

## CHAPTER-I

### Introduction

#### 1.1 About this Report

This Report of the Comptroller and Auditor General of India (C&AG) relates to matters arising from performance audit of selected programmes and activities and compliance audit of Government Departments, Local Bodies, Government Companies and Departmental Commercial Undertakings.

Compliance audit refers to examination of the transactions relating to expenditure of the audited entities to ascertain whether the provisions of the Constitution of India, applicable laws, rules, regulations and various orders and instructions issued by competent authorities are being complied with. On the other hand, performance audit, besides conducting a compliance audit, also examines whether the objectives of the programme/activity/Department are achieved economically and efficiently.

The primary purpose of the Report is to bring to the notice of the State Legislature, important results of audit. Auditing Standards require that the materiality level for reporting should be commensurate with the nature, volume and magnitude of transactions. The findings of audit are expected to enable the Executive to take corrective actions as also to frame policies and directives that will lead to improved operational efficiency and financial management of the organisations, thus, contributing to better governance.

This chapter, in addition to explaining the planning and extent of audit, provides a synopsis of the significant deficiencies and achievements in implementation of selected activities, significant audit observations made during the audit of transactions and follow-up on previous Audit Reports. Chapter-II of this report contains findings arising out of performance audit of a selected Department. Chapter-III contains observations on audit of transactions in Government Departments. Chapter-IV contains one performance audit on ‘Computerisation in Motor Vehicles Department’ and observations on audit of revenue receipts. Chapter-V contains observations on commercial and trading activities of the Government.

#### 1.2 Audited entity profile

There are 59 Departments in the State at the Secretariat level, headed by Chief Secretary/Principal Secretaries/Secretaries, who are assisted by Directors/Commissioners and subordinate officers under them, and 12 autonomous bodies which are audited by the Office of the Accountant General, Goa.

The comparative position of expenditure incurred by the Government during the year 2011-12 and in the preceding two years is given in **Table-1** below.

**Table 1: Comparative position of expenditure**

(₹ in crore)

Disbursements	2009-10			2010-11			2011-12		
	Plan	Non-plan	Total	Plan	Non-plan	Total	Plan	Non-plan	Total
<b>Revenue expenditure</b>									
General services	12.09	1338.82	<b>1350.91</b>	17.75	1469.29	<b>1487.04</b>	14.69	1617.89	<b>1632.58</b>
Social services	65.46	897.08	<b>962.54</b>	456.32	654.50	<b>1110.82</b>	499.46	750.42	<b>1249.88</b>
Economic services	248.02	1079.80	<b>1327.82</b>	228.46	1185.73	<b>1414.19</b>	270.42	1501.11	<b>1771.53</b>
Grant-in-aid and contributions	432.98	153.22	<b>586.20</b>	224.58	547.15	<b>771.73</b>	325.64	503.87	<b>829.51</b>
<b>Total</b>	<b>758.55</b>	<b>3468.92</b>	<b>4227.47</b>	<b>927.11</b>	<b>3856.67</b>	<b>4783.78</b>	<b>1110.21</b>	<b>4373.29</b>	<b>5483.50</b>
<b>Capital expenditure</b>									
Capital outlay	1078.38	5.70	<b>1084.08</b>	1215.14	6.06	<b>1221.20</b>	1182.21	1.56	<b>1183.77</b>
Loans & advances disbursed	3.99	33.23	<b>37.22</b>	3.73	12.19	<b>15.92</b>	5.51	3.91	<b>9.42</b>
Repayment of public debt (including transactions under ways and means advances)	---	177.69	<b>177.69</b>	---	207.99	<b>207.99</b>	---	278.29	<b>278.29</b>
Contingency Fund	---	---	<b>2.99</b>	---	---	---	---	---	---
Public Account disbursements	---	---	<b>5471.44</b>	---	---	<b>6535.32</b>	---	---	<b>7057.22</b>
<b>Total</b>	<b>1082.37</b>	<b>216.62</b>	<b>6773.42</b>	<b>1218.87</b>	<b>226.24</b>	<b>7980.43</b>	<b>1187.72</b>	<b>283.76</b>	<b>8528.70</b>
<b>Grand total</b>	<b>1840.92</b>	<b>3685.54</b>	<b>11000.89</b>	<b>2145.98</b>	<b>4082.91</b>	<b>12764.21</b>	<b>2297.93</b>	<b>4657.05</b>	<b>14012.20</b>

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

### 1.3 Authority for Audit

The authority for audit by the C&AG is derived from Articles 149 and 151 of the Constitution of India and the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971. The C&AG conducts audit of expenditure of the Departments of Government of Goa under Section 13<sup>1</sup> of the C&AG's (DPC) Act. The C&AG is the sole auditor in respect of 12 autonomous bodies which are audited under sections 19(2)<sup>2</sup>, 19(3)<sup>3</sup> and 20(1)<sup>4</sup> of the C&AG's (DPC) Act. In addition the C&AG also conducts audit of bodies/authorities under Section 14<sup>5</sup> of the C&AG's (DPC) Act which are substantially funded by the Government. Principles and methodologies for various audits are prescribed in the Auditing Standards and the Regulations on Audit and Accounts, 2007 issued by the C&AG.

<sup>1</sup> Audit of (i) all transactions from the Consolidated Fund of the State, (ii) all transactions relating to the Contingency Fund and Public Accounts and (iii) all trading, manufacturing, profit & loss accounts, balance sheets & other subsidiary accounts

<sup>2</sup> Audit of the accounts of Corporations (not being companies) established by or under law made by the Parliament in accordance with the provisions of the respective legislations

<sup>3</sup> Audit of accounts of a Corporation established by law made by the Legislature of a State on the request of the Governor, in public interest

<sup>4</sup> Audit of accounts of any body or authority on the request of the Governor, on such terms and conditions as may be agreed upon between the C&AG and the Government

<sup>5</sup> Audit of (i) all receipts and expenditure of a body/authority substantially financed by grants or loans from the Consolidated Fund of the State and (ii) all receipts and expenditure of any body or authority where the grants or loans to such body or authority from the Consolidated fund of the State in a financial year is not less than ₹ one crore

#### **1.4 Organisational structure of the Office of the Accountant General, Goa**

Under the directions of the C&AG, the Office of the Accountant General, Goa conducts audit of Government Departments/Offices/Autonomous Bodies/Institutions under them, which are spread all over the State. The Accountant General is assisted by a Group Officer.

#### **1.5 Planning and conduct of Audit**

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

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

During 2011-12, in the Civil Audit Wing, 674 party-days were used to carry out audit of 78 units and one performance audit. The Commercial Audit Wing conducted audit of 31 units utilising 380 party days and the Revenue Audit Wing conducted audit of 32 units utilising 186 party days. The audit plan covered those units/entities which were vulnerable to significant risks as per our assessment.

#### **1.6 Significant audit observations**

In the last few years, Audit has reported several significant deficiencies in implementation of various programmes/activities through performance audits, as well as on the quality of internal controls in selected Departments which impact the success of programmes/activities and functioning of the Departments. Similarly, the deficiencies noticed during compliance audit of the Government Departments/organisations were also reported upon.

##### **1.6.1 Performance audits of programmes/activities/Departments**

The present report contains two performance audits. The highlights are given in the following paragraph.

**1.6.1.1 Performance Audit of promotion of tourism in Goa**

- Tourism policy formulated in 2001 was not revised. It did not spell out the role of various departments, agencies and organisations and indicate timelines for carrying out the tasks outlined in action plan.  
(Paragraph 2.1.6.2)
- A single consultant was appointed without calling of tenders in May 2008 for providing consultancy services for various tourism projects. Out of 10 infrastructure projects proposed for execution with Central Financial Assistance at a total estimated cost of ₹ 238.24 crore, only one was under execution, three were yet to be sanctioned by GoI and execution of the remaining six projects was held up for want of various approvals/permissions.  
(Paragraphs 2.1.7.1 and 2.1.7.2)
- Amenities at tourist places like parking lots, toilets and changing rooms were inadequate and poorly maintained, wherever they existed. The Department's control over irregularities by beach shack owners was found to be inadequate and weak.  
(Paragraphs 2.1.9.1 and 2.1.9.3)
- Poor management of waste in North Goa coastal belt resulted in contamination of water in the Salmona spring. The excessive drawal of ground water in the coastal belt due to tourism related activities resulted in lowering of ground water table at an alarming rate. Due to mining of iron ore in the vicinity of Harvalem waterfall, the place was losing its identity as a religious and tourist spot.  
(Paragraphs 2.1.13.2, 2.1.13.3 and 2.1.13.8)
- The Department took 12 years to dispose of a grounded ship near Sinquerim beach resulting in erosion of land valued at ₹ 21 crore and loss of ₹ 17 crore to business and other establishments.  
(Paragraph 2.1.13.10)

**1.6.1.2 Performance Audit of Computerisation in Motor Vehicles Department**

- There were delays in the implementation of *Vahan* and *Sarathi* applications. Out of eight modules, the registration and taxation modules were being partially utilised and fitness and enforcement modules were not being utilised.  
(Paragraphs 4.2.7.2, 4.2.7.3 and 4.2.13.1)
- Check posts were working with the legacy system which was not integrated with *Vahan* and therefore they could not access the National and State registers to enhance the efficiency of checking of forged documents *etc.*  
(Paragraph 4.2.8.2)

- Due to absence of the permit module and the refund module, the Department had to utilise the legacy system for issue of permits and calculate refund manually.

*(Paragraphs 4.2.8.3 and 4.2.8.5)*

- Digitisation of manual database and porting of electronic legacy database was incomplete, which affected the correctness of National and State Registers.

*(Paragraph 4.2.9)*

### 1.6.2 Compliance audit of transactions

Audit has also reported several significant deficiencies in critical areas which impact the effective functioning of the Government Departments/ organisations. Some of the significant deficiencies are as under:

- Failure of Goa Medical College to scrutinise the bills of a supplier correctly on account of supply of reagents and consumables led to an overpayment of ₹ 65.35 lakh.

*(Paragraph 3.1.1)*

- The Public Works Department failed to ensure availability of land for construction of pump house, ground level reservoir and sump leading to delay of more than five years in commissioning of a Regional Water Supply Scheme at Canacona and an unfruitful expenditure of ₹ 3.27 crore.

*(Paragraph 3.3.1)*

- Failure of the Department to complete the acceptance procedure with a contractor within the validity period led to an avoidable extra expenditure of ₹ 1.29 crore on re-tendering.

*(Paragraph 3.4.1)*

- Three Municipal councils failed to adopt the revised plinth area rates for assessing the construction license fee, leading to loss of revenue of ₹ 51.59 lakh during the period May 2009 to April 2012.

*(Paragraph 3.6.1)*

- Grants-in-aid sanctioned to Goa State Urban Development Agency and 14 Municipal Councils for development purposes were parked in bank accounts. The interest on such deposits was treated as revenue of the grantees. Out of the total accrued interest of ₹ 11.44 crore during 2006-11, ₹ 8.12 crore was adjusted and the balance interest of ₹ 3.32 crore remained unadjusted as of August 2012.

*(Paragraph 3.6.2)*

- Sampoorana Grameen Rozgar Yojana funds amounting to ₹ 94.74 lakh (out of ₹ 95.18 lakh available) were expended in the month of March 2008 by payment to individuals instead of as wages to labourers. No

evidence of utilisation of ₹ 27.04 lakh drawn through self cheques for distribution of wages was available.

*(Paragraph 3.6.3)*

### **1.6.3 Audit of Revenue Receipts**

#### **Short levy of Tax**

- Short levy of tax under Central Sales Tax on invalid declaration forms resulted in loss of revenue to the tune of ₹ 66.15 lakh.

*(Paragraph 4.4)*

- Failure of the Assessing authority to levy Entry Tax on two dealers as per specified rates for goods brought/delivered into the local area resulted in short levy of ₹ 21.86 lakh.

*(Paragraph 4.5)*

- Incorrect allowance of concession on turnover of Interstate sales and inadmissible allowance of Input Tax Credit on exempted sales resulted in short levy of ₹ 31.26 lakh under the Central Sales Tax Act, 1956 and the Goa Value Added Tax Act, 2005.

*(Paragraph 4.6)*

### **1.6.4 Audit of commercial and trading activities of the Government**

- Contribution to 'Employees' Contributory Provident Fund' disregarding the ceiling fixed for salary, resulted in extra expenditure of ₹ 3.11 crore by eight state PSUs during 2009-10 to 2011-12.

*(Paragraph 5.2)*

- EDC Limited disbursed loan of ₹ 4 crore in October 2008/February 2010 by relaxing prescribed norms of obtaining collateral security which led to insufficient security. Resultantly, dues of ₹ 5.52 crore could not be recovered.

*(Paragraph 5.3)*

- Execution of community development works by Infotech Corporation of Goa Limited for the proposed IT park even after the High Court had stayed the acquisition of land meant for the project, resulted in avoidable expenditure of ₹ 10.65 crore.

*(Paragraph 5.4)*

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

### **1.7.1 Inspection reports outstanding**

The Accountant General (AG) arranges to conduct periodical inspections of Government Departments to test-check their transactions and verify the maintenance of important accounting and other records as per prescribed rules and procedures. These inspections are followed up with IRs which are

issued to the heads of the offices inspected with copies to the next higher authorities. Half yearly reports of pending IRs are sent to the Secretaries of the concerned Departments to facilitate monitoring of action taken on the audit observations included in these IRs.

As of June 2012, 285 IRs (893 paragraphs) were outstanding for want of compliance. Year-wise details of IRs and paragraphs outstanding are detailed in *Appendix 1.1*.

#### ***1.7.2 Response of Departments to the draft paragraphs***

The draft paragraphs and performance audit reports were forwarded semi-officially to the Principal Secretaries/Secretaries of the concerned Departments between June and August 2012 with the request to send their responses within six weeks. Reply of the Government to one performance audit report and 13 out of 17 paragraphs (Civil, Commercial and Revenue Receipts) featured in this Report have not been received.

#### ***1.7.3 Follow-up on Audit Reports***

As per the provisions contained in the internal working rules of the Public Accounts Committee of the Goa Legislative Assembly, Administrative Departments were required to furnish Explanatory Memoranda (EM) duly vetted by Audit to the State legislature within three months of tabling of the Audit Reports. Eight Administrative Departments as detailed in *Appendix 1.2* did not comply with these instructions and had not submitted EMs in respect of 17 paragraphs pertaining to Audit Reports for the period 2008-09 to 2010-11 even as of September 2012.

#### ***1.7.4 Paragraphs to be discussed by the Public Accounts Committee***

The Audit Paragraphs (excluding General and Statistical) pending discussions by the Public Accounts Committee as of September 2012 are detailed in *Appendix 1.3*.