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 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 the 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 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 improve 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 'Integrated Child Development Services Scheme' and e-Governance Programme Implementation in Goa'. Chapter-III contains observations on audit of transactions in Government Departments. Chapter-IV contains one Performance audit report on 'Levy and Collection of State Excise Revenue' and observations on audit of Revenue receipts. Chapter-V contains audit 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 2013-14 and in the preceding two years is given in **Table 1** below:

Table 1: Comparative position of expenditure

(₹ in crore)

Disbursements	2011-12			2012-13			2013-14		
	Plan	Non - plan	Total	Plan	Non - plan	Total	Plan	Non - plan	Total
Revenue expenditure									
General services	14.69	1617.89	**1632.58**	13.23	1846.74	1859.97	29.08	2046.54	**2075.62**
Social services	499.46	750.42	**1249.88**	737.10	788.57	1525.67	1000.59	862.90	**1863.49**
Economic services	270.42	1501.11	**1771.53**	290.30	1622.61	1912.91	394.87	1528.27	**1923.14**
Grant-in-aid and contributions	325.64	503.87	**829.51**	209.73	553.06	762.79	287.01	654.02	**941.03**
Total	**1110.21**	**4373.29**	**5483.50**	**1250.36**	**4810.98**	**6061.34**	1711.55	5091.73	**6803.28**
Capital Expenditure									
Capital outlay	1182.21	1.56	**1183.77**	940.88	1.39	942.27	998.14	10.08	**1008.22**
Loans and advances disbursed	5.51	3.91	**9.42**	1.21	2.77	3.98	0.16	4.09	**4.25**
Repayment of public debt (including transactions under ways and means advances)	-	278.29	**278.29**	-	339.06	339.06	-	385.06	**385.06**
Contingency Fund	-	-	**-**	-	-	-	-	-	**0.01**
Public Account disbursements	-	-	**7057.22**	-	-	7655.66	-	-	**8026.81**
Total	**1187.72**	**283.76**	**8528.70**	**942.09**	**343.22**	**8940.97**	**998.30**	**399.23**	**9424.35**
Grand total	**2297.93**	**4657.05**	**14012.20**	**2192.45**	**5154.20**	**15002.31**	**2709.85**	**5490.96**	**16227.63**

(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[1] 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)[2], 19(3)[3] and 20(1)[4] of the C&AG's (DPC) Act. In addition the C&AG also conducts audit of bodies/authorities under section 14[5] 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.

[1] 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.

[2] Audit of the accounts of Corporations (not being companies) established by or under law made by the State Legislature in accordance with the provisions of the respective legislations.

[3] Audit of corporation established by law by the legislature of a State or Union Territory in public interest on the request of the Governor of the State or the Administrator of the U.T. after giving reasonable opportunity to the concerned corporation to make representations in respect of the proposal for such audit.

[4] Audit of accounts of any body or authority not covered under Section 19 on the request of the Governor, on such terms and conditions as may agree upon between the C&AG and the Government.

[5] 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 or anybody of 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 head 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 2013-14, in the Social Sector Audit Wing, 736 party-days were used to carry out audit of 132 units and one Performance audit. The Economic Sector Audit Wing conducted audit of 20 units utilising 435 party days and the General Sector Audit Wing 34 units utilising 302 party days. The audit plan covered those units/entities which were vulnerable to significant risk 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

This report contains three Performance audit reports. The highlights are given in the following paragraphs.

1.6.1.1 Performance Audit on Integrated Child Development Services Scheme

- Central grants of ₹ 10.13 crore under ICDS (General) and ₹ 0.56 crore under Supplementary Nutrition Programme were not released due to

non-submission of the Statement of Expenditure/Utilisation Certificates in time.

(Paragraph 2.1.7.2)

- Out of 713 AWCs in the five selected projects, the basic amenities such as toilets and adequate space were not available in 34 *per cent* to 95 *per cent* AWCs.

(Paragraph 2.1.9.1)

- Supplementary Nutrition Programme was implemented in a very satisfactory manner in the State of Goa, as on an average only 76 mal-nourished children were identified per year in the test checked records during 2009-14.

(Paragraph 2.1.10.1)

- Of the 0.74 lakh children registered in the Anganwadi Centres only 0.62 lakh (85 *per cent)* actually attended Pre-School.

(Paragraph 2.1.12.2)

- Shortfall in field visits up to 52 *per cent* and 68 *per cent* by Child Development Project Officers and Supervisors respectively was noticed in the 60 test checked AWCs during 2009-14.

(Paragraph 2.1.16.2)

- The State Government paid honorarium of ₹ 4,000 and ₹ 3,000 in addition to the honorarium of ₹ 3,000 and ₹ 1,500 paid by the GoI to Anganwadi Workers, Anganwadi Helpers respectively.

(Paragraph 2.1.17)

1.6.1.2 Performance audit on e-Governance Programme Implementation in Goa

- The network uptime performance in the networking route between taluka head quarter and village head quarter was neglected by the PPP partner as well as the State agencies resulting in poor networking quality and absence of Service Level Agreement and network monitoring system in the second part of the Goa Broadband Network resulted in deteriorated network connectivity.

(Paragraph 2.2.7.1)

- Poor condition of in-house computerisation in the line departments and the panchayats, non-availability of payment gateway facility and lack of monitoring of the performance of e-services by the line departments weakened the effectiveness of the delivery of the e-Services to the citizens through State Service Delivery Gateway SSDG in the State. Due to non-conduct of need analysis, the Land Information System had failed to find acceptance by the citizens for purchasing land maps. Similarly, lack of planning and indecision on the part of the line department had led to non-implementation of e-Panchayat Mission Mode Project.

(Paragraph 2.2.7.2)

- Lack of planning and clarity on feasible locations for Common Services Centres, non-preparedness of the line departments with backend process computerisation, indecision on the rates to be charged for the services, erroneous selection of the PPP model on the basis of revenue sharing making the project unviable, non-availability of network connectivity, non-establishment of payment gateway had led to the failure of Common Services Centre scheme.

(Paragraph 2.2.7.3)

1.6.1.3 Performance audit on levy and collection of State Excise Revenue

- Sales declared as exports without producing Export Verification Certificate (EVC) as proof of export resulted in irregular Excise duty concession to the extent of ₹ 5.86 crore.

(Paragraph 4.2.6.2)

- There was short levy of license fee on occasional license for sale of liquor, which in one case amounted to ₹ 10.50 lakh.

(Paragraph 4.2.6.5)

- There was short levy of renewal fees due to misclassification of categories of 16 hotels amounting to ₹ 0.73 crore.

(Paragraph 4.2.6.6)

- There was short levy of surcharge due to adoption of wrong rates for keeping four licensed premises for consumption of liquor open beyond 11 p.m. amounting to ₹ 10.50 lakh.

(Paragraph 4.2.6.9)

- The requirement of setting norms for allowance of wastages and the instructions pertaining to levy and collection of Excise duty on excess wastages were not strictly followed by the Department. The loss of revenue in case of one unit which claimed wastage on malt spirit though there was no norm set for it amounted to minimum ₹ 9.40 lakh.

(Paragraph 4.2.7)

- Arrears of Establishment charges demanded on account of the departmental staff posted in the liquor manufacturing units as of June 2014 amounted to ₹ 1.27 crore. There was no provision to levy delayed payment charges.

(Paragraph 4.2.9)

- Non-demanding House Rent Allowance (HRA) and Leave salary contributions on account of personnel posted in the 57 manufacturing units resulted in loss of revenue of ₹ 1.06 crore on account of HRA and ₹ 0.58 crore on account of leave salary contribution for the period 2009-10 to 2013-14.

(Paragraph 4.2.10)

- Though the concept of Small Scale Industrial units have ceased to exist since October 2006 concessions in license fee being SSI units continued to be allowed to 55 liquor manufacturing units. Thus, undue benefit of concession allowed during the period from 2009-10 to 2013-14 amounted to ₹ 1.80 crore.

(Paragraph 4.2.12)

- Testing of liquor samples required as provided in the Act was too insignificant. Out of 9,709 batches manufactured by the above units, only 452 batches (4.65 *per cent*) were tested by the public laboratory.

(Paragraph 4.2.14)

1.6.2 Compliance audit of transactions

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

1.6.2.1 Implementation of Jawaharlal Nehru National Urban Renewal Mission (JNNURM) scheme in Goa State.

- ₹ 22.11 crore allocated by the MoUD in June 2007 under the scheme was exhausted by distributing among only three municipal councils and the remaining ten councils were deprived of the benefits of the scheme.

(Paragraph 3.1.8)

- Execution of the projects at Sanquelim, Bicholim and Sanguem was adversely affected due to improper preparation of Detailed Project Report (DPR) by an inexperienced consultant. Monitoring mechanism was not adequate to ensure that the projects were executed within the mission period as per the approved DPR.

(Paragraph 3.1.9)

1.6.2.2 Other observations

- **Avoidable expenditure of ₹ 1.33 crore due to faulty estimates**

  There was large deviation in original estimated quantity on items of filling and compaction due to change in site for construction of athletic stadium. The department invited tenders without revision of estimates. Further, failure of the department to obtain clarification on exorbitant rates (up to 13,614 *per cent* above the estimated rates) quoted by the agency on these items resulted in acceptance of second lowest offer at additional expenditure of ₹ 1.33 crore.

(Paragraph 3.2)

- **Loss of interest of ₹ 91.54 lakh due to keeping huge funds in Current Accounts**

  The Sports Authority of Goa kept the unutilised portion of the grants received from Government in two banks in current account for long periods. The investment of its unutilised funds in short term deposits would have fetched interest revenue to the tune of ₹ 91.54 lakh.

  (Paragraph 3.3)

- Loss of Revenue to the tune of ₹ 1.06 crore due to non-revision of rent in respect of Private Pharmacy in the Premises of Goa Medical College, Goa.

  (Paragraph 3.4)

- **Non-maintenance of Reserve Stock limit of medicines**

  Due to non-maintenance of reserve stock of medicines the GMC resorted to local purchases at higher rates resulting in avoidable expenditure of ₹ one crore.

  (Paragraph 3.5)

- **Loss of Revenue to the tune of ₹ 1.01 crore due to non-allotment of shops at Yatri Nivas**

  Goa Medical College constructed Yatri Nivas (June 2008) for providing accommodation to the patient's relatives and bystanders. The building also provided commercial space of 275.44 square metre with a rent of ₹ 500 per square metre. The inordinate delay on the part of department in finalising tenders and allotment of shops resulted in loss of revenue to the tune of ₹ 1.01 crore.

  (Paragraph 3.6)

1.6.3 Audit of Revenue Receipts

- **Short levy of VAT due to misclassification of goods**

  The Commercial Tax Officer, Panaji short levied Value Added Tax (VAT) to the tune of ₹ 1.11 crore due to incorrect classification of goods.

  (Paragraph 4.3)

- **Short levy of Tax due to application of pre-revised Rules**

  The Commercial Tax Officer, Vasco under-assessed turnover of an assessee resulting in short levy of VAT amounting to ₹ 34.94 lakh

  (Paragraph 4.4)

- **Short levy of Tax due to wrong assessment to the tune of ₹ 83.94 lakh**

  Value Added Tax amo unting to ₹ 83.94 lakh was short levied due to incorrect assessment by Commercial Tax Officer, Vasco.

  (Paragraph 4.5)

- **Loss of revenue due to non-levy of penalty and interest on unpaid VAT dues of ₹ 1.37 crore**

  Non recovery of penalty and interest from a dealer delayed payment of VAT resulted in loss of revenue of ₹ 1.37 crore.

  (Paragraph 4.6)

1.6.4 Audit of commercial and trading activities of the Government

- **Laying of Underground cabling network**

  Delay in completion of UG cable laying work resulted in lapse of guarantee on cable valuing ₹ 84.17 crore.

  (Paragraph 5.2.6)

- **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.

  (Paragraph 5.3)

- **Excess payment of Consultancy Fees**
  Excess payment of Consultancy fees to POWERGRID in contravention to the agreement.

  (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 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 2014, 353 IRs (1,327 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 demi-officially to the Principal Secretaries/Secretaries of the concerned Departments between June 2014 and September 2014 with the request to send their responses within six weeks. Reply of the Government on the observations 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 the Office of the Accountant General, Goa within three months from the date of tabling of Audit Reports to the State Legislature in respect of the paragraphs included in the Audit Reports.

Nine Administrative Departments as detailed in ***Appendix 1.2*** did not comply with these instructions and had not submitted EM for 20 paragraphs pertaining to Audit Reports for the period 2010-11 to 2012-13 even as of September 2014.