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 ₹ 652.18 crore for 2013-14 as per their latest finalised accounts as of September 2014. This turnover was equal to 1.33 *per cent* of State Gross Domestic Product (GSDP[1]) for 2013-14. Major activities of Goa State PSUs are concentrated in infrastructure development sector. All State PSUs earned an overall aggregate profit of ₹ 18.31 crore for 2013-14 as per their latest finalised accounts. They had employed 3,128 employees[2] as of 31 March 2014. The Departmental Undertakings (DUs) of Electricity Department and River Navigation Department, which carry out commercial operations, are not included in these 16 PSUs. Audit findings on these DUs have also been incorporated in this chapter.

5.1.2 As on 31 March 2014, there were 16 State PSUs. The sector-wise summary of investment in the State PSUs is given below:

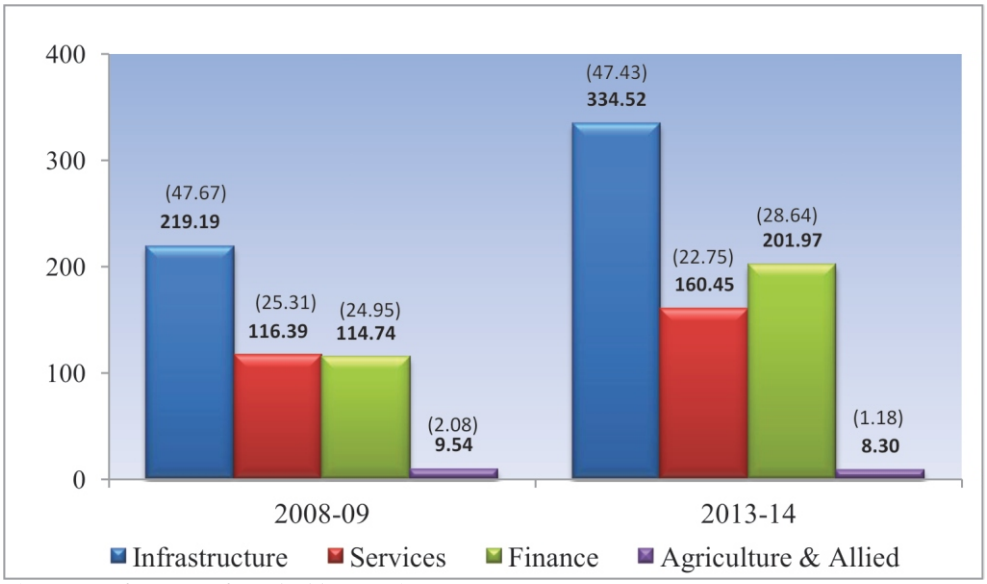
Table 5.1 Sector wise summary of investment in the PSUs

Name of sector	Govt. Companies		Statutory Corporations		Total (number of Companies/ Corporations)	Invest-ment *(₹ in crore)*
	Working	Non-working	Working	Non-working		
Infrastructure	3	-	1	1	5	72.59
Finance	4	-	-	-	4	150.23
Service	3	-	-	-	3	114.09
Agriculture & Allied	3	-	-	-	3	8.30
Misc. (Manufacturing)	-	1	-	-	1	5.59
Total	**13**	**1**	**1**	**1**	**16**	**350.80**

5.1.3 The investment in various important sectors and percentage thereof at the end of 31 March 2009 and 31 March 2014 are indicated below in the bar chart. The share of investment in Finance sector increased from 24.95 *per cent* in 2008-09 to 28.64 *per cent* in 2013-14. There was absolute increase in the overall investment. However, the investment in Agriculture and Allied sector, Infrastructure sector and Service sector had marginally declined from 2.08, 47.67 and 25.31 *per cent* in 2008-09 to 1.18, 47.43 and 22.75 *per cent* in 2013-14 respectively.

[1]GSDP figure is provisional
[2]As per details provided by 16 PSUs

Due to disinvestment of one PSU (GAPL) and decision to wind up another PSU (GAAL) pertaining to Manufacturing Sector, there were no State PSUs under Manufacturing Sector as at 31 March 2014. Therefore, the figures pertaining to Manufacturing Sector of the year 2008-09 have not been considered for sector-wise comparison purpose in chart below.



(Source: Information furnished by PSUs)
(Figures in bold show the amount of investment in crore and figures in parenthesis show the percentage of total investment)

5.1.4 During the year 2013-14, one Company[3] was disinvested and two non-working PSUs[4] were in the process of being wound up as detailed in paragraph 5.1.26.

Accountability Framework

5.1.5 The accounts of Government Companies/Statutory Corporations for every financial year are required to be finalised within six months from the end of the relevant financial year *i.e.* by 30 September.

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 the Government(s). A Government company includes a subsidiary of a Government company. Further, a company in which 51 *per cent* of the paid up capital is held in any combination by Government(s), Government companies and corporations controlled by Government(s) is treated as if it were a Government company (deemed Government company) as per Section 619-B of the Companies Act, 1956.

[3] Goa Antibiotics and Pharmaceuticals Limited
[4] Goa Auto Accessories Limited and Goa Information Technology Development Corporation

Statutory audit

5.1.6 The accounts of the State Government companies (as defined in Section 617 of the Companies Act, 1956) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (CAG) as per the provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per the provisions of the Section 619(4) of the Companies Act, 1956.

5.1.7 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).

Role of Government and Legislature

The State Government exercises control over the affairs of these PSUs as an owner through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government.

The State Legislature also monitors the accounting and utilisation of Government investment in the PSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of CAG, in respect of State Government companies and Separate Audit Reports in case of statutory corporations are to be placed before the legislature within three months of their finalisation/as stipulated in the respective Acts. The Audit Reports of CAG are submitted to the Government under Section 19A of the CAG's (Duties, Powers and Conditions of Service) Act, 1971.

Stake of Government of Goa

5.1.8 As an owner, Government of Goa (GoG) has huge financial stake in these PSUs. This stake is of mainly three types:

- Share Capital and Loans- In addition to the Share Capital Contribution, GoG also provides financial assistance by way of loans to the PSUs from time to time.
- Special Financial Support- GoG provides budgetary support by way of grants and subsidies to the PSUs as and when required.
- Guarantees- GoG also guarantees the repayment of loans with interest availed by the PSUs from Financial Institutions.

Investment in State PSUs

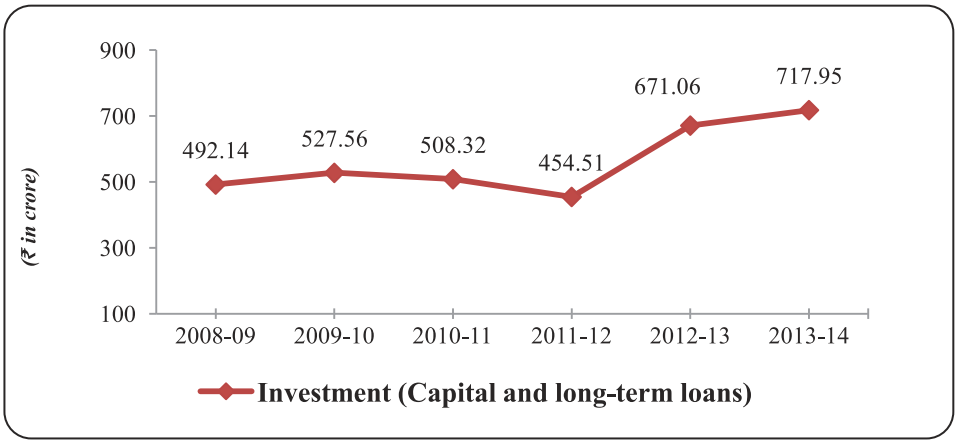
5.1.9 As on 31 March 2014, the investment (capital and long-term loans) in 16 PSUs was ₹ 717.95 crore as per details given below:

Table 5.2: Investment (Capital and Long term Loans) in PSUs

(₹ in crore)

Type	Government Companies			Statutory Corporation			Grand Total
	Capital	Long term Loans	Total	Capital	Long term Loans	Total	
Working PSUs	299.73	360.03	659.76	45.48	0.00	45.48	705.24
Non-working PSUs	5.59	7.12	12.71	First Accounts awaited			12.71
Total	**305.32**	**367.15**	**672.47**	**45.48**	**0.00**	**45.48**	**717.95**

5.1.10 As on 31 March 2014, investment in State PSUs consisted of 48.86 *per cent* towards capital and 51.14 *per cent* in long term loans. The investment has increased by 45.88 *per cent* from ₹ 492.14 crore in 2008-09 to ₹ 717.95 crore in 2013-14 as shown in the graph below.



Special support during the year

5.1.11 The State Government provides financial support to PSUs in various forms through annual budget. During the year 2013-14, the Government extended budgetary support of ₹ 355.51 crore to 11 PSUs. The details of budgetary outgo towards equity, loans, grants/subsidies and guarantees issued in respect of State PSUs during the last three years are given below:

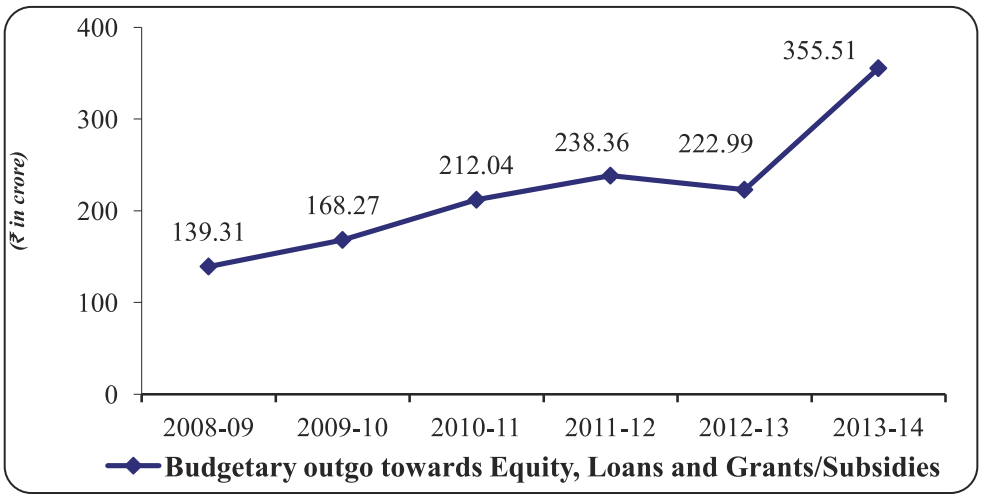
Table 5.3: Details regarding budgetary support to PSUs

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of PSUs*	Amount	No. of PSUs*	Amount	No. of PSUs*	Amount
1	Equity Capital outgo from budget	5	34.43	4	40.16	0	Nil
2	Loans given from budget	1	0.72	1	4.39	1	2.58
3	Grants/Subsidy received	11	203.21	9	178.44	11	352.93
4	Total Outgo(1+2+3)	12	238.36	10	222.99	11	355.51
5	Guarantee	-	-	1	45.00	1	25.00
6	Commitment	3	69.00	3	80.72	3	85.43

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

5.1.12 The details regarding budgetary outgo to the State PSUs 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 over the years, increasing from ₹ 139.31 crore in 2008-09 to ₹ 355.51 crore in 2013-14, except in 2012-13.

5.1.13 The guarantee/commitment by the State Government against the borrowings of State PSUs has increased marginally from ₹ 80.72 crore in 2012-13 to ₹ 85.43 crore at the end of 2013-14. The State Governments usually levy onetime guarantee fee of 0.5 *per cent* of the guaranteed amount. This was however, not levied in Goa.

Reconciliation with Finance Accounts

5.1.14 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. Further, the State Governments loan to state PSUs are extended through the Government Departments. These Government Department re-allocated the loan funds to different PSUs. Hence, PSUs wise figure of State Government loans are not available in Finance Accounts. The position in regard to equity and guarantees as at 31 March 2014 is stated below:

Table 5.4: Details of Equity and Guarantee outstanding as per Finance Account and records of PSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	289.92	292.86	2.94
Guarantees	99.27	83.47	15.80

5.1.15 Audit observed that the differences occurred in respect of 10 PSUs and some of the differences were pending reconciliation since 2001-02. Though, the Government as well as PSUs concerned were 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.

Arrears in finalisation of accounts of PSUs

5.1.16 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 Sections 166, 210, 230 and 610 of 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 2014.

Table 5.5: Position relating to finalisation of accounts of working PSUs

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1	Number of PSUs	17	17	17	17	16
2	Number of accounts finalised during the year	16	11	13	13	20
3	Number of accounts in arrears	30	36	40	44	40
4	Number of PSUs with arrears in accounts	12	13	14	15	12
5	**Extent of arrears**	**1 to 8 years**	**1 to 9 years**	**1 to 10 years**	**1 to 10 years**	**1 to 10 years**

5.1.17 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. The concerned administrative Departments and officials of the Government were informed every quarter by the Audit about the arrears in finalisation of accounts; however, there was a marginal improvement in arrears of accounts which reduced from 44 accounts in 2012-13 to 40 accounts in 2013-14.

5.1.18 The State Government had invested ₹ 280.03 crore (Equity ₹ 13.19 crore, loan ₹ 6.97 crore and grants/subsidies ₹ 259.87 crore) in nine PSUs[5] during the years for which accounts have not been finalised as detailed in ***Appendix 5.1.*** 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 was achieved or not and thus Government's investment in such PSUs

[5]Goa Forest Development Corporation Limited, Goa Meat Complex Limited, Goa State Horticultural Corporation Limited, Goa State Scheduled Castes and Other Backward Class Finance and Development Corporation Limited, Goa State Scheduled Tribes Finance and Development Corporation Limited, Goa State Infrastructure Development Corporation Limited, Info Tech Corporation of Goa Limited, Sewage and Infrastructural Development Corporation Limited and Goa Information Technology Development Corporation.

remained outside the scrutiny of the State Legislature.

To liquidate the arrears in finalisation of accounts of State PSUs, the C&AG had taken 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, October 2013 and October 2014) to expedite clearance of backlog of arrears in accounts in a time bound manner. Delay in finalisation of accounts may lead to risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act, 1956.

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.

Table 5.6: Status of placement of SARs in Legislature

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	08.11.2011	Information not furnished
			2010-11	10.01.2013	Information not furnished
			2011-12	10.04.2014	Information not furnished
2	Goa Information Technology Development Corporation	First accounts (2006-07) awaited			

Performance of PSUs

5.1.19 Table below provides the details of PSUs turnover and State GDP for the period from 2008-09 to 2013-14.

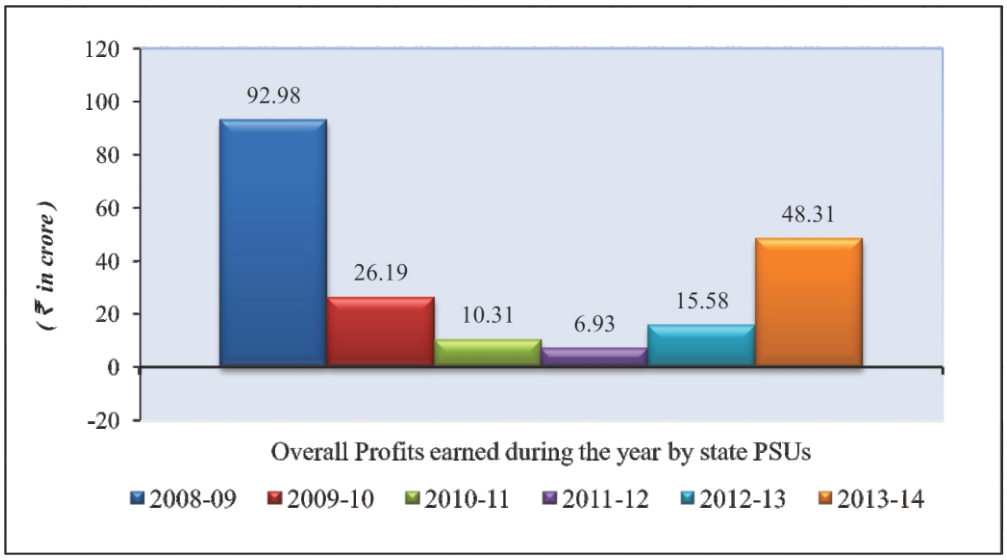
Table 5.7: Details of PSUs turnover *vis a vis* State GDP

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Turnover	459.33	440.04	413.72	456.48	569.35	652.18
State GDP	25414	29126	33605	43255	42407	48897
Percentage of Turnover to State GDP	**1.81**	**1.51**	**1.23**	**1.06**	**1.34**	**1.33**

It could be seen from the above that the extent of PSU activities in the State economy which had shown a declining trend up to 2011-12 showed signs of revival since 2012-13.

5.1.20 Profits earned by State PSUs during 2008-09 to 2013-14 are given below in a bar chart.



(Figures show the amount of profit in 16 PSUs since 2008-09 to 2013-14)

During the year 2013-14, out of 16 PSUs, eight PSUs earned a profit of ₹ 48.31 crore and seven PSUs sustained loss of ₹ 29.99 crore. One PSU had not finalised its first account. The major contributors to profit were EDC Limited (₹ 39.76 crore) and Sewage & Infrastructure Development Corporation Limited (₹ 4.65 crore). Heavy losses were sustained by Kadamba Transport Corporation Limited (₹ 24.05 crore), Goa Auto Accessories Limited (₹ 1.71 crore) and Goa Handicraft Rural and Small Scale Industries Development Corporation Limited (₹ 1.91 crore).

5.1.21 The losses of PSUs are mainly attributable to deficiencies in financial management, planning, implementation of projects, operations and monitoring. A review of latest Audit Reports of C&AG shows that the State PSUs sustained losses to the tune of ₹ 43.93 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

Table 5.8: Controllable losses commented in Audit Reports

(₹ in crore)

Particulars	2011-12	2012-13	2013-14	Total
Net Profit	6.93	15.58	48.31	70.82
Controllable losses as per CAG's Audit Report	20.66	19.80	3.47	43.93

5.1.22 The above losses pointed out in the Audit Reports of C&AG was based on test check of records of PSUs.

5.1.23 Some other key parameters pertaining to State PSUs are given below:

Table 5.9: Key parameters of State PSUs

(₹ in crore)

Particulars	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Return on Capital Employed (*per cent*)	21.64	10.01	7.25	6.68	8.94	9.21
Debt	224.73	242.69	212.48	139.27	314.07	367.15
Turnover	459.33	440.04	413.72	456.48	569.35	652.18
Debt/Turnover Ratio	0.49:1	0.55:1	0.51:1	0.31:1	0.55:1	0.56:1
Interest Payments	27.67	29.20	31.30	27.49	29.13	38.16
Accumulated Profits (losses)	**(82.46)**	**(34.56)**	**(36.00)**	**(46.15)**	**(46.22)**	**(47.24)**

5.1.24 The percentage of return on Capital Employed showed a declining trend from 21.64 *per cent* in 2008-09 to 6.68 *per cent* in 2011-12 and thereafter increasing to 9.21 *per cent* in 2013-14. This was mainly due to improvement in return on Capital Employed of two companies namely Goa Meat Complex Limited and EDC Limited. The total debt position has gone up to ₹ 367.15 crore in 2013-14 from ₹ 314.07 crore in the previous year 2012-13 due to additional loan taken by EDC Limited. The outgo of PSUs towards payment of interest showed an increasing trend and stood at ₹ 38.16 crore as on 31 March 2014 showing an increase of ₹ 9.03 crore when compared to 2012-13. The turnover position increased from ₹ 569.39 crore in 2012-13 to ₹ 652.18 crore in 2013-14 mainly due to increase in turnover of Goa State Infrastructure Development Corporation Limited, EDC Limited and Kadamba Transport Corporation Limited. The accumulated losses had decreased from ₹ 82.46 crore during 2008-09 to ₹ 34.56 crore in 2009-10 but further increased to ₹ 47.24 crore in 2013-14.

5.1.25 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 eight PSUs earned an aggregate profit of ₹ 48.31 crore, only two PSUs (EDC Limited and Goa State Infrastructure Development Corporation Limited) declared a dividend of ₹ 1.38 crore.

The State Government may consider formulation of a dividend Policy regarding payment of reasonable return from the profit earning PSUs.

Disinvestment, Privatisation and Restructuring of PSUs

5.1.26 The position of disinvestment, privatisation and restructuring of PSUs during the year 2013-14 is as under:

- During the year 2013-14, the State Government had approved (February 2014) disinvestment of Goa Antibiotics & Pharmaceuticals

Limited (GAPL). Accordingly, GAPL, a subsidiary of EDC Limited (EDC) was disinvested by sale of 74 *per cent* of EDC's stake in favour of M/s HLL Life Care Ltd. (HLL), a Government of India Enterprise.

- Manufacturing operations of Goa Auto Accessories Limited (GAAL) have been stopped since 10 March 2014 after introducing Voluntary Retirement Scheme (VRS) to the Employees in accordance with decision of the Government of Goa.

- As apprised by the Department of IT, Goa Information Technology Development Corporation has become defunct/non-functional and there was a proposal before the State Government to wind-up the Corporation.

Accounts Comments

5.1.27 Fourteen[6] Companies forwarded their 20 accounts to Accountant General during the year 2013-14, of which 10 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. The details of aggregate money value of comments of Statutory Auditors and C&AG are given below.

Table 5.10: Details of aggregate value of comments

(₹ in crore)

Sl. No.	Particulars	2011-12		2012-13		2013-14	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	2	5.07	2	12.21	4	1.38
2	Increase in loss	1	0.20	2	1.95	3	18.53
3	Non-disclosure of material facts	2	12.68	5	2.50	2	0.64
4	Errors of classification	1	2.91	2	0.13	0	-

5.1.28 During the year 2013-14, the Statutory Auditors had given qualified certificates for 14 accounts pertaining to 10 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 21 instances of non-compliance in 20 accounts during the year.

Departmentally managed Government commercial/quasi commercial undertakings

5.1.29 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 2014. The Proforma accounts of the River Navigation Department were in arrears for the years from 2006-07 to 2013-14 and that of the Electricity Department for the years 2010-11 to 2013-14 (December 2014).

[6]Including accounts of one company *i.e.* GAPL, which was disinvested during 2013-14.

Reforms in Power Sector

5.1.30 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.

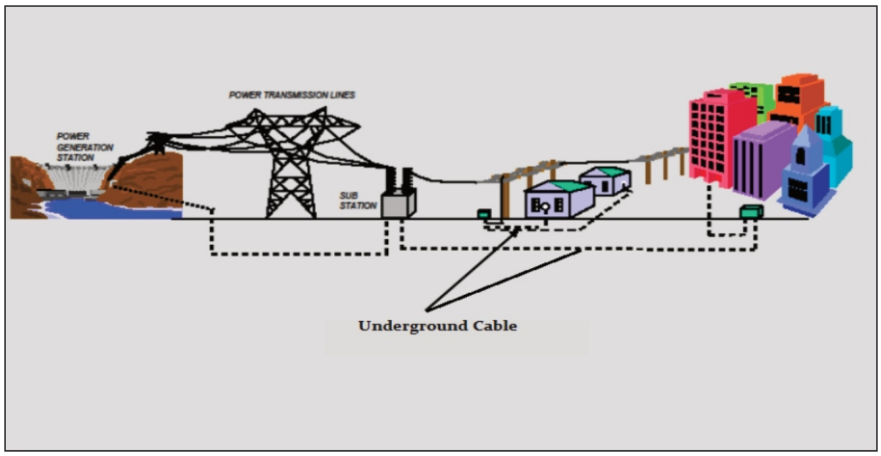
5.1.31 A Memorandum of Understanding (MoU) was signed in October 2001 between the Union Ministry of Power and the State Government as a joint commitment for implementation of reforms in power sector with identified milestones. The progress achieved so far in respect of important milestones was satisfactory excepting the fact that State Government has not corporatised its Electricity Department so far though the same was due by 31 March 2002.

ELECTRICITY DEPARTMENT

5.2 LAYING OF UNDERGROUND CABLING NETWORK

5.2.1 Introduction

Electricity is distributed through Overhead (OH) lines and Underground (UG) lines. The work of conversion and commissioning of OH lines to UG Cable distribution lines in Panaji City and some parts of Margao City were completed by Goa Electricity Department (GED) in 2007-08. The UG conversion works in Panaji and Margao improved the quality of service to the consumers and reduced the interruptions during the monsoon season.



Schematic diagram showing transmission and distribution of power

Following this, GED took up (2008-09) conversion of existing OH lines (33/11 kv) to UG lines and execution of new works using UG cables under Infrastructure Works, Tribal Sub Plan (TSP) schemes, Accelerated Power Development & Reforms Programme (APDRP) and Electricity Development Fund (EDF) to ensure reliability in power supply.

Planning & Funding of Underground Cabling Projects

The UG cabling projects are initiated by GED on the basis of:

- availability and demand for power;
- condition of the existing over head lines;
- commissioning of new substations; and
- also initiated on the directions of the State Government; requests/ proposals from industrial associations and elected representatives.

The State Government also constituted (September 2008) an Electricity Development Fund (EDF) in the Public Account of the State. The fund was planned to be raised through levy of electricity duty on consumption of electricity by consumers and utilised for the development and up-gradation of power infrastructure in the State of Goa. The fund was also being utilised for the execution of UG cabling projects in the State besides other power infrastructure development projects in the State.

Preparation of Estimates and Selection/allotment of work

The estimated cost of UG cabling project is prepared by GED division in whose jurisdiction the project is planned to be executed. The previous purchase rate of items is treated as the schedule of rates by GED and the estimated cost is calculated on this basis. The estimates so prepared is scrutinised and accorded administrative approval and technical sanction by the Chief Electrical Engineer of GED. Further, expenditure sanction is accorded by the Expenditure Finance Committee after ascertaining the availability of fund required for the project.

After the administrative approval, technical and expenditure sanctions are accorded to the estimates, a tender notice is published on Goa Government website inviting e-tenders and the tender notice is also published in leading newspapers. Tenders are invited in two parts (i) techno-commercial bid and (ii) Financial/Price bid. The tenders shall be valid for a period of 90 days from the date of opening of techno-commercial bid. A pre-bid conference is also conducted for clarifications/discussions with the contractors regarding the tendered work. According to paragraph 20.3.1(1) and Appendix 23 of CPWD Works Manual, a maximum time of 45 days is allowed for scrutiny and disposal of tenders. The tenders received are appraised by the Technical Advisory Committee of GED and approved by Goa State Works Board. The contractor whose bid is accepted is required to furnish performance guarantee of five *per cent* of the bid amount within 15 days from the issue of Acceptance letter. After receipt of the prescribed performance guarantee, the work order is issued.

5.2.2 Audit Coverage

Audit carried out a study of the planning, procurement of material and execution of UG cabling works. From 2008-09 to 2013-14, 35 UG Cabling works **(Table 5.11)** were initiated by GED in 9 Operating divisions.

Table 5.11: Details of Operating Divisions undertaking UG cabling works

Operating Division	No. of works related to UG cabling					
	Supply	Execution	Turnkey	Turnkey (Joint Venture)	Work not awarded	Total
Division I, Panaji	1	1	1	0	0	03
Division III, Ponda	0	0	0	0	1	01
Division IV, Margao	2	2	2	0	0	06
Division V, Bicholim	0	0	5	0	0	05
Division VI, Mapusa	2	2	3	0	0	07
Division X, Ponda	2	2	0	0	0	04
Division XI, Vasco	1	1	0	1	0	03
Division XIV, Verna	0	0	1	0	2	03
Division XVI, Margao	0	0	0	2	1	03
TOTAL	**8**	**8**	**12**	**3**	**4**	**35**

GED executed the works of UG cabling by three different methods as mentioned below through contractors selected by e-tendering process:

(i) On turnkey basis (including supply of materials and execution)

(ii) Splitting the work into two components namely *(a)* Procurement of the required quantity of UG Cable directly from manufacturers and *(b)* Execution of the work of laying/erection, testing and commissioning of UG cable supplied with accessories; and

(iii) Awarding of works to Joint Venture partners where the lead partner is the contractor responsible for laying the UG cable and Co-partner is the manufacturer of UG cable.

During the year 2008-09 to 2013-14, GED prepared estimates for 35 projects involving supply and execution of UG cabling works. Audit selected 33 projects for review; of these projects, eight supply orders; one execution work and three turnkey works were completed. Seven execution works; seven turnkey works and three turnkey works awarded to joint venture partners were in various stages of execution and tenders for four works were not awarded.

The important audit findings on various aspect of laying of UG cables are discussed in detail in subsequent paragraphs.

Audit Findings

5.2.3 Preparation of estimates at higher side

In Division V, Bicholim, three UG cabling works awarded during 2010-11 on turnkey basis were reviewed. Of these works, two works were connecting Sanquelim sub-station and four pole structures at Virdi and Bhupial respectively. We observed that both the works were awarded at approximately half the amount put to tender as detailed below:

Table 5.12: Details of estimated rate and work award rate of two UG cabling work awarded in Division V, Bicholim

(₹ in crore)

Details of UG cabling Work commencing from Sanquelim substation connecting	Amount put to tender	Work Order Amount	*Percentage* variation
Virdi four pole structure	2.82	1.30	54.04 below
Bhupial four pole structure	2.45	1.27	48.02 below

On a comparison of the estimates and the successful tender, it was revealed that the rate of 33 KV, 3 core x 240 Sq.mm UG cable planned for utilisation in both the works was estimated at ₹ 3,300 per metre. However the successful bid rate quoted for UG cable was ₹ 1,301 per metre (60.58 *per cent* below) and ₹ 1,200 meter (63.64 *per cent* below) for the work connecting four pole structure at Virdi and Bhupial respectively, indicating that the estimates prepared were on a higher side.

As cables constitute the main cost component of UG cabling works, it was imperative that GED should have ascertained the prevalent market rates before preparation of estimates.

5.2.4 Tendering process

Delay in execution of connected works

To ensure the satisfactory commissioning of a project, the inter-dependent/ connected works are to be completed. We observed in two cases that even though works were completed, the commissioning of the project was delayed due to non-completion of an interdependent/connected work.

Division XVI, Margao was unable to commission the 220/33 KV sub-station at Cuncolim completed and test charged in December 2013 at a cost of ₹ 58.25 crore[7], as the work of supply and laying of cable and accessories was not tendered and the estimate providing UG link lines was not approved (August 2014). Consequently, the estimated cost of laying UG cable had increased from ₹ 8.33 crore to ₹ 15.27 crore (83.31 *per cent*) and resulted in a cost overrun of ₹ 6.94 crore. The two 33KV feeders were charged (March 2014) and feeding supply to Cancona and Cuncolim area.

Similarly, 62 Kms of 33 KV, 3 Core x 400 Sq.mm XLPE UG cable procured (Division XI, Vasco) at a cost of ₹ 15.19 crore during January 2011 was kept idle for more than 11 months due to belated publication on July 2010 of notice inviting tenders for laying the cable and permission to excavate the road (NOC received in December 2011). Further the execution of work has not been completed so far (January 2015). This would lead to cost overrun besides blocking of Government funds on inventory/idle assets.

Delay in finalisation of tender

According to the provisions of the CPWD works Manual, a maximum time of 45 days is allowed for scrutiny and disposal of tenders. It was observed that GED did not finalise three tenders related to supply and laying of UG cable which were notified during the period from June 2011 to November 2011 **(*Appendix 5.2*).**

The Technical Advisory Committee meeting informed (May 2012) that the finalisation of tenders was delayed due to code of conduct of the Legislative Assembly elections held in March 2012. However, we observed that out of these three works, the acceptance of two tenders was due in the months of July 2011 and September 2011. Therefore, these tenders could have been finalised well before the model code of conduct was notified on February 2012. Further, no action has been taken to call for fresh tenders

[7] As per RA bill 32, Feb 2015, final bill yet to be submitted

(September 2014) to execute these works. As these works were not abandoned, the execution of these works later on would result in cost overrun.

5.2.5 Discrepancies in procurement of material

Acceptance and utilisation of cheaper and substandard material

The general terms and conditions of tender (Part-III) for supply of UG cables stipulate acceptance tests (clause 9.3) which state that acceptance tests on the manufactured cables shall be conducted at the manufacturer's works in the presence of the department's representatives on the randomly selected cable samples as per the sampling procedure. When the supplier intimates GED about the readiness to offer the materials for inspection, GED deputes its officers for inspection at the suppliers' premises and when the materials are found to conform to the specifications ordered, inspection certificates are issued for each lot and the materials are despatched to GED.

The Division VI, Mapusa procured (January 2012) about 17 Kms of 33 KV, 3 Core x 400 Sq.mm, XLPE insulated, armoured UG cable of type A2XWY from M/s Polycab Wires Pvt. Ltd. valued ₹ 3.78 crore without inspection of the material at the manufacturer's premises. We observed that the Asst. Engineer, Subdivision II had informed (February 2012) the Division that 400 Sq.mm lugs (Dowells make) fitted very loose to the UG cables supplied whereas 300 Sq.mm lugs could be fully inserted; expressing doubt about quality of the material supplied. This implied that the cross-section of the UG cable supplied was 300 Sq.mm instead of 400 Sq.mm ordered and therefore had a lower capacity to transmit electricity. This also inferred that the quality of UG cable supplied was cheaper than the quality of UG cable ordered. However, the Division took no action to get the UG cable tested to confirm the quality of UG cable supplied/get replacement from the manufacturer.

The supplied UG cable was planned to be utilised for Double Circuit (DC) UG line between Thivim substation and Porvorim substation. The work of laying DC UG line from Thivim substation to Porvorim substation including supply, erection, testing and commissioning of associated equipment at both the substations was awarded to M/s Nanu Engineers Pvt. Ltd. (NEPL). On a scrutiny of the bid quoted by NEPL, it was observed that NEPL selected recently approved jointing kits of Denson make which were cheaper compared to other makes of jointing kits.

The laying of UG cable between Thivim sub-station and Porvorim sub-station could be completed (February 2013) only after one year from the completion of supply of UG cable. The feeders tripped twice within a period of one week from the date of idle test charging. The contractor attributed the tripping to cable fault and was repaired subsequently. The Division did not furnish the details of charges incurred for repair and claims/recoveries made from the cable manufacturer (July 2014).

Further, the jointing kits also failed repeatedly and to resolve the problem all the 70 Nos. of Denson make jointing kits had to be replaced with 100 numbers of Raychem make jointing kits by utilising an extra quantity of 30 jointing kits and thereby an extra expenditure of ₹ 22.35 lakh was incurred as detailed below:

Table 5.13: Statement showing excess expenditure incurred on replacement of substandard jointing kits.

(Amount in ₹)

Jointing Kits						Extra Expenditure
Denson Make			Raychem Make			
Quantity	Rate		Quantity	Rate	Amount	
70	28925	2024750	100	42600	4260000	2235250

Failure of the Mapusa Division to get the materials inspected before acceptance in spite of the report of the Asst. Engineer resulted in the acceptance of substandard materials valued ₹ 3.99 crore (UG cable ₹ 3.78 crore + jointing kits - ₹ 20.25 lakh) and an additional expenditure of ₹ 22.35 lakh was incurred on replacement of jointing kits. As the UG cable supplied were of lower quality, the re-occurrence of cable fault cannot be ruled out in the future.

We observed that Division XI, Vasco had decided (October 2013) to get a randomly selected sample of 33 KV jointing kit tested by Central Power Research Institute before utilisation in the 33 KV UG cabling work between Verna substation and Vasco substation. Had Division VI, Mapusa done the same in case of jointing kits of Denson make, the extra expenditure, time and effort of replacing the substandard jointing kits could have been saved.

The GED accepted the facts in respect of the Joining kits (November 2014).

5.2.6 Execution of work

Laying of UG cable along highway identified for widening.

Electricity Division X, Ponda was executing works of laying of 33 KV, DC 3 core x 400 Sq.mm XLPE armoured UG cable from 110 KV Kadamba Sub-station to 33/11 KV Kundaim Sub-station via Corlim along highway NH 4A. We observed that the Highway authorities intimated (May 2011) the Division about the highway widening plans and requested to stop UG cabling work along the highway as the cables would require to be shifted during the widening and would be waste of funds to the GED. However, the Division did not consider the same and proceeded with the work of laying UG cables.

The work of widening of the NH has since been undertaken by the Authority. During the course of widening the highway, the UG cable would be excavated and shifted at the cost of GED, resulting in entire expenditure incurred on laying of UG cable becoming infructuous. Additional expenditure also would have to be incurred for re-laying of UG cable and also on repair of portions of UG cable damaged during excavation. The picture below shows UG cables removed and dumped in the course of the road widening work.



Thus, laying of UG cable along highways identified for widening ignoring the notice of the Highway authorities has resulted in avoidable loss of ₹ 2.69 crore[8] being expenditure incurred on laying charges besides damage to the UG cable.

Lapse of guarantee period of UG cable due to delay in completion of works

The general terms and conditions of the tender documents for supply of materials specify that the contractor should guarantee the performance for a period of twelve months from the date of commissioning or twenty four months from the date of supply, whichever is earlier. GED took up the execution of eight UG cabling works where the procurement of UG cable was tendered separately. The UG cable for each work was procured in bulk and stored in the respective Divisions and the contractor had to draw the required quantity of cable from the Divisions according to the progress of work. The time specified for completion of these UG cabling works were one year from the date of work order. However, the progress in execution of UG cabling works was relatively slow mainly due to 'Right of Way' problems. This resulted in non-completion of UG cabling works within the scheduled period of completion of work and extensions of time were granted for completion of the UG cabling works. The delay in completion resulted in lapse of guarantee period on cable valued ₹ 84.17 crore as detailed in ***Appendix 5.3***.

The above issues were brought to the notice of the Government (September 2014); their replies were awaited (January 2015).

5.2.7 Conclusion

The underground cabling in Goa was marred by a number of shortcomings. The estimates were not properly prepared resulting in works being awarded at much lesser than the estimated cost. Substandard materials were procured and utilised resulting in disruption of services. Cables were laid alongside roads which were due for widening inspite of sufficient notice by the highway authorities which led to avoidable expenditure on laying of cables. Inordinate delay in completion of works also resulted in lapse of guarantee period of underground cables procured.

[8] calculated on pro-rata basis from 110 KV Kadamba Sub-station to 33/11 KV Kundaim Sub-station via Corlim).

DEPARTMENT OF INFORMATION TECHNOLOGY

5.3 Avoidable expenditure/loss due to awarding contract to United Telecoms Limited

Awarding contract to United Telecoms Limited for setting up of Goa Broadband Network at higher rate without considering the more economical option of BSNL led to avoidable expenditure of ₹ 17.40 crore besides loss of interest of ₹ 5.22 crore on mobilisation advance.

The Goa Broad Band Network (GBBN) project was initiated to provide internet and intranet connectivity to 2,864 offices of Government of Goa through the Department of Information Technology (DoIT), Government of Goa (GoG). The work was awarded (November 2006) to M/s United Telecoms Limited (UTL). UTL was to provide internet bandwidth of 47.5 Mbps per annum for the first three years and 161 Mbps per annum for the next seven years. The total expenditure was estimated at ₹ 466.86 crore at the rate of ₹ 2.52 lakh per Mbps per month for the first three years and ₹ 2.26 lakh per Mbps per month for the next seven years. As per time frame for completion of work, the UTIL had to complete the broadband connectivity with Government Departments/Panchayats, educational institutions and households by March/September 2007.

Due to failure of UTL in timely completion of the contract, a revised proposal was approved by the Cabinet in December 2008. A cap was placed on the number of buildings/location, limiting it to 414 and number of offices to 802. Internet band width was reduced to 22.48 Mbps per annum in the first three years and 51.97 Mbps per annum in the succeeding seven years. The expenditure thus reduced to ₹ 218.23 crore over a period of 10 years. A supplementary agreement was entered (February 2009) into with UTL by GoG.

The GBBN network was declared operational from 01August 2009 by the Third Party Audit agency, M/s. Software Technology Parks of India, a GoI organisation. During the period between August 2009 and August 2012, the DoIT has effected payment of ₹ 20.40 crore[9] towards internet bandwidth charges as per the Service Level Agreement with UTL.

It was observed that Bharat Sanchar Nigam Limited (BSNL), a Central Government Undertaking, with a view to promote e-governance through State Wide Area Network (SWAN) had offered (January 2005) to all States 90 *per cent* discount on prevailing TRAI rate for providing 2 Mbps bandwidth link which according to BSNL was quite sufficient for SWAN projects. Though the BSNL did not participate in the tender process, the department despite being aware of the fact did not consider the option of hiring BSNL for internet connectivity and limiting the scope of UTL's services to intranet connectivity alone. The BSNL rates for internet service was ₹ two crore per annum for a band width of 45 Mbps as against the rate of ₹ 13.61 crore[10] of

[9] ₹ 2.52 lakh per Mbps per month x 22.48 Mbps x 12 months x 3 years
[10] ₹ 2.52 lakh per Mbps per month x 45 Mbps x 12 months

UTL. Since the time of operationalisation of GBBN network from 01 August 2009, the department has paid UTL ₹ 20.40 crore for provision of internet bandwidth.

Thus, failure of DoIT to limit the scope of the PPP to providing intranet connectivity alone, resulted in an avoidable expenditure of ₹ 17.40 crore[11]. An additional expenditure of ₹ 82.49 crore[12] would be incurred for the remaining period of seven years. Thus, the department chose to disregard offer of lower charges by BSNL for internet connectivity and awarded the contract to UTL that led to increase in the project cost.

The original Agreement entered into between GoG and UTL did not contain provisions for advance payment to the contractor. However, based on the request made by UTL (October 2008), the DoIT incorporated a clause for making an on-account payment of ₹ 20 crore to UTL against appropriate Bank Guarantee to be adjusted in the future amount payable to them through Quarterly Guarantee Revenue. The DoIT did not incorporate suitable clause for recovery of interest as envisaged in section 32.5 of the CPWD works manual which states that mobilisation advance limited to 10 *per cent* of tendered amount at the rate of 10 *per cent* simple interest, could be sanctioned to the contractors on specific request as per terms of contract. The DoIT had released ₹ 20 crore (₹ five crore each in June/August/December 2009 and January 2010) against bank guarantee of equal amount. This resulted in loss of interest of ₹ 5.22 crore to the Government up to September 2013.

In reply the Department stated (July 2014) that:

- The savings in project cost was not only due to reduction in internet bandwidth requirement but was due to several techno commercial factors leading to revision of the scope of the project including reduction in number of intranet connections.
- The GBBN project was initiated based on a project report prepared by the National Institute of Smart Governance (NISG).
- The project requirement includes both internet and intranet requirements. The present BSNL rate for one Gbps intranet connectivity is ₹ 1.08 crore per year and hence the intranet charges of BSNL would have been more.
- The BSNL was not having ready infrastructure during 2006.
- Advance paid to UTL was not in the nature of mobilisation advance but was partly to compensate the loss of revenue due to delay in completion of the project.

The reply of the Department is not convincing as BSNL had the infrastructure for internet connectivity in 2006 when the GBBN project was taken up and DoIT itself had not ensured proper market assessment and commercial viability of its requirement of one Gbps connectivity. Further, the delay in

[11] ₹ 20.40 crore – (₹ 2 crore per annum for the bandwidth of 45 Mbps /45 Mbps x 22.48 Mbps x 3 years)
[12] (₹ 2.26 lakh per Mbps per month x 51.97 Mbps x 12 months x 7 years) – (₹ two crore per annum for the bandwidth of 45 Mbps /45 Mbps x 51.97 Mbps x 7 years)

completion of the project was on account of UTL, and hence there was no requirement to compensate UTL for loss of revenue.

Thus, there was a total loss of ₹ 22.62 crore to the Government on implementation of the GBBN project (avoidable expenditure of ₹ 17.40 crore due to not considering the option of BSNL and ₹ 5.22 crore due to non-recovery of interest on advance payment) with an additional committed expenditure of ₹ 82.49 crore.

GOA ELECTRICITY DEPARTMENT

5.4 Excess payment of Consultancy Fees

Excess payment of Consultancy Fees to POWERGRID in contravention to the agreement

Clause 4.4 of two agreements[13] for works entered into by Government of Goa (GoG) with M/s Power Grid Corporation of India Limited (POWERGRID) envisaged payment of consultancy fees at the rate of 13.5 *per cent* of the estimated cost of the work. As per Clause 4.5 of the agreements, service tax on the consultancy fees at applicable rate shall also be paid by the Government. Further, all present and future taxes, duties levied by any Act/Notification of the State/Central Government arising out of the agreement between Government and POWERGRID and its contractor/suppliers shall be paid by the Government directly to the concerned authorities or to POWERGRID in case the same was paid by POWERGRID.

The above agreements for the works were awarded (March 2006) presuming that exemption of Central Sales Tax (CST) could be availed by producing D forms on procurement of materials used for the work. However, the practice of giving exemption of CST by accepting D forms was abolished with effect from 01 April 2007. Accordingly, based on a demand from POWERGRID, Goa Electricity Department paid differential sales tax of ₹ 3.70 crore[14] to them (March 2012). On this differential sales tax POWERGRID had also claimed (July 2010) consultancy fees (at the rate of 13.5 *per cent*) and service tax (at the rate of 12.36 *per cent*) thereon amounting to ₹ 56.06 lakh[15] and the same was paid by the Department.

In this regard, we observed that consultancy fees and service tax of ₹ 56.06 lakh paid on differential sales tax was in contravention to the clause 4.5 of the agreement (which prescribed reimbursement of additional taxes only) and hence resulted in loss to the Government.

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[13] i) Design, Supply, Erection, Testing and Commissioning of 2x50 MVA, 220/33 KV Sub Station at Amona along with associated equipments under Electrical Division IX, Thivim of Goa electricity Department for which, agreement was entered on 31 March 2006
ii) Design, Supply, Installation, Testing and Commissioning of new 1 X 40MVA, 110/33KV Power Transformer at Ponda Sub-station with associated equipments under Electrical Division III, Ponda for which, agreement was entered on 04 October 2005

[14] ₹ 345.73 lakh for the work of Amona and ₹ 24.31 lakh for the work of Ponda sub-station

[15] Consultancy fees of ₹ 46.67 lakh and service tax of ₹ 5.77 lakh on the work of Amona and Consultancy fees of ₹ 3.28 lakh and service tax of ₹ 0.34 lakh for the work of Ponda Sub-station

The matter was brought to the notice of the Chief Electrical Engineer (May 2013/January 2014) for which no reply has been received so far (January 2015).



Panaji **(ASHUTOSH JOSHI)**
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Countersigned



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The **Comptroller and Auditor General of India**