh metres) during the five year period ended March 2003 remained unallotted.

(Paragraph 7.2.12)

Land valuing Rs.4.55 crore at Shiroda and Kakoda remained idle as the land acquired was unsuitable for industrial use.

(Paragraph 7.2.13)

The land specially acquired for Thapar DuPont Limited by paying Rs.1.01 crore remained unutilised since acquisition in 1992. Besides excess refund of Rs.42.46 lakh was made due to irregular refund of interest and incorrect computation of surrender charges.

(Paragraph 7.2.14)

Land acquired in April 2000 at Nagoa and Cortalim by invoking urgency clause remained unutilised. The excess payment of Rs.1.43 crore made by the Corporation due to improper assessment of the land compensation by the Land Acquisition Officer, remained unrecovered.

(Paragraph 7.2.17)

Expenditure incurred on maintenance of industrial estates was not fully recovered resulting in short recovery of Rs.12.28 crore.

(Paragraph 7.2.23)

The Corporation suffered heavy distribution loss of Rs.4.34 crore in water supply to the units in industrial estates during 1999-2003.

***(Paragraph 7.2.25*)**

Introduction

7.2.1 The Goa, Daman and Diu Industrial Development Corporation (Corporation) was established in February 1966 under the Goa, Daman and Diu Industrial Development Act, 1965. Consequent upon the re-organisation of Goa state, the name of the Corporation was changed to Goa Industrial Development Corporation with effect from 28 February 1997. The transfer of the assets and liabilities of the Corporation situated in Daman and Diu was yet to be made (October 2003) to Omnibus Industrial Development Corporation of Daman, Diu and Dadra and Nagar Haveli, a newly formed company vide Government of India's notification in January 1998.

Objectives

7.2.2 The objective of forming the Corporation was to secure and assist in the rapid and orderly establishment and organisation of industries in industrial areas and industrial estates in Goa, Daman and Diu.

Activities

7.2.3 The main activities undertaken by the Corporation are acquisition of land and development of industrial plots for allotment to industrial units. The Corporation also provides infrastructure facilities such as asphalt roads, water supply lines, overhead reservoirs, streetlights and other common facilities like canteen, post office, telecommunications, and buildings for banks, administrative buildings, police post *etc*. for the benefit of industrial units. The Corporation has so far established 22[•] industrial estates in Goa, Daman & Diu. Land was also made available to seven special projects.

Organisational set-up

7.2.4 The management of the Corporation is vested in Board of Directors. As on 31 March 2003 there were nine directors appointed by the Government consisting of five official and four non-official directors including Chairman and a Managing Director. The Managing Director is the chief executive and looks after the day to day affairs of the Corporation and is assisted by one Chief General Manager. The Chief Accounts Officer, General Manager (Engineering) and Special Land Acquisition Officer are on deputation from the State Government. The Secretary (Finance) of the State Government, an official member of the Board, also acts as the Financial Advisor of the

[•]Number of industrial estates established in Goa are twenty *viz* Corlim, Margao, Sancoale, Mapusa, Tivim, Bicholim, Kakoda, Honda, Bethora, Canacona, Kundaim, Tuem, Verna, Cuncolim, Pilerne, Marcaim, Pissurlem, Colvale, Shiroda, Sanguem and in Daman and Diu two *viz.* Diu and Daman.

Corporation. Major decisions regarding acquisition, allotment and developmental works are taken by the Board of Directors.

Scope of Audit

7.2.5 The working of the Corporation was last reviewed and the observations were included in the Report of the Comptroller and Auditor General of India - Government of Goa for the year ended 31 March 1991. The Committee on Public Undertakings (COPU) discussed the review in June 1994 and its recommendations are contained in its 9th Report (1994-95) which was presented to State Legislature in October 1994.

The committee recommended to:

- encourage private parties to acquire land to set up industries and industrial estates;
- properly utilise and protect the land in industrial estates;
- sell land surrounding the area allotted to HPCL;
- be alert in dealing with legal issues;
- avoid the responsibility of supplying material to contractors and ensure timely completion of works;
- recover dues in *toto* and delink the service charges from lease premium and
- revise water charges in order to recover actual expenditure incurred in water supply. The Action Taken Report by the Corporation/Government on the recommendations was yet to be discussed (September 2003).

The present review conducted during April-July 2003 covers working and activities of the Corporation for the five years ending March 2003 and the findings are discussed in the succeeding paragraphs.

The audit findings, as a result of test check of records, were reported to Government/Corporation in September 2003 with a specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCSPSE) so that viewpoints of Government/Corporation could be taken into account before finalisation of the review. The meeting of the ARCSPSE was held on 7 November 2003. Viewpoints of Government and Corporation have been taken into account while finalising the review.

Financial position and working results

7.2.6 The financial position and working results of the Corporation for the five years ending March 2003 are given in ***Appendix-XXVI.***

Sources and uses of funds

7.2.7 As on 31 March 2003, the Corporation has been provided with funds of Rs.16.88 crore by the union territory of Goa, Daman and Diu (Rs.8.12 crore), the Government of Goa (Rs.6.93 crore) and the union territory of Daman and Diu (Rs.1.83 crore). During the five years ended March 2003, the Corporation was given funds of Rs.3.23 crore by Central and State Governments by way of loans/grants. The Corporation collected premium and deposits of Rs.37.81 crore for plots and sheds during this period. The funds of Rs.63.50 crore generated were mainly used for creation of fixed assets and development of infrastructure. As on 31 March 2003, the Corporation had surplus fund of Rs.63.50 crore including Rs.60.01 crore kept in fixed deposits with the banks.

Overdraft from a private bank

7.2.8 On 31 March 2001, the Corporation had a cash and bank balance of Rs.46.60 crore. Despite comfortable funds position, the Corporation availed (April 2001) overdraft of Rs.20 crore from Centurion Bank at interest rate of 13 *per cent per* annum on the security of its fixed deposits with the bank. The average annual rate of interest earned by the Corporation on fixed deposits with the banks during the above period was 9.25 *per cent*. Likewise, the Corporation availed overdraft of Rs.20 crore in March 2000 and Rs.10 crore in April 2002 at interest rates much higher than the interest rates on its fixed deposits with the same bank.

Availing of overdraft despite comfortable funds position resulted in undue benefit of Rs.1.23 crore to a private bank.

Thus, availing of overdraft from Centurion Bank by pledging the fixed deposits with the bank, in spite of availability of surplus funds resulted in undue benefit of Rs.1.23 crore to the private bank.

The Government/Corporation stated (October 2003) that the loan was taken in order to avoid the loss of interest in premature encashment of fixed deposits.

The reply is not tenable. Given the high interest rate of 13 *per cent*, the Corporation should have utilised the fixed deposits which matured to discharge/reduce the overdraft instead of renewing the fixed deposits. Failure to do so resulted in loss of interest of Rs.1.23 crore to the Government.

Working results

7.2.9 The details of total income, expenditure and surplus/deficit for the five years ending March 2003 are given below:

(Rupees in lakh)

Particulars	1998-99	1999-2000	2000-01	2001-02	2002-03 (Provisional)
Annual rent of land lease and building	88.76	126.31	133.05	175.83	187.10
Transfer fees and approval charges	20.71	105.69	83.26	138.49	64.57
Total operating income	109.47	232.00	216.31	314.32	251.67
Total operating expenses (excluding depreciation and financial expenses)	375.44	576.76	613.35	688.12	852.71
Operating deficit	**265.97**	**344.76**	**397.04**	**373.80**	**601.04**
Percentage of expenditure to operating income	343	249	284	219	339
Depreciation and financial expenditure	170.52	226.23	298.89	280.49	268.44
Other income (interest and miscellaneous)	779.94	600.80	551.59	683.79	580.17
Surplus/Deficit (-)	343.45	29.81	(-)144.34	29.50	(-)289.31

It could be seen from the above table that:

- The Corporation suffered operating deficit consistently and operating deficit increased from Rs.26.60 crore to Rs.60.10 crore during 1998-2003. Thus, surplus shown in the accounts was not true indicator of the performance of the Corporation.

- Surplus which was Rs.3.43 crore in 1998-99 decreased to Rs.29.81 lakh in 1999-2000 and there was deficit of Rs.2.89 crore in 2002-03 mainly due to reduction in other income from Rs.7.80 crore (1998-99) to Rs.5.80 crore (2002-03) and increase in operating expenses from Rs.3.75 crore (1998-99) to Rs.8.53 crore (2002-03).

Donation to Sports Authority of Goa

Unusually large contribution of Rs.74.43 lakh was given for construction of a stadium.

7.2.10 The Corporation made (March 1998) a contribution of Rs.26.12 lakh for repairs of a stadium at Fatorda. In December 1999, the Corporation contributed an additional amount of Rs.48.31 lakh for providing roofing to eastern stand of the same stadium.

It was replied (October 2003) that the contribution was made on receipt of a request from the Government. The reply is not tenable. The payments are in the nature of a donation. For donations there has to be a limit. The donations made by the Corporation are huge payments and there is a need for the Corporation to frame rules setting a limit for such donations.

Non-submission of annual financial statements and annual accounts

7.2.11 The Corporation has not forwarded its annual financial statements (budget) to the Government for placement before the State Legislature as required under Section 24 of the Goa, Daman and Diu Industrial Development Act, 1965. Similarly, the annual accounts of the Corporation together with Audit Report thereon since 2000-2001 have also not been placed before the Legislature as required under Section 25 of the Act. The non-submission of annual financial statements and delay in submission of annual accounts along with Audit Report to the State Legislature is a serious violation of legal provisions on the part of the Corporation.

The Government/Corporation confirmed (October 2003) that its annual financial statements for previous few years were not submitted, but stated that its annual financial statement for 2003-04 has now been submitted to the Government for placing the same before the State Legislature and the annual accounts along with Audit Reports for the year 2000-01 and 2001-02 shall be placed before Legilature as per required of GIDC Act.

Appraisal of activities

Acquisition and utilisation of land

Land admeasuring 29.57 lakh square metres valuing Rs.39.37 crore remained unutilised for periods ranging up to 21 years.

7.2.12 The Corporation acquires land under Land Acquisition Act, 1894 for development as industrial areas and estates. Land is also acquired at the specific request of industries for establishment of their projects.

The Corporation acquired 166.86 lakh square metres of land up to March 2003 for 22 industrial estates and seven special projects. Of this, saleable land admeasuring 29.57 lakh square metres valuing Rs.39.37 crore in 12 industrial estates and two special projects remained unutilised as on 31 March 2003 for periods ranging up to 21 years. This included 8.53 lakh square metres of land acquired during the last five years ended March 2003 as shown below:

(Area in square metres)

Sl. No.	Name of industrial estate/special project areas	Year of acquisition	Acquired area	Saleable area	Allotted area	Non-allotted area	Percentage of non allotted area to saleable area
1	Kakoda	1998-99	126295	74540	7396	67144	90
2	Honda	1999-2000	118302	76896	---	76896	100
3	Verna (Phase I-A)	1999-2001	396910	190443	---	190443	100
4	Sanguem	2001-02	498850	315105	---	315105	100
5	Special projects: Impala distillery BPCL	 1999-2000 2001-02	 27293 203650	 27293 203650	 27293 ---	 --- 203650	 0 100
	Total		**1371300**	**887927**	**34689**	**853238**	**96**

Ninety six *per cent* of saleable area of the land acquired during last five years ended March 2003 remained unallotted.

In respect of the land acquired during the last five years, an area of 8.53 lakh square metres (96 *per cent)* of saleable land remained unallotted even after allowing grace period of one year for development. It was also noticed that non-utilisation in respect of certain industrial estates was as high as 100 *per cent.* Acquisition of land from private parties involves large payments. Even though the Corporation was in possession of 36.57 lakh square metre of unsold saleable land (March 1998), it acquired 13.71 lakh square metres of land involving huge expenditure during 1998-2003 without proper market survey. This has resulted in further accumulation of unsold saleable land.

The Corporation stated (October 2003) that efforts were being made to allot the remaining land. However, there was negligible progress in the allotment of plots.

Deficiencies and irregularities noticed in the acquisition and allotment of land resulting in benefit to private parties and loss of revenue to the Corporation are brought out in the following paragraphs.

Loss due to acquisition of unsuitable land at Shiroda and Kakoda

7.2.13 The Corporation acquired (March 1996) land at Shiroda for setting up an industrial estate. This land was not suitable for industrial use as it was of uneven and irregular shape and without proper approach road. The saleable area was 69,580 square metres. But no plot was allotted due to poor demand. The acquisition of unsuitable land at Shiroda had resulted in idling of entire land valuing Rs.1.91 crore for more than seven years.

Land valuing Rs.4.55 crore remain idle as the same was unsuitable for industrial use.

Subsequently, the Corporation acquired (March 1999) land at Kakoda for development as industrial estate phase III, in spite of the fact that the land was rocky, uneven and without proper approach road. The area worked out for sale was 74,540 square metres comprising 66 plots. Out of this, only six plots comprising 8,635 square metres could be allotted and the remaining 60 plots with area 65,905 square metres valuing Rs.2.64 crore remained unallotted (March 2003).

Acquisition of land Thapar DuPont Limited's project at Ponda

7.2.14 The Corporation acquired (August 1992) land admeasuring 12.32 lakh square metres at Ponda on behalf of Thapar DuPont Limited (TDL) for their nylon project by paying compensation of Rs.1.01 crore to land owners. The land was allotted to them in October 1993 on lease for 90 years and the possession was handed over in November 1993. A total amount of Rs.1.31 crore comprising lease premium of Rs.1.11 crore, interest of Rs.19.68 lakh for the delayed remittance of compensation amount by the lessee and security charges of Rs.0.15 lakh was paid by TDL. However, TDL backed out from implementation of the project and surrendered the land in November 1997 due to agitation by the local people against the project. An amount of Rs.1.26 crore was refunded to TDL after deducting Rs.4.90 lakh towards surrender charges from the amount paid by them. A scrutiny of the above transaction revealed the following:

The surrender charges were computed in correctly.

- As per the terms and conditions approved by the Board in January 1993 in respect of acquisition of land for special projects, where land is acquired at the specific request of entrepreneur, surrender charges are to be recovered at the rate of 25 *per cent* of the lease premium in case of surrender of land by lessee. But the Corporation refunded the amount by deducting only one *per cent per* annum towards surrender charges. The rate of one *per cent* of lease premium was applicable only in the case of plots in industrial estates other than special projects. The benefit passed on to the private party due to the irregular refund in 1997 was Rs.22.78 lakh.

The Corporation replied (October 2003) that refund of deposit was made with Government approval by applying surrender charges rate of one *per cent* applicable for other than special project considering the huge investment made by TDL infrastructure facilities including Rs.85 lakh for laying water pipeline.

The reply was not tenable as no such concession was admissible under the terms and conditions approved by the Corporation. Moreover, it was ascertained during ARCSPSE meeting (November 2003) that, TDL had not made any expenditure for laying the pipeline.

Interest of Rs.19.68 lakh was refunded irregularly.

- As there was delay in payment of premium by the lessee, the Corporation collected Rs.19.68 lakh as interest for the period of delay. However, while refunding the lease premium on surrender of land by TDL, the Corporation considered the interest amount of Rs.19.68 lakh as part of lease premium. The interest was collected for delayed remittance of premium amount by TDL and, therefore, did not form part of the lease premium. This has resulted in irregular refund of interest of Rs.19.68 lakh to TDL.

- The land acquired for TDL at a cost of Rs.1.01 crore is lying idle since August 1992.

Acquisition of land for BPCL's project at Sancoale

Land acquired at a cost of Rs.56 lakh specifically for BPCL remained idle.

7.2.15 For acquisition of 2.04 lakh square metres of land in Sancoale village on behalf of Bharat Petroleum Corporation Limited (BPCL), the Corporation received (December 1998) Rs.22.99 lakh towards 25 *per cent* of the estimated cost of land. But when the Corporation demanded (July 2000) the balance amount of compensation including the overhead charges, after declaration of final award by the Special Land Acquisition Officer (June 2000), BPCL backed out from the purchase and did not pay the amount. As this was the land sought to be acquired for a specific customers, the Corporation should not have gone ahead with the acquisition of the land. But the Corporation acquired the land in August 2001 by paying Rs.56 lakh. Since there were no takers, the land remained idle. In spite of having a similar adverse previous experience in the case of Thapar DuPont Limited (refer to Para No.8.2.14), which also resulted in idle investment in land, no remedial policy measures were taken by the Corporation for dealing with such cases where the parties backed out from purchase of land specifically acquired for the party.

The acquisition of land for special projects involves huge financial outlay and the penal provision of withholding only 25 *per cent* is not adequate to recover the cost incurred in case of withdrawal by the parties.

The Government/Corporation replied (October 2003) that the Board of Directors had decided to utilise the land for expansion of the Sancoale industrial estate.

Excess payment for land acquisition

Non-recovery of excess compensation

7.2.16 The Corporation acquired land admeasuring 8.63 lakh square metres in Verna after paying Rs.73.21 lakh in August 1989 and Rs.37.74 lakh in May 1991. The award was subsequently revised to Rs.73.04 lakh in November 1994 based on the judgement given by the Mumbai High Court.

Thus, the excess compensation of Rs.37.91 lakh paid by the Corporation became recoverable. But the Corporation has not recovered the excess compensation amount from parties so far, although as per provision of the Land Acquisition Act, the excess amount paid has to be refunded within three months from the date of final award.

Rs.37.91 lakh towards excess compensation for land, remained to be recovered since 1994.

The non-recovery of Rs.37.91 lakh for the eight years up to February 2003 had resulted in further loss of interest of Rs.43.35 lakh calculated at 10 *per cent* interest on the excess compensation paid. The Government/Corporation replied (October 2003) that the matter has been taken-up with Deputy Collector and Collector, south Goa for recovery of dues.

Acquisition of land at Nagoa and Cortalim

The Corporation made excess payment of Rs.1.43 crore on acquisition of land.

7.2.17 The Corporation took possession (April 2000) of land admeasuring 3.52 lakh square metres at Nagoa and Cortalim by invoking urgency clause under section 17 of the Land Acquisition Act. Payment of Rs.1.95 crore being 80 *per cent* of the estimated compensation as arrived at by the Land Acquisition Officer was made to the landowners. The Special Land Acquisition Officer declared (April 2002) the final award of Rs.52 lakh only. Therefore, the original payment made to land owners was in excess by Rs.1.43 crore. The Corporation has not recovered the amount so far. The loss of interest on the amount blocked by way of excess payment worked out to Rs.47.33 lakh calculated at 10 *per cent* interest for the three years up to July 2003.

Land acquired by invoking urgency clause remained unalloted.

The Corporation has not utilised the land acquired by invoking urgency clause necessitating the advance payment of compensation.

The two cases explained in Para No.7.2.16 and Para No.7.2.17 illustrate the exaggerated assessment of compensation by Land Acquisition Officer. Even though the Land Acquisition Act provides for getting refund of excess compensation within three months from the date of final award, the recovery mechanism was ineffective as seen above. There is a need for proper assessment by Land Acquisition Officer in respect of the compensation to be paid for land acquisition.

The Government/Corporation replied (October 2003) that the matter had been taken up with the Attorney of communidadas through special land acquisition officer for recovery of dues.

Allotment of land/plots

7.2.18 The Corporation acquires and develops land for allotment to industrial units. The cost of acquisition, development charges and overheads are added to arrive at the cost of land, which is recoverable as land premium from allottees. The Corporation also collects annual lease rent to cover the cost of maintaining the industrial estates. During the five years ending March 2003, the Corporation allotted 15.88 lakh square metres of land to industrial units and collected lease premium of Rs.37.81 crore (provisional). Deficiencies and irregularities noticed in the allotment of land are brought out in the following paras.

Short fixation of land premium, transfer fees and lease rent

7.2.19 Goa Carbon Limited (GCL) was allotted five lakh square metres of land in Sanguem in August 1996 by acquisition under the terms and conditions prescribed for special individual projects. The premium was fixed by adding 10 *per cent* overhead at Rs.65.87 lakh and annual lease rent at Rs.0.33 lakh. The iron and steel division of GCL was transferred to a newly formed company, *viz.,* Aparant Iron & Steel Pvt.Ltd., Goa (AISPL). The Corporation allowed the transfer in February 2000 by recovering Rs.16.47 lakh (25 *per cent* on Rs.65.87 lakh) as transfer fees.

Incorrect adoption of overhead rate resulted in short fixation of lease premium, transfer fee and annual lease rent.

The fixation of premium in the above case was irregular. As per the rules framed by the Board of Directors of the Corporation (June 1995) the overhead charges of 100 *per cent* were to be charged, instead of 10 *per cent*.

The Government/Corporation stated (October 2003) that the fixation of premium with 10 *per cent* overhead was made on the ground that it was not ethical to charge 100 *per cent* as the Company had initially approached the Corporation in August 1994.

The reply is not tenable. The rate applicable at the time of agreement was 100 *per cent* and the same should have been levied.

Failure to charge the correct overhead rate resulted in short fixation of lease premium by Rs.53.90 lakh, transfer fees by Rs.13.47 lakh and annual lease rent by Rs.0.27 lakh.

Incorrect fixation of lease premium

7.2.20 The non agricultural (NA) tax of Rs.78.31 lakh was payable on the entire 5.30 lakh square metres of land which was acquired at Madkaim in 1994. However, the Corporation fixed the lease premium at Rs.175 per square metre taking into account the NA tax of Rs.58 lakh by assuming that the NA tax was payable only on saleable area of 3.26 lakh square metres. The Corporation sold 2.79 lakh square metres of land recovering Rs.49.67 lakh towards NA tax as against the NA tax of Rs.67.06 lakh applicable for the land sold. This had resulted in short recovery of lease premium to the extent of Rs.17.39 lakh in respect of the above 2.79 lakh square metres of land. The Corporation decided (December 1998) to recover the shortfall of NA tax from sale of remaining unsold plots (0.47 lakh square metre) by revising the rates of allotments. The plots, however, remained unsold (November 2003).

Lease premium of Rs.17.39 lakh was short recovered.

Non-collection of transfer fees

7.2.21 The Hindustan Coca-Cola Bottling South West Private Limited was allotted land measuring 61,592 square metres in the Verna industrial estate in 1998 at a lease premium of Rs.2.31 crore and annual lease rent of Rs.2.29 lakh. In November 1999, the Company intimated the change of name from Hindustan Coca-Cola Bottling South West Private Limited to Hindustan Coca-Cola Beverages Private Limited as per the scheme of amalgamation sanctioned by High Court of Delhi.

Transfer charges of Rs.58 lakh for plot remained unrecovered since 1999.

As per the rules and regulations framed by the Corporation for transfer of plots and fees payable thereon, the transfer of plots necessitated by amalgamation of companies under court order was to be considered as transfer of non formal• nature. Accordingly an amount equivalent to 25 *per cent* of the premium of the land prevailing at the time of grant of permission was chargeable as transfer fee. As such, transfer fee of Rs.58 lakh was required to be collected from the allottee. The transfer fee is pending collection even after lapse of three years (September 2003).

The Corporation stated (November 2003) that matter has been referred to the Corporation's Board as the allottee had contested that the case was related to a formal transfer and hence required no payment of transfer fee. But there was no case for admitting the request of the Company. It was clearly a non formal* transfer. As per the rules framed by the Corporation, transfer arising out of amalgamation of Companies under the orders of High Court was categorised as non formal transfer.

Sub-leasing

Non recovery of penal charges for subleasing

7.2.22 Saphire Machines Pvt. Ltd approached (November 1995) the Corporation for extension of existing sublease of the built-up area of

•Non formal transfers cover transfers due to conversion of propriety to partnership, partnership to private limited company, addition of new partner, transfer resulting change of Directors/Shareholders and amalgamation of Companies under orders of the High Court.

800 square metres in their plot at Tivim industrial estate from October 1995 to March 2001. The application was not accompanied by fee to be paid in lump sum in advance for the period of sublease. The sublease continued till March 2001 without payment of sublease charges.

According to the rates prescribed by the Corporation in July 1995, subleasing of property without permission from the Corporation attracted penalty at Rs.100 per square metre for every three months. The Corporation collected Rs.1.08 lakh towards sublease charges but penalty of Rs.16.52 lakh chargeable under the rules was not levied for the period of sublease *i.e.* from October 1995 to March 2001. This had resulted in short recovery of Rs.16.52 lakh from the lessee.

The Government/Corporation replied (October 2003) that the penalty was not charged since the party had paid sublease charges within the stipulated time and hence penalty was not levied.

The reply was not correct since the party had paid sublease charges only in August 2001 *i.e.* after the expiry of sublease period in March 2001 and as such penalty was recoverable since sublease was without permission.

Inadequate recovery of service charges

7.2.23 The Committee on Public Undertakings (COPU) expressed (June 1994) concern at the method adopted for fixing service charges (lease rent) as a percentage of premium at the time of allotment. The service charges levied remained constant through out the lease period, despite continuous increase in expenditure on common facilities such as maintenance of roads, water supply *etc*. COPU recommended that the service charges should not be fixed permanently as a percentage of premium.

Expenditure incurred on maintenance of industrial estates was not fully recovered resulting in short recovery of Rs.12.28 crore.

However, the Corporation has not taken any decision regarding implementation of the proposal for rationalising the service charges (lease rent). As a result, the Corporation could not fully recover the amount spent on services provided/maintenance in industrial estates (September 2003). During five years ending March 2003, the short recovery of service charges worked out to Rs.12.28 crore[*].

The Government/Corporation replied (October 2003) that the decision of rationalisation of service charges could not be implemented due to opposition from various industrial associations of Goa.

The reply is not tenable because the Company is a commercial organisation and for proper maintenance of industrial estates on a sustainable basis it is essential that the service charges are recovered fully.

[*]Seventy five *per cent* of the administrative expenses *plus* maintenance expenses and depreciation of assets located in industrial estates *less* annual rent of land and buildings.

Idle Investment in water supply work at Verna

7.2.24 The work order for additional water supply line at Verna industrial estate was issued in October 1998 to a contractor at a cost of Rs.53 lakh. The stipulated date of completion of work was June 1999. The contractor, after executing the work for Rs.37.87 lakh only, stopped (September 2001) the work. Work was yet to be completed (October 2003).

Investment of Rs.2.09 crore in water supply scheme at verna remained idle since 1999 due to non-completion of work.

The investment of Rs.2.09 crore in the water supply work including ductile iron (DI) pipes costing Rs.1.71 crore supplied to the contractor remained idle since October 1999. Consequently, the existing water supply to Verna Industrial Estate could not be augmented due to non-completion of the additional pipeline work. The bank guarantee, valid up to 10 March 2000 was neither renewed nor encashed though the contractor abandoned the work. No responsibility was fixed against the officials concerned. The Corporation did not take action to get the work completed either through the original contractor or by another contractor at the risk and cost of the original contractor as per the terms and conditions of the contract.

The Government/Corporation replied (October 2003) that the work would be got completed by the same contractor. The fact remains that even after lapse of more than four years from the stipulated date of completion, the project remained incomplete.

Loss in water supply to industrial units

There was heavy distribution loss in water supply.

7.2.25 There was heavy distribution loss in supply of water to industrial units from1999-2000 due to leakages in supply pipelines and defective water metres. The Corporation sustained the loss of 1.65 lakh cubic metres (32 *per cent*), 2.71 lakh cubic metres (28 *per cent*), 3.50 lakh cubic metres (30 *per cent*) and 3.80 lakh cubic metres (33 *per cent*) during 1999-2003 respectively. The monetary value of the above loss worked out to Rs.4.34 crore. The Corporation has not controlled the water loss. Against the expenditure of Rs.16.10 crore during 1999-2003, the Corporation recovered Rs.9.59 crore from the industrial units resulting in short recovery of Rs.6.51 crore. There is an urgent necessity for recovering expenditure incurred in full on water supply. Despite the short recovery of the expenditure incurred on water supply, the Corporation reduced the rate of water charges from Rs.30 to Rs.20 per cubic metre for small scale industries in the industrial estates from October 2001, as decided by the Government.

The Government/Corporation stated (October 2003) that steps would be taken to minimise the losses.

Non-recovery of dues

Non-recovery of arrears of lease premium

7.2.26 Small scale industrial units are allowed to pay premium of plots in industrial estates in seven instalments. There was accumulation of huge arrears of Rs.5.26 crore of lease premium at the end of March 2003. The year-wise details of arrears were not compiled by the Corporation.

The Government/Corporation replied (October 2003) that one time settlement scheme has been approved by the Board in July 2003.

The lease deed entered into with lessee contains clause for eviction of lessee from the premises as well as recovery of dues by way of arrears of land revenue in case of non-payment of dues. The Corporation has not exercised the above options available with it. The absence of any other mechanism necessitated introduction of one time settlement scheme.

Arrears of water charges

7.2.27 The Corporation is supplying water drawn from PWD sources to industries. The payment to PWD is to be made in time whereas the Corporation had been ineffective in recovering the unpaid water charges from its consumers in industrial estates. The dues towards water charges were Rs.1.09 crore as on 31 March 2003. The year-wise break up of arrears was not compiled by the Corporation.

The Government/Corporation replied (October 2003) that steps will be taken to effect recoveries. The fact remains that the Corporation has been slack in recovery of water charges.

Non-transfer of industrial estates situated at Daman and Diu

7.2.28 The assets valued at Rs.1.65 crore and liabilities aggregating Rs.1.84 crore (at book value as on 31 March 1996) relating to industrial estates of the erstwhile Goa, Daman and Diu Industrial Development Corporation situated in Daman and Diu are required to be transferred to the Omnibus Industrial Development Corporation of Daman, Diu and Dadra and Nagar Haveli (OIDC), a newly formed company by virtue of Government of India's notification of 15 January 1998. However, the Corporation has not transferred the assets and liabilities and continued to maintain the industrial estates at Daman and Diu.

During the five years ended March 2002 the Corporation spent Rs.1.71 crore as against the income of Rs.49 lakh resulting in operational loss of Rs.1.22 crore in respect of these estates.

The Government/Corporation stated (October 2003) that the transfer would be effected after settlement of issues relating to payment of compensation for land acquired for industrial estates at Daman and Diu.

Internal audit

7.2.29 The internal audit of the Corporation is entrusted to a firm of Chartered Accountants. The scope of internal audit includes verification of vouchers, purchases, statutory payments, revenue receipts *etc*. The reports of Internal Auditors were received up to 1986-87. Thereafter, no such reports were submitted by them except for the year 2001-02. The initial records like water metre readings and receipts maintained in the industrial estates are not subject to scrutiny by internal audit. The Internal Audit system requires to be strengthened.

The Government/Corporation (October 2003) stated that remedial action will be taken.

Conclusion

Due to acquisition of land without assessing the demand, unsuitability of the land for industries and delayed creation of infrastructure, the Corporation could not fully utilise the land acquired. The fixation of lease rent at the time of allotment, without linking it with expenditure incurred on maintenance resulted in not fully recovering the maintenance expenditure.

The Corporation needs to take the following remedial measures in order to improve its performance:

- **In the case of special projects where land is acquired at the specific request of entrepreneurs, the recovery of surrender charges in the event of withdrawal by the party at 25 *per cent* seems inadequate. Revised procedure to protect the Corporations interest is called for.**

- **Lease rent should be fixed so as to match the expenditure on maintenance of the industrial estates, as already recommended by the COPU.**

- **Heavy distribution loss in water supply needs to be arrested.**

- **Timely and effective action needs to be taken against defaulters in order to reduce the arrears of lease premium, lease rent and water charges.**

SECTION 'B' PARAGRAPH

Goa Financial and Leasing Services Limited

7.3 Irregular disbursement of loan

Lapses in disbursement and monitoring of the utilisation of loan, and non-invoking of personal guarantee resulted in non-recovery of dues of Rs.56.73 lakh.

Goa Financial and Leasing Services Limited (Company) received (April 1997) a request from Karapur Agro Private Limited (KAPL) seeking financial assistance of Rs.25 lakh in the form of redeemable preference shares, to be redeemed at the end of third year but not later than fifth year. The assistance was sought for its neem based pesticides project at Karapur, Bicholim.

The Company disbursed (April 1997) the financial assistance within eight days. The agreement provided for financial assistance of Rs.25 lakh in the form of redeemable preference shares with minimum guaranteed return of 19 *per cent* per annum on cumulative basis. In the event of default, the amount was to be made good by the Managing Director of KAPL.

However, the creditworthiness of the Managing Director and property details were not verified to see whether the value of the properties was adequate to recover the dues in the event of default.

There were lapses in disbursement and monitoring the utilisation of loan.

KAPL claimed (April 1997) that their entire production was contracted by Zuari Agro Chemicals Limited (ZAC), IA&IC Limited and Chambal Fertilisers and Chemicals Limited. They further stated that they had received an order from ZAC. A project report was sent along with the letter claiming the project to be having high potential. The above claims were not verified by the Company. The financial assistance was extended in unusual haste.

The financial assistance was required for certain modifications/extension to the building, adding certain balancing equipment and also to build inventory. The Company did not monitor the use of funds to ensure that there was no misuse/diversion of funds through periodical reports about the physical and financial performance of the project. The Company did not nominate a director on the Board of Directors of KAPL though provided for in the agreement.

As per the terms of agreement, the Company made offer to KAPL for buy back of shares in June 2000, July 2001 and February 2003. However, KAPL did not repurchase the shares and showed (November 2000) its inability to redeem the shares and stated that its entire net worth had eroded and it had approached the Director of Industries, Goa for rehabilitation.

Failure to invoke personal guarantee resulted in non-recovery of dues of Rs.56.73 lakh.

Despite the default in buy back by KAPL, the Company failed to invoke the personal guarantee of the director. This has resulted in non-recovery of value of investment of Rs.56.73 lakh (financial assistance *plus* accumulated return at 19 *per cent* per annum up to 4 November 2002 after considering amount of Rs.3.03 lakh recovered through one time settlement (OTS)) from KAPL.

Undue benefit of Rs.26.76 lakh was passed on to KAPL.

The management (March 2003) stated that civil suit for recovery of dues would be initiated against KAPL. Subsequently (October 2003) the management intimated that legal action was not initiated as the dues were being settled through one time settlement of Rs.33 lakh (Rs.25 lakh principal *plus* Rs.8 lakh interest). KAPL has paid Rs.3.03 lakh so far and balance amount of Rs.29.97 lakh was to be paid by August 2004. This has resulted in a benefit of Rs.26.76 lakh[•] being passed on to KAPL.

No action has been taken against the officials responsible for the lapses made at the stage of disbursement, in monitoring the project and failure in invoking the personal guarantee of the Director.

The matter was reported to the Government in September 2003; the reply has not been received so far (November 2003).

Panaji **(SANGITA CHOURE)**

The **Accountant General, Goa**

Countersigned

New Delhi **(VIJAYENDRA N. KAUL)**

The **Comptroller and Auditor General of India**

[•] Rs.56.73 lakh - Rs.29.97 lakh = Rs.26.76 lakh.