CHAPTER-V

Government Commercial and Trading Activities

5.1 Overview of State Public Sector Undertakings

Introduction

5.1.1 The State Public Sector Undertakings (PSUs) consist of State Government Companies and Statutory Corporations. The State PSUs are established to carry out activities of commercial nature while keeping in view the welfare of people. In Goa, the State PSUs occupy a moderate place in the state economy. The State PSUs registered a turnover of ₹ 456.48 crore for 2011-12 as per their latest finalised accounts as of September 2012. This turnover was equal to 1.03 *per cent* of State Gross Domestic Product (GDP) for 2011-12. Major activities of Goa State PSUs are concentrated in Infrastructure development sector. All State PSUs are working and earned an overall aggregate profit of ₹ 6.93 crore for 2011-12 as per their latest finalised accounts. They had employed 3,212 employees[+] as of 31 March 2012. There were 17 PSUs at the end of March 2012 consisting of 15 Government companies and 2 Statutory Corporations. The State PSUs do not include two prominent Departmental Undertakings (DUs) of Electricity Department and River Navigation Department, which carry out commercial operations. Audit findings on these DUs have also been incorporated in this chapter.

Audit Mandate

5.1.2 Audit of Government Companies is governed by Section 619 of the Companies Act, 1956. According to Section 617, a Government Company is one in which not less than 51 *per cent* of the paid up capital is held by Government(s). A Government Company includes a subsidiary of a Government Company.

5.1.3 The accounts of the State Government Companies (as defined in Section 617 of the Companies Act, 1956) are audited by Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (C&AG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by C&AG as per the provisions of Section 619 of the Companies Act, 1956.

5.1.4 Audit of Statutory Corporations is governed by their respective legislations. C&AG is the sole auditor for both the Statutory Corporations *viz.,* Goa Industrial Development Corporation (GIDC) and Goa Information Technology Development Corporation (GITDC).

[+] As per the details provided by 17 PSUs

Investment in State PSUs

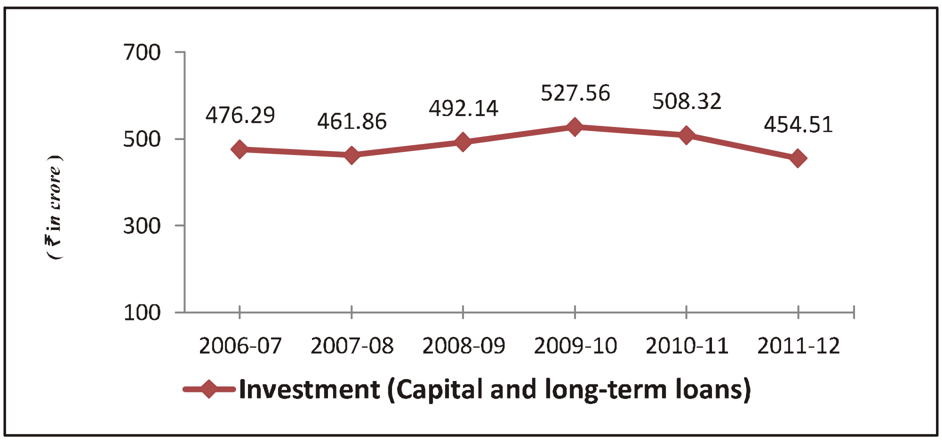
5.1.5 As on 31 March 2012, the investment (capital and long-term loans) in 17 PSUs was ₹ 454.51 crore as per details given below.

(₹ in crore)

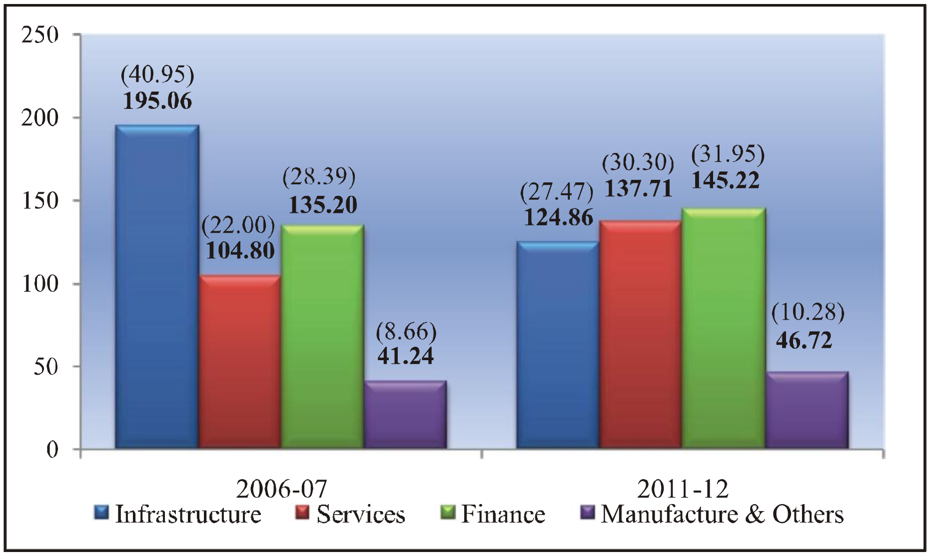
Government Companies			Statutory Corporations			Grand Total
Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
283.58	139.27	422.85	31.66	-	31.66	454.51

A summarised position of Government investment in State PSUs is detailed in ***Appendix 5.1.***

5.1.6 As on 31 March 2012, investment in State PSUs consisted of 69.36 *per cent* towards capital and 30.64 *per cent* in long-term loans. The investment has dropped by 4.57 *per cent* from ₹ 476.29 crore in 2006-07 to ₹ 454.51 crore in 2011-12 as shown in the graph below.



5.1.7 The investment in various important sectors and percentage thereof at the end of 31 March 2007 and 31 March 2012 are indicated below in the bar chart. The share of investment in Infrastructure sector was reduced from 40.95 *per cent* in 2006-07 to 27.47 *per cent* in 2011-12. However, investment in Service sector, Finance sector and Manufacturing & Other sector increased from 22.00, 28.39 and 8.66 *per cent* in 2006-07 to 30.30, 37.95 and 10.28 *per cent* in 2011-12 respectively.



(Figures in bold show the amount of investment in crore and figures in brackets show the percentage of total investment)

Budgetary outgo, Grants/subsidies, guarantees and loans

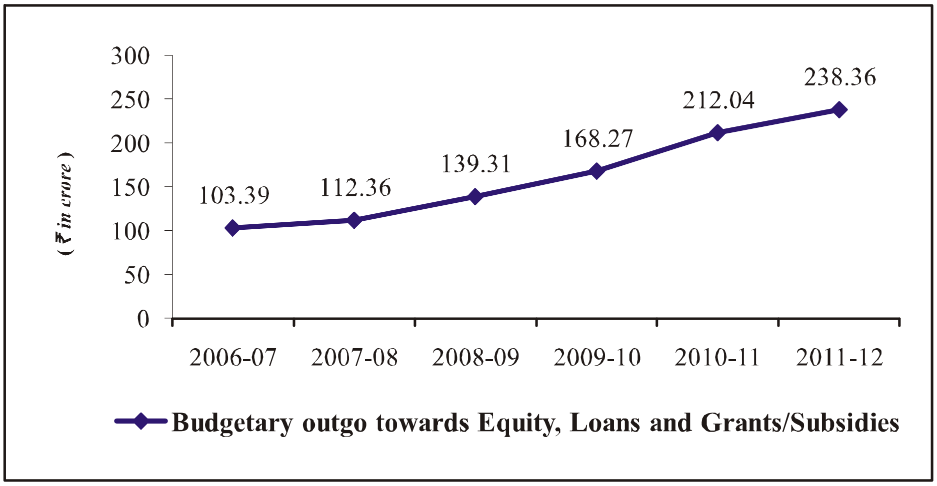
5.1.8 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in ***Appendix 5.3.*** The summarised details are given below for three years ended 2011-12.

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of PSUs*	Amount	No. of PSUs*	Amount	No. of PSUs*	Amount
1	Equity Capital outgo from budget 5.3.(a)	6	11.70	3	12.47	5	34.43
2	Loans given from budget	-	NIL	-	NIL	1	0.72
3	Grants/Subsidy received	7	156.57	10	199.57	11	203.21
4	Total Outgo (1+2+3)	10	168.27	10	212.04	12	238.36
5	Guarantee Commitment	3	86.00	3	83.71	3	69.00

* Number of PSUs represents actual number of PSUs which have received budgetary from the State Government in the form of equity, loans and grants/subsidy *etc.*

5.1.9 The details regarding budgetary outgo towards equity, loans and grants/ subsidies for past six years are given in a graph below.



The budgetary outgo of the State Government towards Equity contribution, Loans, Grants and Subsidies showed increasing trend from ₹ 103.39 crore in 2006-07 to ₹ 238.36 crore in 2011-12.

5.1.10 The guarantee commitment by the State Government against the borrowings of State PSUs was showing a declining trend. Guarantees for ₹ 86 crore were outstanding as at the end of 2009-10 which came down to ₹ 69 crore at the end of 2011-12. The State Government usually levies a onetime guarantee fee of 0.5 *per cent* of the guaranteed amount. This however, was not levied in some cases.

Reconciliation with Finance Accounts

5.1.11 The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned PSUs and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2012 is stated below.

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	249.26	315.24	65.98
Loans	¥	139.27	-
Guarantees	109.00	69.00	40.00

¥ State Governments loan to state PSUs are extended through the Government Departments. These Government Departments re-allocated the loan funds to different PSUs. Hence, PSU wise figure of State Government loans are not available in Finance Accounts

5.1.12 Audit observed that the differences occurred in respect of 11 PSUs and some of the differences were pending reconciliation since 1998-99. Though, the Director of Accounts, Government of Goa as well as PSUs concerned was apprised by audit about the need for reconciliation, considerable progress has not been achieved. The Government and PSUs should take concrete steps to reconcile the differences in a time bound manner.

Performance of PSUs

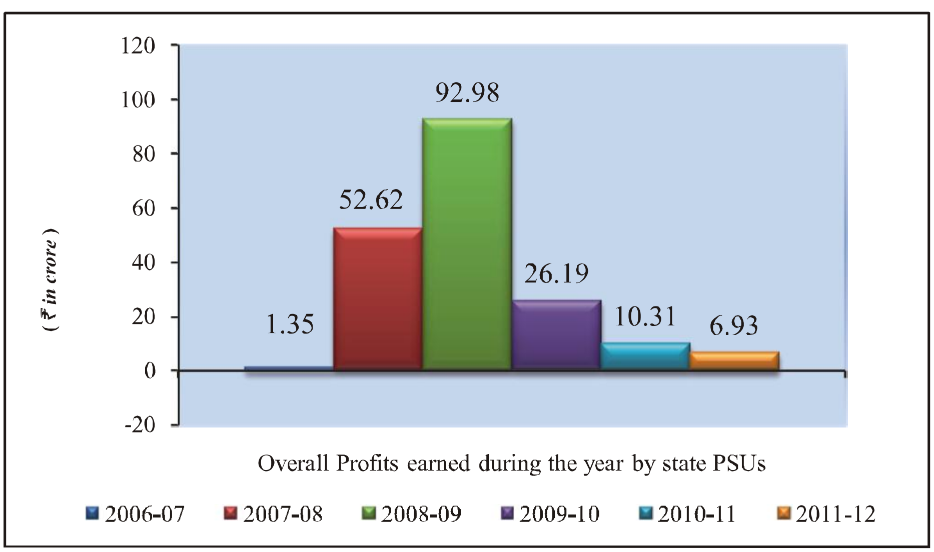
5.1.13 The financial results of PSUs, financial position and working results of Statutory Corporations are detailed in ***Appendix 5.2, 5.5 and 5.6*** respectively. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of PSU turnover and State GDP for the period from 2006-07 to 2011-12.

(₹in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Turnover	221.11	350.86	459.33	440.04	413.72	456.48
State GDP	15023	16901	19014	22512	22062	44460
Percentage of Turnover to State GDP	1.47	2.08	2.42	1.95	1.88	1.03

It can be seen from the above that the extent of PSU activities in the State economy showed declining trend since 2009-10.

5.1.14 Profits earned by State PSUs during 2006-07 to 2011-12 are given below in a bar chart.



(*Figures show the amount of profit ₹in crore; 16 PSUs in 2006-07 and 17 PSUs in 2007-08 to 2011-12)*

During the year 2011-12, out of 17 PSUs, six PSUs earned a profit of ₹ 29.18 crore and 10 PSUs incurred loss of ₹ 22.25 crore. One PSU had not finalised its first account. The major contributors to profit were EDC Limited (₹ 21.35 crore) and Goa State Infrastructure Development Corporation Limited (₹ 3.25 crore). Heavy losses were incurred by Kadamba Transport Corporation Limited (₹ 15.70 crore), Goa Industrial Development Corporation (₹ 2.78 crore) and Goa Handicraft Rural and Small Scale Industries Development Corporation Limited (₹ 1.32 crore).

5.1.15 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, running their operations and monitoring. A review of latest Audit Reports of C&AG shows that the State PSUs incurred losses to the tune of ₹ 28.20 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2009-10	2010-11	2011-12	Total
Net Profit	26.19	10.31	6.93	43.43
Controllable losses as per CAG's Audit Report	1.90	5.64	20.66	28.20

5.1.16 The above losses pointed out by Audit Reports of C&AG are based on test check of records of PSUs. The actual controllable losses would be much more. The above table shows that with better management, the overall profits of the PSUs can be enhanced substantially. The PSUs can discharge their role efficiently only if they are financially self-reliant. The above situation points towards a need for professionalism and accountability in the functioning of PSUs.

5.1.17 Some other key parameters pertaining to State PSUs are given below.

(₹ in crore)

Particulars	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Return on Capital Employed (*per cent*)	8.49	15.23	21.64	10.01	7.25	6.68
Debt	256.01	216.54	224.73	242.69	212.48	139.27
Turnover	221.11	350.86	459.33	440.04	413.72	456.48
Debt/Turnover Ratio	1.16:1	0.62:1	0.49:1	0.55:1	0.51:1	0.31:1
Interest Payments	34.15	27.63	27.67	29.20	31.30	27.49
Accumulated Profits (losses)	(222.53)	(171.70)	(82.46)	(34.56)	(36.00)	(46.15)

5.1.18 The percentage of return on Capital Employed showed an increasing trend from 8.49 *per cent* in 2006-07 to 21.64 *per cent* in 2008-09 and declined thereafter to 6.68 *per cent* in 2011-12. The total debt position showed improvement as total debts declined from ₹ 256.01 crore in 2006-07 to ₹ 139.27 crore in 2011-12. The outgo of PSUs towards payment of interest had shown a declining trend up to 2007-08 and stood at ₹ 27.49 crore as on 31 March 2012 showing a declining of ₹ 0.14 crore when compared to 2007-08. The turnover position showed improving trend up to 2008-09 but declined thereafter and stood at ₹ 456.48 crore in 2011-12. The debt turnover ratio improved from 1.16:1 in 2006-07 to 0.31:1 in 2011-12. The accumulated losses decreased gradually during 2006-07 to 2009-10 from ₹ 222.53 crore to ₹ 34.56 crore in 2009-10 but again increased to ₹ 46.15 crore in 2011-12.

5.1.19 The State Government has not formulated any dividend policy for payment of any minimum return by PSUs on the paid up share capital contributed by the State Government. As per their latest finalised accounts, though six PSUs earned an aggregate profit of ₹ 29.18 crore, only two PSUs declared a dividend of ₹ 1.38 crore.

Arrears in finalisation of accounts of PSUs

5.1.20 The accounts of the Companies for every financial year are required to be finalised within six months from the end of the relevant financial year under the Companies Act, 1956. Similarly, in case of Statutory Corporations, their accounts are finalised, audited and presented to the Legislature as per the provisions of their respective Acts. The table below provides the details of progress made by PSUs in finalisation of accounts by September 2012.

Sl. No.	Particulars	2007-08	2008-09	2009-10	2010-11	2011-12
1	Number of PSUs	17	17	17	17	17
2	Number of accounts finalized during the year	15	16	16	11	13
3	Number of accounts in arrears	28	29	30	36	40
4	Average arrears per PSU (3/1)	1.65	1.71	1.76	2.12	2.35
5	Number of PSUs with arrears in accounts	14	13	12	13	14
6	Extent of arrears	1 to 7 years	1 to 7 years	1 to 8 years	1 to 9 years	1 to 10 years

It can be seen from the above that the quantum of arrears in accounts was high and the average stood at more than one account per PSU in the last five years.

5.1.21 The State Government had invested ₹ 228.36 crore (Equity ₹ 19.56 crore and grants/subsidies ₹ 208.80 crore) in eight PSUs during the years for which accounts have not been finalised, as detailed in ***Appendix 5.4.*** In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested has been achieved or not and thus Government's investment in such PSUs remain outside the scrutiny of the State Legislature.

5.1.22 The administrative departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these PSUs within the prescribed period. Though the concerned administrative departments and officials of the Government were informed every quarter by the Audit about the arrears in finalisation of accounts, no remedial measures were taken. As a result of this the net worth of these PSUs could not be assessed in audit.

5.1.23 As the position of arrears in finalisation of accounts of State PSUs was alarming, the C&AG took up the matter (September 2011) with the Ministry of Corporate Affairs (MCA) and suggested to devise special arrangements along with actionable issues to ensure enforcement of accountability. The MCA in turn devised (November 2011) a scheme, which allowed the PSUs with arrears in accounts to finalise the latest two years accounts and clear the backlog in five years. The Accountant General (AG) also addressed the Chief Secretary/Finance Secretary (November 2012) to expedite the backlog of arrears in accounts in a time bound manner. Delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

Accounts Comments and Internal Audit

5.1.24 Ten Companies forwarded their audited thirteen accounts to AG during the year 2011-12, of which five were selected for supplementary audit. The audit reports of Statutory Auditors appointed by the C&AG and the supplementary audit of C&AG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of Statutory Auditors and C&AG are given below.

(₹ in crore)

Sl. No.	Particulars	2009-10		2010-11		2011-12	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	2	0.46	2	15.71	2	5.07
2	Increase in loss	3	2.13	2	0.21	1	0.20
3	Non-disclosure of material facts	7	11.03	2	98.91	2	12.68
4	Errors of classification	3	0.03	5	17.93	1	2.91

5.1.25 During the year 2011-12, the Statutory Auditors had given qualified certificates for twelve accounts pertaining to eleven Companies. None of the PSUs were given adverse comments or disclaimer certificates for their accounts by the C&AG or Statutory Auditors. The compliance of Companies with the Accounting Standards remained poor as there were eleven instances of non-compliance in five accounts during the year.

5.1.26 Some of the important comments in respect of accounts of Companies are stated below:

Goa State Infrastructure Development Corporation Limited (2010-11)

- Non-disclosure of material fact of ₹ 6.94 crore being the expenditure incurred for a work (construction of subway across NH-17 at Bambolim), executed during 2007-09 on behalf of a client Department (PWD, GoG), but not taken over/accepted by them.

- Excess amount of ₹ 6.10 crore received from PWD towards repayment of a loan given by the Company was unilaterally (August 2010) adjusted by the Board of Directors and accounted for the same as "Contribution from Government", in the year 2009-10. In the absence of specific Government orders, the excess money collected from PWD should have been shown under "Current Liabilities".

- Interest of ₹ 1.54 crore realised on the mobilisation advance given to contractors was wrongly accounted for as Company's income which had resulted in overstatement of profit for the year to the same extent.

- Construction and related expenses was understated by ₹ 1.98 crore due to non-creation of provisions for the works done and certified prior to 31 March 2011.

Kadamba Transport Corporation Limited (2010-11)

- The statement in the Notes on Accounts (Social cost) that the Corporation had estimated an amount of ₹ 22.50 crore on account of various concessions and operations of uneconomical transport services for which the Company received ₹ 17.21 crore only from the Government and balance of ₹ 5.29 crore was to be absorbed by the Corporation as Social cost was factually incorrect to the extent that the Corporation had not made any estimates of the Social cost due to operation of uneconomic schedules and there was no supporting working sheets/calculation for the estimated figure of ₹ 22.50 crore.

Goa Tourism Development Corporation Limited (2010-11)

- Sundry Debtors included ₹ 2.10 crore receivable from different parties (other than Government) on account of accommodation, tours, cruise *etc.* Credit facility to these parties was extended without any credit policy approved by the Board. The Company held no security for the amount and most of the parties have no further business transactions with the Company. Since the Company could not recover the dues, adequate provision for bad and doubtful debts should have been made in the account. Despite the repeated comments issued by C&AG since 2008-09, no provision has been created.

- Loans and Advances included ₹ 0.54 crore being the expenditure for 'Promotion of Tourism' incurred over and above the amount of Grants-in-Aid received from Government and the same was not included in the Utilisation Certificate. The amount should have been written off as expenses in the Profit & Loss Account. This has resulted in overstatement of profit and understatement of expenses by ₹ 0.54 crore each.

Goa State Scheduled Tribes Finance and Development Corporation Limited (2009-10)

- Reserves and Surplus represented ₹ 0.83 crore received as Grants-in-Aid in 2004-05 from Government of Goa and utilised during 2005-06 for providing loans under various schemes. Since no repayment was envisaged in the grant order, the amount should have been classified as "Capital Reserve", as required in Accounting Standard-12.

5.1.27 The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including internal control/internal audit systems in the Companies audited in accordance with the directions issued by the C&AG to them under Section 619(3)(a) of the Companies Act, 1956 and to identify areas which needed improvement. An illustrative resume of major comments made by the Statutory Auditors on possible improvement in the internal audit/internal control system in respect of 3 Companies[£] for the year 2010-11 and 11 Companies[µ] for the year 2011-12 are given below:

[£] Sr. No. 4,11&13 of Appendix – 5.2

[µ] Sr. No. 1 to 15 (except Sr.No.3,5,6&11) of Appendix – 5.2

Sl. No.	Nature of comments made by Statutory Auditors	2010-11		2011-12	
		Number of Companies where recommen-dations were made	Reference to serial number of the Companies as per *Appendix5.2*	Number of Companies where recommen-dations were made	Reference to serial number of the Companies as per *Appendix5.2*
1	Auditors Report & Comments/Draft paras/Mini Reviews not discussed in Audit Committee	-	-	3	A-9,10,14
2	No system of making a business plan/short/long term plan	1	A-13	5	A-8,9,13,14, 15
3	No clear credit policy	1	A-13	5	A - 2,7,13,14, 15
4	No delineated fraud policy	1	A-4,13	10	A-2,4,7,8,9, 10,12,13,14,15
5	No separate vigilance department	1	A-13	10	A-1,2,4,7,9,10 12,13,14,15
6	Non prescribing of Maximum/Minimum level of stock	1	A-13	1	A-13
7	No ABC analysis adopted to control the inventory	-	-	-	-
8	Inadequate scope of Internal Audit	-	-	1	A-14
9	Absence of proper maintenance of Fixed Asset Register	-	-	1	A-14

5.1.28 Similarly, one Statutory Corporation (GIDC) forwarded the annual accounts for 2009-10 to the Accountant General during 2010-11. This was subjected to sole audit by the C&AG. Some of the important comments are given below:

- Capital works-in-progress amount of ₹ 31.63 crore was overstated due to inclusion of capital works amounting to ₹ 4.31 crore which were completed in 2009-10. This has also resulted in understatement of Fixed Assets by the same amount.

- Administrative expenses- Establishment amount of ₹ 7.58 crore was understated by ₹ 2.20 crore as the corporation has not provided for demand made by LIC for Group Gratuity Scheme. This has resulted in overstatement of surplus by ₹ 2.20 crore.

Status of placement of Separate Audit Reports

5.1.29 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the C&AG on the accounts of Statutory Corporations in the Legislature by the Government.

Sl. No.	Name of Statutory Corporation	Year up to which SARs placed in Legislature	Year for which SARs not placed in Legislature		
			Year of SAR	Date of issue to the Government	Reasons for delay in placement in Legislature
1	Goa Industrial Development Corporation	2008-09	2009-10	08 November 2011	Report under print
2	Goa Information Technology Development Corporation	First accounts (2006-07) awaited			

Departmentally managed Government commercial/quasi commercial undertakings

5.1.30 There were two Departmentally managed Government commercial/quasi commercial undertakings *viz.,* the Electricity Department and the River Navigation Department in the State as on 31 March 2012. The Proforma accounts of the River Navigation Department were in arrears for the years from 2006-07 to 2011-12 and that of the Electricity Department for the years 2007-08 to 2011-12 (November 2012).

The summarised financial results of the Electricity Department and River Navigation Department for the last three years for which their proforma accounts are finalised are given in ***Appendix 5.7.***

Recoveries at the instance of audit

5.1.31 During the course of propriety audit in 2011-12, recoveries of ₹ 60.63 lakh were pointed out to the Divisional Offices of Goa Electricity Department, which were admitted by the Department and recoveries effected during the year was ₹ 21.60 lakh. In respect of one Company (Goa State Scheduled Tribe Finance Development Corporation), recovery of ₹ 1.76 lakh was pointed out by audit.

Disinvestment, Privatisation and Restructuring of PSUs

5.1.32 During the year 2011-12, no exercise was undertaken by the Government of Goa for Disinvestment, Privatisation and Restructuring of PSUs.

Reforms in Power Sector

5.1.33 The Power Sector in the State is managed by the Electricity Department of Goa. The Union Government had set up (May 2008) a "Joint Electricity Regulatory Commission for the State of Goa and for Union Territories", under the Electricity Act, 2003. Presently, the Commission is in the process of framing various regulations as mandated in the Electricity Act 2003, to facilitate its functioning.

5.1.34 A Memorandum of Understanding (MoU) was signed in October 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms in power sector with identified milestones. The progress achieved so far in respect of important milestones is stated below:-

Sl. No.	Milestone	Achievement
1	Government of Goa will Corporatise its Electricity Department by 31 March 2002.	Necessary studies were carried out and final report obtained. Decision for corporatisation not yet taken by the State Government.
2	Government of Goa will set up SERC by 31 December 2001 and file tariff petitions.	Joint Electricity Regulatory Commission (JERC) set up and full support is being provided.
3	Government of Goa will undertake Energy audit and Energy Accounting at all levels to promote accountability and reduce transmission and distribution losses and bring them to the level of 18 *per cent* and achieve breakeven in current distribution operations in two years and positive returns thereafter. This will be achieved by taking following measures:	Losses reduced to below 18 *per cent.* The Department is achieving substantial operating surplus.
	- Install meters on all 11 KV feeders by 31 December 2001.	Achieved (March 2003)
	- 100 *per cent* metering of all consumers by 31 December 2001.	Achieved (March 2004)
	- Computerised billing at towns by December, 2002.	In process in some towns and balance under implementation.
	- Development of Distribution Management Information System.	Will be implemented under Re-structured APDRP during XI Plan.
4	Goa would achieve 100 *per cent* electrification of villages by 2002.	Achieved (December 1988)
5	Government of Goa will securitise outstanding dues of CPSUs and ensure that CPSU outstanding does not cross the limit of two months billings.	Achieved
6	Goa will maintain grid discipline, comply with grid code and carry out the directions of Regional Load Despatch Centre	Maintains Grid discipline.
7	Goa will constitute district level committees to undertake resource planning monitoring of distribution reforms and rural electrification.	DRC constituted.
8	Government of Goa will follow the guidelines on captive power policy as issued by Government of India on 11 July 2001.	Following Ministry guidelines.

TRANSACTION AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

5.2 Payment of excess contribution to 'Employees Contributory Provident Fund'

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.

As per the provisions of Employees' Provident Fund and Miscellaneous Provisions Act, 1952 (Act) and the Employees' Provident Fund Scheme, 1952 every employer has to pay a matching contribution @ 12 *per cent* of salary[1] towards the Employees Provident Fund in respect of employees drawing salary of ₹ 6,500 per month. In respect of employees drawing salary of more than ₹ 6,500 per month, the employer's contribution shall be restricted to the amount payable on a monthly salary of ₹ 6,500. Further, for any sick industrial establishment[2], the rate of employer's contribution shall be 10 *per cent* of salary.

The contribution made by ten State Government companies during the three year period (2009-12) were examined by Audit and it was found that :

- Eight companies ***(as per Appendix 5.8)*** had been contributing their share based on the full salary in respect of all employees who had been drawing salary of more than ₹ 6,500 per month. The restriction of ₹ 6,500 per month per employee were not applied in these cases.
- One of the eight companies[3], which had been declared sick, had been contributing to the Fund at the rate of 12 *per cent* instead of 10 *per cent* as envisaged in the scheme.

On being pointed out (December 2009) by Audit, two companies[4] stopped (KTCL in December 2009 and GTDC in April 2010) practice of making excess payment. However, the remaining eight Companies continued to make the excess payment which amounted to ₹ 3.11 crore for years 2009-10 to 2011-12. Thus, these companies incurred an extra expenditure of ₹ 3.11 crore during 2009-10 to 2011-12 in violation of the Act.

The Companies stated (EDCL in September 2012 and GSIDCL in November 2012) that the said Act did not restrict making of additional contribution beyond the stipulated limit and that the requisite approval of the Board had been obtained. The reply is not acceptable since the contribution made was more than stipulated in the Act and the Board was not competent to revise the limits.

The matter was reported to the Government in May 2012; their reply was awaited as of February 2013.

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[1] Salary includes basic pay, dearness allowance and cash value of food concession

[2] Establishment declared as such by the BIFR, which had, accumulated losses equal to or exceeding its entire net worth

[3] Goa Antibiotics and Pharmaceuticals Ltd.

[4] Kadamba Transport Corporation Ltd. (KTCL) and Goa Tourism Development Corporation Ltd. (GTDC)

EDC Limited

5.3 Improper/Irregular sanctioning of term loan

The Company disbursed loan of ₹ 4.00 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.

The Company sanctioned (July 2008) a term loan of ₹ 4.00 crore to M/s Giovanni & Zibronni Shipping Pvt. Ltd. (GZSPL) for acquiring a new 2,200 tonne barge. As per the security norms of the Company, the loan was to be secured by a principal/collateral security of not less than 150 *per cent* of the loan exposure. For this purpose, the barge was to be hypothecated to the extent of 50 *per cent* of its value and the remaining portion was to be secured by a collateral security. Accordingly, the above loan was sanctioned with condition to secure the loan by hypothecation of the barge (₹ 3.25 crore being 50 *per cent* value) and the remaining portion of ₹ 2.75 crore by way of a collateral security of urban immovable property of the loanee with a clear and marketable title.

Audit observed that the Board of Directors of the Company reduced the amount of collateral security from ₹ 2.75 crore to ₹ 1.38 crore as per the borrower's request (October 2008) and disbursed ₹ 2.00 crore without obtaining any collateral security with the contention that the same would be obtained subsequently. The collateral security was offered by the borrower later on but as its title was defective it could not be mortgaged. Further, on the request of the borrower, the Company released the balance loan amount of ₹ 2.00 crore also in February 2010. Thus, the security available with the Company was 81.25 *per cent* of the loan amount as against the norms of 150 *per cent.*

The borrower defaulted in payment of principal as well as interest. Accordingly, the Company recalled the loan in November 2010 and directed the borrower to clear the entire outstanding dues of ₹ 4.49 crore (including interest). As no dues were remitted by the borrower, notice for attachment of the barge was issued (June 2011). However, the Company could neither attach the barge nor realise the dues which increased to ₹ 5.52 crore (May 2012). The loan has now been classified as a doubtful debt and the amount has not been realised so far. Thus, by relaxing the conditions governing the loan the company extended undue benefit to the loanee.

The management stated (June 2012) that the disbursement was made considering the 'realistic value of the barge' as well as the net worth of the promoters. The reply is not convincing since there was no justification for relaxing any of the basic terms and conditions governing the sanction of loan.

The matter was reported to the Government in July 2012; their reply was awaited as of February 2013.

InfoTech Corporation of Goa Limited

5.4 Avoidable expenditure on proposed IT Park

Execution of community development works 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.

The Board of Directors of the Company approved (November 2005) the proposal to set up an IT Park at Socorro/Salvador-do-Mundo Village in North Goa for which 8.73 lakh square metres of land was to be acquired. The State Government also approved (April/October 2006) the proposal to acquire 8.73 lakh square metres of land for the IT Park. Accordingly, the Company deposited (May 2006) ₹ 86.42 lakh towards the cost of land and Notification for the acquisition of land was published in June 2006. A writ petition was filed by the 'Goa Foundation' in October 2006 stating that a part of the proposed land was under forest area and a stay order was issued in April 2007 by the Hon'ble High Court of Bombay at Goa. Therefore, the land acquisition process could not be completed.

Audit observed that the Company went ahead and executed (October 2006 onwards) various community development works which were not at all connected with the proposed IT Park. The works costing ₹ 7.69 crore were completed by March 2008 on unrelated activities *viz.,* development of gardens, cricket grounds, widening of road, paving of church steps *etc.*

The Company stated that these works were necessary to attract investment at the proposed IT park and continued to incur expenditure on these works till May 2009 which amounted to ₹ 10.65 crore.

Subsequently, in May 2012, the State Government communicated its decision to withdraw the proposal to set up the IT Park. Thus, expenditure of ₹ 10.65 crore on community development works, without vacation of the stay order, was not in the best interest of the Company and was avoidable.

The matter was reported to the Company and the Government in July 2012; their reply was awaited as of February 2013.

DEPARTMENTAL COMMERCIAL UNDERTAKINGS

River Navigation Department

5.5 Non-levy of rent on a cruise operator

The Department did not collect rent of ₹ 93.77 lakh from a Cruise operator for using Betim jetty on river Mandovi since July 2009.

The River Navigation Department of Government of Goa has two boat jetties, one on the southern side of river Mandovi (Panjim boat jetty) and the other on the opposite side (Betim boat jetty). These jetties were being used by four private cruise/casino operators to board their passengers.

Considering the strategic/favourable location and economic value of the Panjim boat jetty, the Department decided (March 2009) to collect rent from the three cruise/casino operators with retrospective effect. Accordingly, a valuation report was obtained from the PWD for levying a monthly rent for the boat jetty. The rent as evaluated at ₹ 1,705 per metre was considered abnormally low by the Department and so it decided in June 2009 to levy rent from the existing cruise/casino operators at three times of the PWD rates from April 2009 onwards, with 10 *per cent* increase every year. It was also decided to collect rent for the past period (July 2007 to March 2009) at PWD rates. All cruise/casino operators paid the entire dues as per the demand raised by the Department.

Audit observed (June 2011) that Betim boat jetty (35 Metres length) was being exclusively used since August 2002 by one cruise operator (M/s Swastik Cruises) with the permission of the Department. However, the Department did not claim any rent from this cruise operator by applying the same criteria by which rent was levied for the Panjim boat jetty. Audit observed that had the same criteria been adopted for levying rent then the Department would have earned ₹ 93.77 lakh for the period from July 2007 to March 2012.

The Department stated (October 2011) that rent would be collected on sorting out ownership issues of the Betim jetty. The reply is not acceptable as the Department itself had permitted M/s Swastik Cruises in August 2002 to use the Betim jetty and, therefore, the ownership records should be available with the Department.

Goa Electricity Department

5.6 Avoidable expenditure on the construction of 11 KV supply line

In violation of codal provisions the Electrical Division XI at Vasco executed the work of 'line strengthening' at its own cost for providing an additional load to an existing consumer and incurred avoidable expenditure of ₹ 38.69 lakh during August 2008 to January 2012.

As per clause 4(1) of the Conditions of Supply of Electrical Energy, in case a consumer requires an additional load and the service line requires to be strengthened for giving the additional load, the entire cost of such line strengthening shall be borne by the consumer on the basis of actual estimated cost plus 15 *per cent* supervision charge. Birla Institute of Technology, Sancoale, an existing HT consumer with a connected load of 2000 KVA requested (October 2007) the Electrical Division XI (Vasco) of the Goa Electricity Department for an additional electrical connection with a load of 1000 KVA. The consumer, in view of the urgency, offered to undertake the line strengthening work on its own or to bear the entire cost of drawing the feeder in case the Department executes the work. The formal application for the additional load was made by the consumer in January 2008. Accordingly, the Division prepared (March 2008) an estimate of ₹ 38.48 lakh for carrying out the line strengthening work. The scope of work was erection of 11 KV Single Circuit lines (4 Kms), installation of 11 KV metering structure and laying of underground cable.

Audit observed (July 2011) that the Department issued (August 2008) the work order for the line strengthening work to a contractor at a cost of ₹ 36.72 lakh with a stipulation to complete the same by November 2008. Subsequently, deviations/certain additional works were considered for further extension of the line for meeting the requirements of the Department. Accordingly, the estimate was revised (July 2009) to ₹ 77.54 lakh and the work was completed by January 2012. The cost of erection of 11 KV line up to Birla Institute of Technology worked out to ₹ 38.69 lakh and by adding supervision charges, the total recoverable amount worked out to ₹ 44.20 lakh. However, the Department did not recover any amount from the consumer. The reasons for not collecting the cost of line strengthening work despite the willingness of the consumer to bear the cost were not on record.

The Department in its reply stated (July 2012) that the connection was a new one and hence the provisions under clause 4(1) of the Conditions of Supply of Electrical Energy would not apply. It was also stated that the cost of the line strengthening work incurred on behalf of the consumer would be recovered in the form of fixed charges through the monthly bill within a period of seven years.

The reply is not acceptable since the connection was an additional/standby one which is evident from the fact that during the interim period, the entire requirement of the consumer including the additional 1000 KVA were being met from their existing 2000 KVA connection. Further, the contention that recovery of the construction cost would be made by way of fixed cost is not correct as fixed cost is recovered from all the consumers in a routine manner as a part of the tariff. Thus, additional cost incurred on line strengthening work would still remain unrecovered.

Panaji **(DEVIKA)**
The **Accountant General, Goa**

Countersigned

New Delhi **(VINOD RAI)**
The **Comptroller and Auditor General of India**