

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 ₹ 440.04 crore for 2009-10 as per their latest finalised accounts as of **September 2010**. This turnover was equal to 1.95 *per cent* of State Gross Domestic Product (GDP) for 2009-10¹. Major activities of Goa State PSUs are concentrated in Infrastructure development sector. The State PSUs earned a profit of ₹ 26.19 crore in the aggregate for 2009-10 as per their latest finalized accounts. They had employed 3,342 employees* as of 31 March 2010. The State PSUs do not include two prominent Departmental Undertakings (DUs), which carry out commercial operations but are a part of Government departments. Audit findings on these DUs have also been incorporated in this chapter.

5.1.2 As on 31 March 2010, there were 17 PSUs as per the details given below. None of these companies included in these PSUs was listed on the stock exchange.

Type of PSUs	Working PSUs	Non-working PSUs ^ψ	Total
Government Companies	15	NIL	15
Statutory Corporations	2	NIL	2
Total	17	NIL	17

5.1.3 During the year 2009-10, no PSUs were established or closed down.

Audit Mandate

5.1.4 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. 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

¹ GDP figure for 2000-10 taken as 22512 based on past trend.

* As per the details provided by 17 PSUs.

^ψ Non-working PSUs are those which have ceased to carry on their operations.

were a Government company (deemed Government company) as per Section 619-B of the Companies Act. However, the state had no 619-B company.

5.1.5 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 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 CAG as per the provisions of Section 619 of the Companies Act, 1956.

5.1.6 Audit of statutory corporations is governed by their respective legislations. CAG is the sole auditor for both the statutory corporations viz. Goa Industrial Development Corporation and Goa Information Technology Development Corporation.

Investment in State PSUs

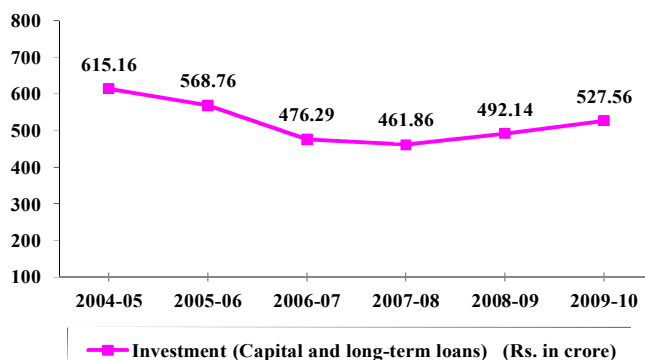
5.1.7 As on 31 March 2010, the investment (capital and long-term loans) in 17 PSUs was ₹ 527.56 crore as per details given below.

(Amount ₹ in crore)

Type of PSUs	Government Companies			Statutory Corporations			Grand Total
	Capital	Long Term Loans	Total	Capital	Long Term Loans	Total	
Working PSUs	251.71	242.69	494.40	33.16	-	33.16	527.56

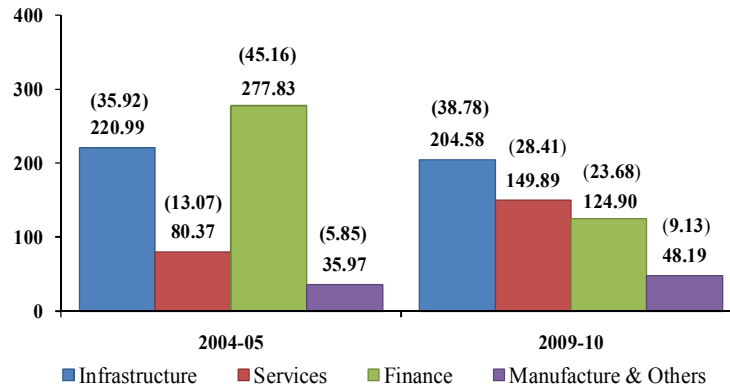
A summarised position of Government investment in State PSUs is detailed in *Appendix 5.1*.

5.1.8 As on 31 March 2010, investment in State PSUs consisted of 54 *per cent* towards capital and 46 *per cent* in long-term loans. The investment has dropped by 14.24 *per cent* from ₹ 615.16 crore in 2004-05 to ₹ 527.56 crore in 2009-10 as shown in the graph below.



5.1.9 The investment in various important sectors and percentage thereof at the end of 31 March 2005 and 31 March 2010 are indicated below in the bar

chart. The investment in Finance sector was reduced by 55.04 per cent in 2009-10 compared to 2004-05, whereas investment in Service sector and Manufacturing & Others increased by 86.50 per cent and 33.97 per cent respectively.



(Amount: ₹ in crore and figures in brackets show the percentage of total investment)

Budgetary outgo, grants/subsidies, guarantees and loans

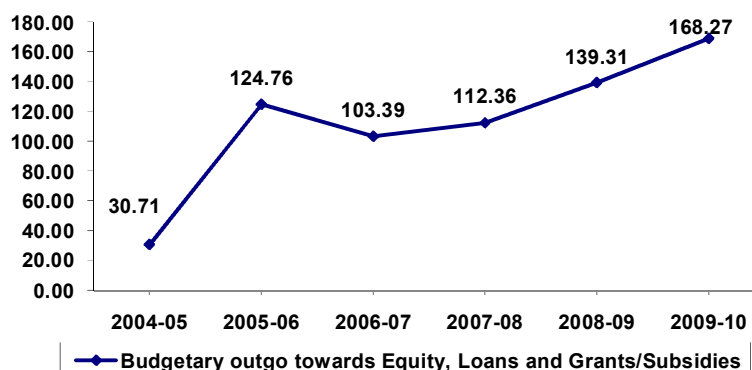
5.1.10 The details regarding budgetary outgo towards equity, loans, grants/subsidies, guarantees issued, loans written off, loans converted into equity and interest waived in respect of State PSUs are given in **Appendix 5.3**. The summarised details are given below for three years ended 2009-10.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of PSUs*	Amount	No. of PSUs*	Amount	No. of PSUs*	Amount
1	Equity Capital outgo from budget 5.3.(a)	7	26.04	3	4.45	6	11.70
2	Loans given from budget	-	NIL	2	6.55	-	NIL
3	Grants/Subsidy received	5	86.32	6	128.31	7	156.57
4	Total Outgo (1+2+3) ²	10	112.36	9	139.31	10	168.27
5	Guarantee Commitment	3	87.35	4	86.60	3	86.00

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

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



The rising trend of budgetary outgo of the State Government towards Equity contribution, Loans, Grants and Subsidies can be seen up to 2005-06 when the budgetary outgo increased to ₹ 124.76 crore as compared to 2004-05 (₹ 30.71 crore). After marginal decrease of ₹ 21.37 crore in 2006-07, the budgetary outgo again showed increasing trend and stood at ₹ 168.27 crore during 2009-10.

5.1.12 The guarantee commitment by the State Government against the borrowings of State PSUs was showing a declining trend. Guarantees for ₹ 87.35 crore were outstanding as at the end of 2007-08 which came down to ₹ 86 crore at the end of 2009-10. The State Government is usually levying a one time guarantee fee of 0.5 per cent of the amount guaranteed. This, however, was not levied in some cases.

Reconciliation with Finance Accounts

5.1.13 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 2010 is stated below.

(₹ in crore)			
Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of PSUs	Difference
Equity	217.31	222.87	5.56
Loans	³	8.88	-
Guarantees	111.42	86.00	25.42

³ State Government's loan to State PSUs are extended through the Government Departments. These Government Departments re-allocate the loan funds to different PSUs. Hence, PSU wise figures of State Government loans are not available in the Finance Accounts.

5.1.14 Audit observed that the differences occurred in respect of 10 PSUs and some of the differences were pending reconciliation since 1998-99. Though the Director of Accounts, Government of Goa as well as the PSUs concerned were appraised by Audit about the need for reconciliation, considerable progress has not been achieved. The Government and the PSUs should take concrete steps to reconcile the differences in a time-bound manner.

Performance of PSUs

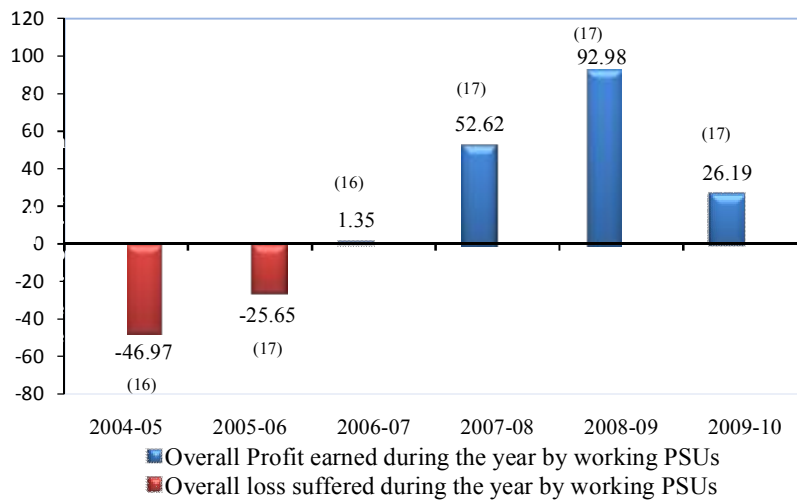
5.1.15 The financial results of PSUs, financial position and working results of working statutory corporations are detailed in *Appendix 5.2, 5.5 and 5.6*. A ratio of PSU turnover to State GDP shows the extent of PSU activities in the State economy. Table below provides the details of working PSU turnover and State GDP for the period 2004-05 to 2009-10.

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Turnover	210.20	303.74	221.11	350.86	459.33	440.04
State GDP	11482	13354	15023	16901	19014	22512
Percentage of Turnover to State GDP	1.83	2.27	1.47	2.08	2.42	1.95

It can be seen from the above that the extent of PSU activities in the State economy showed marginal decline during 2009-10.

5.1.16 Profit/(loss) earned/(incurred) by State working PSUs during 2004-05 to 2009-10 are given below in a bar chart.



(Amount: ₹ in crore; Figures in brackets show the number of working PSUs in respective years)

During the year 2009-10, out of 17 PSUs, four PSUs earned a profit of ₹ 47.91 crore and 11 PSUs incurred loss of ₹ 21.72 crore. One working PSU

did not prepare the Profit and Loss Account while the other working PSU had not finalized its first account. The major contributors to profit were EDC Ltd (₹ 30.02 crore) and Goa Industrial Development Corporation (₹ 14.77 crore). Heavy losses were incurred by Kadamba Transport Corporation Limited (₹ 15.60 crore) and Goa Tourism Development Corporation (₹ 1.59 crore).

5.1.17 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 CAG shows that the State PSUs incurred losses to the tune of ₹ 200.67 crore which were controllable with better management. Year-wise details from Audit Reports are stated below.

(₹ in crore)

Particulars	2007-08	2008-09	2009-10	Total
Net Profit (loss)	52.62	92.98	26.19	171.79
Controllable losses as per CAG's Audit Report	158.52	40.25	1.90	200.67

5.1.18 The above losses pointed out by Audit Reports of CAG 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.

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

(₹ in crore)

Particulars	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Return on Capital Employed (<i>Per cent</i>)	1.17	3.74	8.49	15.23	21.64	10.01
Debt	442.66	374.30	256.01	216.54	224.73	242.69
Turnover	210.20	307.74	221.11	350.86	459.33	440.04
Debt/Turnover Ratio	2.11:1	1.22:1	1.16:1	0.62:1	0.49:1	0.55:1
Interest Payments	49.84	40.96	34.15	27.63	27.67	29.20
Accumulated Profits (losses)	(189.11)	(222.65)	(222.53)	(171.70)	(82.46)	(34.56)

(All PSUs are working PSUs – Figures pertain to all PSUs).

5.1.20 The percentage of return on Capital Employed showed a rising trend improving from 1.17 *per cent* in 2004-05 to 21.64 *per cent* in 2008-09 and declined to 10.01 *per cent* in 2009-10. The total debt position also showed improvement as total debts declined from ₹ 442.66 crore in 2004-05 to ₹ 224.73 crore in 2008-09, however increased to ₹ 242.69 crore in 2009-10. The outgo of PSUs towards payment of interest had shown a declining trend up to 2007-08 and stood at ₹ 29.20 crore as on 31 March 2010 showing a marginal increase of ₹ 1.57 crore when compared to 2007-08. The turnover

position showed improving trend up to 2008-09 except for 2006-07 (₹ 221.11 crore) and marginal decline to ₹ 440.04 crore in 2009-10. The debt-turnover ratio improved from 2.11:1 in 2004-05 to 0.55:1 in 2009-10. The position of accumulated losses has improved gradually after 2005-06.

5.1.21 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, four PSUs earned an aggregate profit of ₹ 47.91 crore but two⁴ PSUs declared a dividend of ₹ 1.32 crore.

Arrears in finalisation of accounts

5.1.22 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, 619 and 619-B 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 working PSUs in finalisation of accounts by September 2010.

Sl. No.	Particulars	2005-06	2006-07	2007-08	2008-09	2009-10
1	Number of Working PSUs	17	17	17	17	17
2	Number of accounts finalized during the year	20	12	15	16	16
3	Number of accounts in arrears	21	26	28	29	30
4	Average arrears <i>per</i> PSU (3/1) <i>(upto 2 decimal Pts.)</i>	1.24	1.53	1.65	1.71	1.76
5	Number of Working PSUs with arrears in accounts	13	14	14	13	12
6	Extent of arrears	1 to 5 years	1 to 6 years	1 to 7 years	1 to 7 years	1 to 8 years

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

5.1.24 The State Government had invested ₹ 166.90 crore (Equity: ₹ 9.83 crore, Loans: ₹ 0.00 crore and grants/subsidies ₹ 157.07 crore) in nine PSUs during the years for which accounts have not been finalized, as detailed in *Appendix 5.4*. In the absence of accounts and their subsequent audit, it can not 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. Further, delay in finalization 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.

⁴ EDC Limited (₹ 1.01 crore) and Goa State Infrastructure Development Corporation Ltd (₹ 0.31 crore).

5.1.25 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, of 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. The matter of arrears in accounts was also taken up (June 2010) with the Chief Secretary/Finance Secretary to expedite the backlog of arrears in accounts in a time bound manner.

5.1.26 In view of above state of arrears, it is recommended that:

- **The Government may set up a cell to oversee the clearance of arrears and set the targets for individual companies which would be monitored by the cell.**
- **The Government may consider outsourcing the work relating to preparation of accounts wherever the staff is inadequate or lacks expertise.**

Accounts Comments and Internal Audit

5.1.27 Thirteen working companies forwarded their audited 15 accounts to AG during the year 2009-10, of which 13 accounts were selected for supplementary audit. The audit reports of statutory auditors appointed by CAG and the supplementary audit of CAG 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 CAG are given below.

(Amount ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	2	3.89	2	0.32	2	0.46
2	Increase in loss	4	0.39	5	5.10	3	2.13
3	Non-disclosure of material facts	7	41.18	6	61.85	7	11.03
4	Errors of classification	3	21.30	3	24.79	3	0.03

5.1.28 During the year 2009-10, the statutory auditors had given unqualified certificates for two accounts, qualified certificates for 13 accounts. None of the PSUs were given adverse comments or disclaimer certificates for their accounts by the CAG or statutory auditors. The compliance of companies with the Accounting Standards remained poor as there were 19 instances of non-compliance in 10 accounts during the year.

5.1.29 Some of the important comments in respect of accounts of companies are stated below.

EDC Limited (2008-09)

- Current liabilities and provisions include ₹ 3.90 crore being sale proceeds received (July 2008) through IFCI, towards company's share on disposal of assets of a defaulted loanee (Vishwas Steel Ltd, a Company jointly financed by IFCI, IDBI and EDC). The entire loan was classified in earlier years as loss assets and categorized as Non-Performing Asset. As the sale proceeds received was not adjusted against loan account, 'Current Liabilities' is overstated with corresponding understatement of profit by ₹ 3.90 crore.
- Current liabilities and provisions were overstated by ₹ 3.13 crore due to inclusion of provision for pay revision arrears (₹ 2.92 crore) for the period from January 2006 and ex-gratia for the year 2008-09 (₹ 20.57 lakh). The amount was provided as per the decision of the Board of Directors, disregarding the Government's specific instructions not to take any decision regarding personal matters involving financial implications without its prior approval. It resulted in understatement of profit as well, by same amount.

Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited (2008-09)

- Reserves and Surplus includes ₹ two crore being Grant in Aid received from Government of Goa for the implementation of Deen Dayal Swayam Rojgar Yojana scheme. The subsidy (₹ 41.55 lakh) released along with the soft loan to the beneficiaries under the Scheme was not recoverable from the Government and should have been reduced from the total Grant in Aid. But this has been accounted as "Receivable from Government" under "Loans & Advances" resulting in overstatement of 'Loans & Advances' as well as "Reserves & Surplus" by ₹ 41.55 lakh.
- Cash in Bank excluding Fixed Deposit (₹ 1.87 crore) included :- (a) 45 cheques aggregating ₹ 1.05 crore accounted as received on or before 31 March 2009, but actually received and deposited in to Bank after 31 March 2009 and (b) seven cheques aggregating ₹ 10,042 received from Debtors, dishonoured between June 2008 and December 2008 but not written back. Thus "Cash at Bank" is overstated by ₹ 1.05 crore with corresponding understatement of Debtors.

Goa Tourism Development Corporation Limited (2008-09)

- Sundry Debtors includes an amount of ₹ 85.63 lakh receivable from different parties (other than Government) on account of accommodation, tour and cruise which was provided without any approved credit policy or any agreement with customers for extension of credit facility or proper security. In addition to this, ₹ 56.68 lakh represents amount due from ex-Licensees of Shops and Restaurants for which also no securities were held. As the Company could not recover the dues within a reasonable time, adequate provision should have been made in the accounts towards 'bad & doubtful debts'.

Kadamba Transport Corporation Limited (2008-09)

- Fixed Assets includes ₹ 135.65 lakh being the original cost of vehicles scrapped on the basis of technical evaluation but not actually sold. As required by AS-10, assets held for disposal as scrap should have been shown separately. Hence the reporting of the Auditors (item 5(iv) that the Balance Sheet and Profit & Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956 was factually incorrect.

Goa Forest Development Corporation Limited (2008-09)

- Salaries, Wages and allowances does not include ₹ 122.33 lakh being the liability towards arrears of pay and allowances consequent to implementation of 6th Pay Commission recommendation, payable to Government employees who are on deputation to the Corporation. It does not include ₹ 17.29 lakh, being wages for February and March 2009 payable to casual labourers engaged in maintenance of plantations of which, an amount of ₹ 12.27 lakh was shown as advance with Range Forest Officers (RFOs) without adjusting the same against 'wages payable'. Consequent to the above, 'Loss' for the year is understated by ₹ 139.62 lakh with corresponding understatement of "Current liabilities" (₹ 127.35 lakh) and overstatement of "Current Assets – Advances" (₹ 12.27 lakh).

Goa Antibiotics and Pharmaceuticals Limited (2008-09)

- Capital Work-in-progress represents the capital expenditure incurred for the 'Heating, Ventilation and Air Control (HVAC) Systems' (₹ 111.92 lakh) and related civil works (₹ 5.79 lakh). Though these projects were commissioned during June-October 2003, the expenditure had not been capitalized so far resulting in overstatement of Capital Work-in-Progress and understatement of Gross block of Fixed Assets to the extent of ₹ 117.71 lakh, understatement of accumulated depreciation on Fixed Assets by ₹ 30.28 lakh and overstatement of profit for the year by ₹ 5.59 lakh.
- As a part of restructuring of loans, EDC Ltd intimated (June 2009) the Company that they would not remit the interest on the loan of ₹ five crore availed during 2005-06 till the same is reimbursed to EDC by Government of Goa. In the event of non receipt of reimbursement of interest from Government, GAPL was bound to pay, quarterly interest at the rate of 12.5 *per cent* per annum on the loan. Thus EDC had not waived interest outstanding upto 31 March 2009. As such, the liability towards interest on the above loan existed as of March 2009 and the same should have been provided in the accounts. This non-provision of interest for the year 2008-09 has resulted in under statement of financial expenses to the extent of ₹ 62.50 lakh with corresponding understatement of Current Liabilities and overstatement of profit for the year. Further, the Company had written back the outstanding interest of ₹ 131.77 lakh upto 31 March 2008 during 2008-09, resulting in

overstatement of interest written back by ₹ 131.77 lakh with corresponding overstatement of profit carried to Balance Sheet.

5.1.30 Similarly, one working statutory corporation (GIDC) forwarded one account (2008-09) to AG during the year 2009-10. This was subjected to sole audit by CAG. The Audit Reports of CAG indicate that the quality of maintenance of accounts needs to be improved substantially. The details of aggregate money value of comments of CAG are given below:

(Amount: ₹ in crore)

Sl. No.	Particulars	2007-08		2008-09		2009-10	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1	Decrease in profit	Nil	Nil	2	1.21	1	1.97
2	Increase in loss	Nil	Nil	Nil	Nil	Nil	Nil
3	Non-disclosure of material facts	Nil	Nil	2	4.06	2	62.06
4	Errors of classification	Nil	Nil	2	437.36	2	21.68

5.1.31 Some of the important comments in respect of accounts of Statutory Corporation are stated below.

GOA INDUSTRIAL DEVELOPMENT CORPORATION (2007-08)

- ‘Liabilities’ did not include ₹ 31.21 lakh being the liability towards civil works completed, measured and bills received before 31 March 2008.
- Accounting of the amount paid to LIC towards Group Gratuity Scheme as ‘Investments’ instead of as expenditure resulted in overstatement of investments, understatement of expenditure and overstatement of surplus for the year by ₹ 1.92 crore.

GOA INDUSTRIAL DEVELOPMENT CORPORATION (2008-09)

- Liabilities included ₹ 319.99 crore being premium amount received/receivable from allottees of land. In the absence of specific conditions in the allotment order/lease agreement for refund of premium collected, accounting the same under liability lacked justification.
- ‘Liabilities’ do not include ₹ 22.93 lakh being the liability towards civil works completed, measured and bills received before 31 March 2009.

5.1.32 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 CAG 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 14 companies[£] for the year 2008-09 and 13 companies^µ for the year 2009-10 are given below.

[£] Sr. No. 1 to 15 (except Sr.No.5) of Appendix – 5.2.

^µ Sr. No. 1 to 15 (except Sr.No.6 and 7) of Appendix – 5.2.

Audit Report for the year ended 31 March 2010

Sl. No.	Nature of comments made by Statutory Auditors	2008-09		2009-10	
		Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2	Number of companies where recommendations were made	Reference to serial number of the companies as per Appendix 5.2
1	Auditors Report & Comments /Draft paras/Mini Reviews not discussed in Audit Committee	4	A-4,11,12,15	4	A-5,9,12,13
2	No system of making a business plan/short/long term plan	8	A-1,3,4,6,11,13,14,15	6	A-1,3,12,13,14,15
3	No clear credit policy	4	A-12,13,14,15	6	A-3,5,12,13,14,15
4	No delineated fraud policy	10	A-1,2,4,7,10,11,12,13,14,15	11	A-1,4,3,5,9,10,11,12,13,14,15
5	No separate vigilance department	9	A-1,2,4,7,8,10,11,12,14	10	A-1,3,4,5,8,9,10,12,13,14
6	Non prescribing of Maximum/Minimum level of stock	4	A-1,3,13,15	1	A-13
7	No ABC analysis adopted to control the inventory.	2	A-1,11	Nil	Nil
8	Inadequate scope of Internal Audit	4	A-1,6,9,13	3	A-2,9,10
9	Absence of proper maintenance of Fixed Asset Register	4	A-4,6,9,15	2	A-2,10

Recoveries at the instance of audit

5.1.33 During the course of propriety audit in 2009-10, recoveries of ₹ 39.64 lakh were pointed out to the Divisional Officers of Goa Electricity Department, which were admitted by the Department of which an amount of ₹ 7.26 lakh was recovered during the year 2009-10. In respect of one Corporation and two companies, recoveries of ₹ 90.35 lakh were pointed out by audit of which ₹ 32.96 lakh have been recovered during the year.

Status of placement of Separate Audit Reports

5.1.34 The following table shows the status of placement of various Separate Audit Reports (SARs) issued by the CAG 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	2006-07	2007-08	04/09/2009	Report under print.
			2008-09	23/07/2010	
2	Goa Information Technology Development Corporation	First accounts (2006-07) awaited			

Disinvestment, Privatisation and Restructuring of PSUs

5.1.35 During the year 2009-10, no exercise was undertaken by the Government of Goa for the Disinvestment, Privatisation and Restructuring of PSUs.

Reforms in Power Sector

5.1.36 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.

5.1.37 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.	Studies were carried out and final report obtained. Decision awaited from Government.
2	Government of Goa will set up SERC by 31 December 2001 and file tariff petitions.	Has joined Joint Electricity Regulatory Commission (JERC) set up.
3	The State Government would provide full support to the SERC to enable it to discharge its statutory responsibilities. The tariff orders issued by SERC will be implemented fully unless stayed or set aside by a court order.	Full support being provided.
4	Government of Goa will ensure timely payment of subsidies required in pursuance of State Government's orders on the tariff determined by the SERC.	Not applicable as yet.
5	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 break even in current distribution operations in two years and positive returns thereafter. This will be achieved by taking following measures: - Install meters on all 11 KV feeders by 31 December 2001. - 100 per cent metering of all	Losses reduced to below 18 per cent. The Department is achieving substantial operating surplus. Achieved (March 2003) Achieved (March 2004)

	<p>consumers by 31 December 2001.</p> <ul style="list-style-type: none"> - Computerised billing at towns by December, 2002. - Development of distribution Management Information System. 	<p>In process in some towns and balance under implementation. Will be implemented under Re-structured APDRP during XI Plan.</p>
6	Goa would achieve 100 <i>per cent</i> electrification of villages by 2002.	Achieved (December 1988)
7	Government of Goa will securitise outstanding dues of CPSUs as per scheme approved by Government of India. After the securitization Government of Goa will ensure that CPSU outstanding does not cross the limit of two months billings.	Achieved
8	Goa will maintain grid discipline, comply with grid code and carry out the directions of Regional Load Despatch Centre	Maintains Grid discipline.
9	Goa will constitute district level committees to undertake resource planning monitoring of distribution reforms and rural electrification.	DRC was constituted.
10	Government of Goa will follow the guidelines on captive power policy as issued by Government of India on 11 July 2001.	Following ministry guidelines.

Departmentally managed Government commercial/quasi commercial undertakings

5.1.38 There were two departmentally managed Government commercial/quasi commercial undertakings viz., the Electricity Department and River navigation Department in the state as on 31 March 2010. The proforma accounts of the River Navigation Department were in arrears for the years from 2004-05 to 2009-10 and that of the Electricity Department for the year 2006-07 to 2009-10 (September 2010).

The summarized financial results of the Electricity Department and River navigation Department for the last three years for which their proforma accounts are finalized are given in **Appendix 5.7**

SECTION A

5.2 DEPARTMENT OF ELECTRICITY, GOA

Executive summary

The Department of Electricity (DoE) was formed in January 1963 under the Government of Goa, Daman and Diu. Out of 5.09 lakh consumers as of March 2010, 601 were HT consumers and the contribution of HT consumers to the Department's total revenue during 2008-09, was ₹ 470.87 crore (69 per cent).

The electricity tariff was last revised by Government in April 2002 and the tariff structure contained six categories of consumers under Low Tension Tariff, five categories under High Tension and one under Extra High Tension (EHT).

The "High Tension Consumer Billing System" (HTCBS) deals with monthly billing of all EHT/HT consumers of all the nine billing Divisions of the Department and covers functions of preparation and issue of bills to consumers. Information Technology Audit of the HTCBS was conducted from March to July 2010, to see the:

- Correctness of bills generated with reference to tariff orders issued by Government;
- Adequacy of controls built in with reference to 'conditions of supply of electricity'; and
- General adequacies or deficiencies in the system.

System Design deficiencies

The System permitted adjustments (credit or debit/plus or minus) without exhibiting reasons for such adjustments. There was no provision in the system to incorporate data regarding Minimum Guarantee amount, deemed date of connection etc.

Provision was also absent in the system to indicate the reason for zero consumption, the basis of average billing, and the annual line minimum charges in the absence of which correctness of bills could not be ensured.

Continued dependency over manual procedures

Absence of provision in the system to enter any supporting details of payment received such as receipt number, date of receipt, amount actually received, etc. provides scope for errors during generation of bills and necessitates manual intervention for ensuring correctness and integrity of the data. Further, as there is no integrated system linking the billing and cash collection, the correctness of collection with respect to the billing could not be vouchsafed.

Mapping of business rules

There was no system of computing the 'average maximum recorded demand' based on the reading during the period the meter was not working and billing the demand charges accordingly. As the HTCBS does not indicate whether the meter installed was owned by the Department or by the consumer, the veracity of data regarding meter rent collection could not be ensured. Further, meter rent was not collected in full for the month of initial service connection/ disconnection by some of the Divisions, whereas some Divisions collected the rent on pro-rata basis, which indicate that the HTCBS was flexible so as to adopt any rate.

Absence of provision in the system to compute the average consumption by default and to raise the bill accordingly, resulted in short billing of 27.24 lakh units valued ₹ 84.94 lakh in respect of 25 consumers of four Divisions.

Though no Electricity duty shall be leviable on the units of energy consumed by Government Departments, ₹ 5.97 crore was collected as duty unauthorisedly from 98 consumers, as there was no provision in the system to identify and segregate Government consumers.

Computation of power factor and power factor rebate by the HTCBS could not be relied upon as the power factor data contained errors. Further, though the Power factor was recorded as zero in 2,952 cases, penal charges were not collected and disconnection effected.

As electricity bill for the first month of connection was omitted to be prepared loss of revenue of ₹ 12.96 lakh was noticed in 20 cases.

Input Controls

Most of the fields in the Master data were left blank or recorded as 'Zero'. Entries in the Master data were also found varying with the details available in the generated bills indicating that Master data was not promptly updated. Instances were also noticed where the Multiplying Factor (MF) applied for KVA of the same consumer for the same month was found varying with the MF applied for KWH.

As the tariff recorded in the system and applied for billing varied with reference to the service connection records in the Department loss of revenue of ₹ 14.98 lakh was noticed in respect of four consumers test checked.

Logical, physical and Change Management controls

Audit scrutiny revealed that the access to the system is being controlled by a common username and common password for data administrator as well as the other data entry operators and no scope existed for audit trail and user accountability.

As the revised rates of electricity duty was not implemented from the date of applicability of the order, the Department had incurred loss of revenue of ₹ 75.39 lakh.

The Department does not have any approved 'System Operation Manual' or 'User Manual' and is fully dependant on a single person for its day to day system related issues. Further, an approved/ documented back-up policy, Disaster Recovery Plan etc. were also not in existence.

System integration of billing and revenue collection

As System integration of billing and revenue collection was lacking, payment was recorded as received before the due date whereas the field records revealed that payments were received after the due date, which led to omission in levying Delayed Payment Charges (DPC). DPC is computed manually for disputed amounts also and levied and subsequently reversed.

Delay in issue of bills

The very purpose of the computersation of billing is to avoid delay and processing and issuing of bills. However, billing was delayed in all months in all the divisions except in division 3 for 24 months causing delay in realization of revenue and consequent loss of ₹ 101.37 lakh by way of interest.

Though the annual revenue generated from HT/EHT consumers was 69 per cent of the total revenue of the Department, internal audit of the billing system was not being conducted.

Conclusion and Recommendations

The High Tension Billing System did not have effective physical security, logical and change management controls. There were several deficiencies in input controls and processing controls in the system and hence data integrity could not be ensured which led to generation of erroneous bills and loss of revenue. In short, the system was not effective in achieving the objectives of a computerised billing operation. Hence the Department should take immediate action to rectify the deficiencies in the existing HTCBS and to review system data with reference to service connection records. Further, the system of collection of electricity charges should be automated and linked to the HTCBS and all faulty HT meters should be replaced and exact consumption data recorded/billed. Manual interventions in the system should also be avoided.

Introduction

5.2.1 The Department of Electricity (DoE) was formed in January 1963 under the Government of Goa, Daman and Diu. Consumers of the Department are broadly divided into two categories *viz.* High Tension (HT)¹ consumers and Low Tension (LT) consumers. Out of 5.09 lakh consumers, 601 were HT consumers (March 2010) and the contribution of HT consumers to the Department's total revenue during 2008-09 was ₹ 470.87 crore (69 *per cent*).

The DoE does not have its own power generation units and hence purchases power through the national grid from Central Sector Power Stations as per the allocation made by the Central Government. On an average, around 2,300 MU of energy is purchased yearly, 1,950 MU is billed and the remaining 350 MUs (15 *per cent*) is accounted as Transmission and Distributions losses. The electricity tariff was last revised by Government in April 2002 and the tariff structure contained six categories of consumers under Low Tension Tariff, five categories under High Tension and one category under Extra High Tension (EHT).

Organisation Setup

5.2.2 The Department is headed by the Chief Electrical Engineer and assisted by four Superintending Engineers, Deputy Director (Administration), Joint Director of Accounts and Executive Engineers. There are 17 divisional offices each headed by Executive Engineer, of which nine² are Operation and Maintenance Divisions engaged in the distribution of power. These nine Divisions were having a total of 33 sub divisions, each headed by Assistant Engineer.

The High Tension Consumer Billing System (HTCBS) installed in the Chief Electrical Engineer's office at Panaji, Goa is operated by two Junior Engineers of the Department and supervised by an Executive Engineer.

Salient features of HT billing system

5.2.3 The HTCBS was initially developed in the year 1988 by National Informatics Centre (NIC), using COBOL³. The system was modified using 'C' language on UNIX platform in the year 1992 and further ported to Red Hat LINUX platform in 2003. The System may be considered as a self operated one, as the data entry and printing of bills was done with the involvement of staff of DoE only with technical help, from NIC. In the recent past, an ex-employee of NIC who had developed the programme, while he was in service, has been appointed as consultant for any necessary technical assistance.

¹ High Tension Consumers means those who obtain power supply at pressures higher than 400/450 volts AC 50 cycles (11 KV and above).

² Divisions: 1, 3, 4, 5, 6, 7, 10, 11 and 14.

³ COmmon BUsiness-Oriented Language.

The system deals with monthly billing of all EHT/HT consumers of all the nine billing Divisions of the Department and covers functions of preparation and issue of bills to consumers only. Functions such as sanction of new connection to a consumer, periodical meter reading, collection of amount billed, collection of shortfall in security deposit, *etc.* are done manually and the details fed in to the system.

Basic inputs comprise ‘Master’ and ‘Transaction’ data. Master data relate to data pertaining to each consumer *viz.* consumer number, billing unit, processing cycle, details of address, applicable tariff code, data in respect of the connection such as date of connection, connected load, details regarding the meter installed for measuring consumption. Transaction data relate to the periodical data pertaining to the meter reading, status of meter, payments by consumers, *etc.* Master and transaction data are linked to each other by consumer number. Data input is done manually via key board by Junior Engineers of concerned Division offices. Bills generated by the HTCBS are checked by the Division office and issued to consumers.

Objectives of High Tension Billing System

5.2.4 Although the Department had not documented any objectives of the billing system, it is expected that a computerised billing system must be able to achieve:

- Reduction of time lag between meter reading and issue of bills
- Accurate and current billing and accounting information
- Effective control over billing operations and prompt follow up action in the event of non-payment of energy bills

Scope of Audit and Audit Methodology

5.2.5 Information Technology Audit of the “High Tension Consumer Billing System” was conducted from March to July 2010. Billing data in the system related to all the HT consumers of all the Divisions for the five years from March 2005 to February 2010 was analysed in audit and test checked with reference to the service connection and meter reading records maintained by Division offices to see the :

- Correctness of bills generated with reference to tariff orders issued by Government
- Adequacy of controls built in with reference to ‘conditions of supply of electricity’, and
- General adequacies or deficiencies in the system.

In addition, the following areas of importance, required to be maintained in an established computerized system, were also examined:

- Access controls policy – both physical and logical
- IT back-up policy and Disaster recovery policy/plan
- MIS reports generated by the HTCBS, and
- Input verification methods and system checks in place.

Data analysis was done by obtaining the data in MS EXCEL format and filtering the same. Audit also used dummy data to understand the software checks in place and the reliability of the system.

Audit Findings

General Controls

System Design

On a review of the system along with the data obtained from the department, the following system design deficiencies were noticed.

Adjustment entries without supporting documents

The system permitted credit/debit adjustments without indicating reasons

5.2.6 It was noticed that provision existed in the System to create adjustment entries (credit or debit/plus or minus) without exhibiting reasons for such adjustments. Further, supporting authenticated documents/details were not available with the billing centre and as such the authenticity of such adjustments could not be verified/relied upon. Out of 36,531 records verified in audit, adjustment by way of ‘other charges (-)’, which gives effect of credit to consumer was found in 187 cases, value of which aggregated to ₹ 47.42 crore.

On a further scrutiny, it was noticed that payment of electricity charges in advance, adjustments relating to subsequent corrections made by the Division offices manually in the previous bills were being accounted as credit under the head ‘other charges’. In the event of a dishonoured cheque, Delayed Payment Charges (DPC) along with Bank charges is computed manually and incorporated in the system in the subsequent month’s Bill as “Other/Sundry Charges”.

The adjustments on account of reduction or additions in the bills are incorporated in the system in the subsequent month’s bill which is highly irregular and defeats the very purpose of computerised billing. Further, there was no provision in the system for issuing supplementary bills.

Agreement for contract demand

Correctness of Demand charges billed could not be ensured as documentation was not proper

5.2.7 It is required that a consumer has to execute an agreement with the Department for a new connection, which, *inter alia*, includes the Contract Demand. Energy Bills include Demand charges which is computed based on the Contract Demand⁴. A new agreement has to be executed as and when any reduction or addition is made in the Contract Demand. The HTCBS did not contain any provision to indicate such agreements. Hence the authenticity of the Contract Demand recorded in HTCBS and demand charges billed could

⁴ Contract Demand” means the maximum KVA (Kilo Volt Ampere) for which the Electricity Department has undertaken to provide the facilities from time to time.

not be ensured. It was also noticed during test check of records in Divisions 3 and 4 that such changes were only endorsed to the original agreements instead of executing fresh agreements.

Charges for factory/residential lighting purposes

5.2.8 The monthly energy consumption (KWH) of a HT consumer included factory lighting consumption and residential light consumption also. Separate meters are to be installed for factory lighting and residential lighting and consumption arrived at by taking the differences between opening meter reading and closing meter reading of each meter. As per the tariff orders, in respect of energy consumed for factory lighting purposes by certain HT consumers⁵, maximum of 10 *per cent* of the total monthly energy consumption is allowed to be billed under HT-Industrial tariff and excess is to be billed at a higher LT-commercial rate.

Meter reading data was not fully available in the system and certain bills were raised without data

Audit Scrutiny, however, revealed that:

- No provision existed in the billing system to incorporate/indicate the opening and closing reading of factory light meter and residential light meter. These data are computed manually and fed in to the HTCBS.
- In several cases factory lighting consumption/residential light consumption was billed based on ad-hoc figures. This could be due to the fact that either no such meter was installed or the meter reading was not taken or meter was faulty.

In the absence of separate meter readings, the accuracy of the bills generated by HTCBS could not be ensured.

Minimum Guarantee

5.2.9 HT consumers while applying for connection have to execute an agreement with the Department which, *inter alia*, contain the “Minimum Guaranteed” (MG) amount per annum being 15 *per cent* of the total capital cost. Further, the agreement also stipulates that the consumer shall commence power consumption within a period of three months from the date of intimation of line being ready for charging. The date of commencement of supply shall be deemed as the date of expiry of the three months period from the date of intimation or the date of actual supply whichever is earlier. However, there was no provision in the system to incorporate data regarding Minimum Guarantee amount, deemed date of connection, etc.

Minimum Guarantee data was not available in the system

Temporary connections

5.2.10 As per the tariff orders issued by Government, separate rates are fixed for HT-Temporary consumers. However instances were noticed where details of HT-Temporary consumers are not recorded and billed by the system, instead bills were manually prepared.

⁵ HT-Industrial, HT-Metal, EHT- Industrial, HT-PW, HT-Steel, and HT-IT consumers.

Bank guarantees from Consumers

5.2.11 As per the tariff rules, each HT consumer has to furnish security deposit in the form of Bank Guarantees (BG) from Nationalised Bank for an amount equal to three month's energy charges⁶ either in a single or multiple documents. BG is to be reviewed and renewed periodically and raised according to the increase in energy charges.

However it was noticed that the HTBCS is not designed to compute, on its own, the required BG to be submitted by the consumer. The system is capable of incorporating data of only three BGs of a consumer at a time. In respect of one of the divisions, aggregate value of BG alone is incorporated in the system.

Adequacy of bank Guarantee could not be verified from the system data

Test check of details of BG as available in the system in three Division Offices further revealed that out of a total of 222 consumers required to submit the BG, details of BG furnished by 77 consumers were not available in the system and in respect of 103 consumers, the value of BG furnished by them was not adequate to cover three months' current charges. The amount of shortage is worked out at ₹ 9.22 crore. Moreover, out of 235 BGs held by these Divisions, 89 BGs were invalid/time-expired. This indicated non-updating of the data in the system.

Other System design deficiencies

5.2.12 The following system deficiencies were also noticed.

No provision existed in the system to show Check Meter reading data

(i) As per the guidelines issued by the Department, each HT meter is to be supported by a 'Check Meter' (Standby Meter) which would facilitate computation of consumption when the main meter is faulty. The billing system did not incorporate the Check Meter Reading and hence the accuracy of meter reading and billed consumption could not be cross checked and confirmed.

No reasons available for recording zero consumption

(ii) It was noticed that energy consumption was recorded as "Zero" in 1,565 bills. However, there was no provision in the system to indicate the reason for zero consumption. The possible reasons could be:- (a) Meter reading not taken (b) Meter faulty/not working and (c) Consumer not using power.

(iii) Where zero energy consumption is recorded, billing was not done in 618 cases for energy charges and in the remaining 947 cases average was computed manually and fed in to the system. However there was no provision in the system to indicate the basis of such billing.

Initial reading was not equal to final reading of previous month

(iv) The initial energy meter reading of a month recorded in the system was found not equal to the closing reading of previous month, in several cases. Similarly, closing meter reading of a month was found less than the opening reading. The possible reasons could be faulty meter or wrong meter reading or replacement of meter. However, there was no provision in the system to indicate the reason and to compute the exact consumption (KWH) by default.

⁶ In respect of HT consumers under Industrial- Metallurgical, steel melting and steel rolling categories, BG is required for two month's energy charges only.

In such cases, consumption is arrived at manually and fed in to the system. Thus the reliability of the data could not be ensured.

No provision existed in the system to indicate line minimum charges

(v) As per Tariff orders, consumers under HT Industrial (Metal and Steel Rolling) have to pay demand charges on pro rata basis if the industry is closed continuously for a minimum period of seven days or more during a month. In the event of such industries remaining closed, one-twelfth of 'annual line minimum charges', as indicated in the HT Agreement executed with the Consumer, is to be charged. However, there was no provision in the HTCBS to incorporate the annual line minimum charges and the number of days during which industry was closed. Hence the correctness of demand charges billed for such industries under such situations could not be ensured.

Continued dependency on manual procedures

Demand, Collection and Balance (DCB)

As the system was not capable of generating accounting statements manual records were to be prepared

5.2.13 The Computerised HT Billing system can derive the data regarding the monthly arrear position of all consumers of all Divisions. However, it was noticed that the Department continued to prepare Demand, Collection and Balance (DCB) statement manually.

There was no integrated system of billing and cash collection

Cash collected against the billing demand is entered manually in the system during the next billing cycle. The payment received in full is indicated by codified flags and the system would process the next bill considering the previous bill amount as 'received in full'. There is no provision in the system to enter any supporting details such as receipt number, date of receipt, amount actually received, etc. This provides scope for errors during such generation and necessitates manual intervention for ensuring correctness and integrity of the data. As there is no integrated system linking the billing and cash collection, the correctness of collection with respect to the billing could not be vouchsafed.

A review of the arrear position in the manually prepared DCB to the details available in the system revealed wide variations as shown below:

Division No.	Arrear position as of 31 March 2009 as per		Difference ₹
	DCB Statement (Manual) ₹	Computerised Billing system ₹	
1	15271130	904011	14367119
3	170639734	121733764	48905970
4	338678856	(-) 18614303	357293159
5	51708082	42708927	8999155
6	38876110	8535162	30340948
7	20193333	5456663	14736670
10	15195753	6533384	8662369
11	12140122	5330756	6809366

It was observed that no effort was made to reconcile the differences thus rendering the data in HTCBS unreliable.

Mapping of business rules

Faulty demand meter

5.2.14 As per Tariff orders, demand charges for each month is to be computed based on (i) the actual maximum demand recorded during the month or (ii) 75 per cent of the contract demand or (iii) actual maximum demand recorded during the previous 11 months or (iv) 50 KVA, whichever is higher.

Correctness of demand charges billed could not be ensured

In respect of 62 consumers, though the energy meter was showing normal consumption, the KVA reading (Maximum Recorded Demand) was showing zero in 758 bills indicating that the meter was faulty or no reading was available. Hence, in such cases demand charges were assessed on the basis of 75 per cent of Contract Demand and not on the basis of actual maximum recorded demand. There was no system of computing the 'average maximum recorded demand', based on the reading during the period the meter was not working and billing the demand charges accordingly.

Short collection of Meter Rent

5.2.15 As per the Tariff orders issued by Government, meter rent is to be collected from all HT consumers (@ ₹ 500 per month per meter for the main meter and @ ₹ 10 per month per meter for light meter). However, no meter rent is required to be collected from consumers who have installed their own meters. As the HTCBS does not indicate whether the meter installed was owned by the Department or by the consumer, the veracity of data regarding meter rent collection could not be ensured.

Meter rent was not being collected from some consumers

Analysis of the billing data related to 85 months (January 2003 to January 2010) revealed that no meter rent was levied in respect of 43 consumers. Further, meter rent was not collected in full month of initial service connection/disconnection by some of the Divisions, whereas some Divisions collected the rent on pro-rata basis. This indicates that the HTCBS was flexible so as to adopt any rate.

At the instance of Audit, the Department agreed to effect recovery of meter rent amounting to ₹ 1.44 lakh in respect of 12 consumers. In respect of nine consumers the meter was stated to be installed by consumers themselves. For the balance consumers, reply is awaited. The fact, however, remained that there was no provision to indicate the ownership of meter in the system.

Average billing

5.2.16 Clause 24 of the 'Conditions of Supply of Electrical Energy' stipulates that a consumer should be finally billed for the periods when meter was faulty, on the basis of three month's average consumption subsequent to the replacement of faulty meter. Audit scrutiny of HTCBS revealed that there was no provision in the system to compute the average consumption by default and to raise the bill accordingly. This had resulted in short billing of

Incorrect computation of average consumption caused loss of revenue of ₹ 0.85 crore

27.24 lakh units valued ₹ 84.94 lakh (including electricity duty) in respect of 25 consumers of four Divisions⁷.

Billing of Agricultural consumers

Correctness of billing of Agriculture consumers could not be ensured in the absence of adequate data in the system

5.2.17 As per the *tariff* orders, in respect of HT (Agriculture) consumers, energy charges were to be levied at the rate of ₹ 1.25 per unit subject to a minimum of ₹ 10 per HP of connected load (minimum of ₹ 700 per month). It was observed that though connected load (HP) was available in HTCBS, the same is not considered, instead, minimum charges are computed based on Contract Demand (KVA). Contract Demand (in KVA) and connected load (HP) are different and cannot be equal. Further, there were variations between the connected load and Contract Demand recorded in the system as to those available in the manual records. Thus the correctness of the bills raised by the system could not be ensured.

Collection of Electricity duty from Government Departments

Excess of ₹ 5.97 crore was collected as Electricity duty

5.2.18 As per Section 2(2) of the Goa, Daman and Diu Electricity Duty Act, 1986, no duty shall be leviable on the units of energy consumed by Government Departments. Audit scrutiny revealed that, no provision existed in the HTCBS to identify and segregate Government consumers. Hence Electricity duty was seen collected throughout the period on energy consumed by Government Department/Institutions. The amount of duty collected unauthorisedly from 98 consumers through 4,337 Bills during the period of 60 months (March 2005 to February 2010) aggregated to ₹ 5.97 crore.

Billing of Hotel Consumers

5.2.19 As per the Tariff orders, HT Consumers engaged in Hotel Business are to be billed under HT-Mix Tariff⁸. However, hotel HT Consumers on producing certificate from the Tourism Department can avail the concessional HT-Industrial tariff⁹. The Electricity duty was revised to ₹ 0.58 per unit in May 2008 for industrial HT consumers and to ₹ 0.18 per unit for HT-Mix Tariff consumers. As a result, the total rate per unit (energy charges plus electricity duty) for HT-Mix Tariff became cheaper by ₹ 0.15 per unit compared to HT-Industrial tariff.

Absence of adequate data led to discriminatory billing

In this context, Audit scrutiny of the HTCBS revealed that certain HT-Mix consumers doing hotel business who had produced the prescribed certificate and availed the benefit of cheaper tariff of HT Industrial were changed suo moto by the Department, back to HT-Mix tariff without any request from the consumer. This was, however, not implemented for all consumers doing hotel business.

There was no provision in the HTCBS for identifying HT (Hotel) consumers who were billed under Industrial tariff and Mix tariff. The system also did not

⁷ Division 6, 10, 11 and 14.

⁸ Energy charges @ ₹ 3.25 per unit and Electricity duty @ ₹ 0.05 per unit.

⁹ Energy charges @ ₹ 3 per unit and Electricity Duty @ ₹ 0.05 per unit.

indicate whether the prescribed Certificate had been submitted by HT (Hotel) consumers who were availing the concessional tariff. The omissions could lead to discriminatory billing.

Pro rata billing of demand charges

Short collection of demand charges caused loss of revenue of ₹19.88 lakh

5.2.20 When a new HT connection is effected, demand charges is levied in certain cases for the full month irrespective of date of connection, whereas in some cases demand charges were being collected on *pro rata* basis only. Similarly, in the case of disconnection also full Demand Charges is billed for the month in which disconnection is effected, but *pro rata* Demand Charges was only levied in some cases. Further, there were cases where no bill was raised for the month of disconnection. This discriminatory billing had caused loss of revenue of ₹ 19.88 lakh in respect of 14 consumers, test checked in audit. This also indicates that HTCBS was flexible and not free from loopholes.

Billing of Demand Charges in respect of HT installations with LT metering system

Absence of the specified metering system caused incorrect computation of demand charges

5.2.21 All HT/EHT consumers are required to install HT metering system which provides two readings:- Maximum Demand reading and the main Energy Meter reading. Maximum Demand reading (expressed in KVA) is the basis for computing the monthly Demand Charges and Energy Meter reading (expressed in KWH) is the basis for computing the monthly energy charges. As per the rules, even if an HT connection is released with LT Metering System (LTMS), the same is to be replaced with HT Metering System (HTMS) within three months from the date of connection. The LTMS is not having the facility to indicate the Maximum Demand meter data and hence, Demand Charges in such cases are computed by the system based on *75 per cent* of the Contract Demand. Thus the exact Demand Charges cannot be billed in such cases.

Audit scrutiny revealed that, in nine cases LTMS installed was not replaced by the HTMS and hence Demand Charges was being billed continuously since inception based on *75 per cent* of Contract Demand, causing huge revenue loss. The loss could not be assessed as the Maximum Demand data was not available. It was also noticed that there is no provision in the HTCBS to indicate whether the HT installation is having proper HTMS.

Rebate for power factor

Excess rebate granted has not been recovered

5.2.22 Tariff notification stipulates that “*all High Tension and Extra High Tension installation where the power factor is maintained above 0.95 lagging shall be eligible for a rebate at the rate of one per cent of the energy charges only for every one per cent improvement in the Power Factor above 0.95 lagging*”. Rebate of one *per cent* of the energy charges was allowable only when one *per cent* improvement of power factor was achieved in full and not in part. The HTCBS, however, allowed rebate by rounding off fraction of power factor to the upper stage and thus without achieving the one *per cent*

power factor in full. This was pointed out by Audit vide earlier Audit Report, and the department assured (January 2009) to recover the excess rebate (₹ 4.53 crore). However, the same has not been recovered so far (September 2010).

Data regarding power factor derived by the system was not reliable

5.2.23 Technically, Power Factor can never be more than '0.99'. However, out of 36,531 records (Bills from March 2005 to February 2010, in respect of all consumers of all Divisions) verified in Audit, power factor was recorded as '1', in 8,746 cases and the total amount of power factor rebate charges allowed was ₹ 12.72 crore. Meanwhile in 16 cases, though the power factor recorded was '1', no rebate was allowed. It was also noticed that in 125 cases, Power Factor recorded was more than "1". This indicates that computation of power factor and power factor rebate by the HTCBS cannot be relied upon.

5.2.24 As per the tariff notification, if the power factor is less than 0.85, penal charges¹⁰ at the prescribed rates shall be levied. In case the power factor is less than 0.7, the installation shall be disconnected. Out of 36,531 records (Bills from March 2005 to February 2010, in respect of all consumers of all Divisions) verified in Audit, power factor was recorded as zero in 2,952 cases in respect of 308 consumers. However, penal charges were neither collected nor disconnection effected in any of the cases, resulting in considerable loss of revenue.

Omission in billing

Omission in billing caused revenue loss of ₹ 12.96 lakh

5.2.25 When a new HT connection is effected, the initial meter reading on the date of connection is recorded and the billing is to be started from that date. Audit scrutiny revealed that the date of connection was not being recorded in the HTCBS. Further, in certain cases, the date of connection as per service connection records varied from the date of initial reading recorded in the HTCBS. Consequently, electricity bill for the first month of connection was omitted to be prepared and issued in 20 cases which caused loss of revenue of ₹ 12.96 lakh by way of Demand Charges.

Input control

5.2.26 Data integrity refers to the completeness, accuracy and relevance of the data in the system. Existence of adequate controls is necessary to ensure data integrity. A control is a system that prevents, detects and/or corrects unlawful events. Input to the billing system comprises data and instructions for processing. Effective control over inputs is critical as they involve considerable human intervention and are, therefore, error prone and susceptible to fraud.

Audit tested the billing system for existence and adequacy of management controls, input controls and processing controls and found the following deficiencies:-

¹⁰ These charges are termed as "Low Power Factor Charges".

Master Data

5.2.27 The HT billing system consists of a Master file for defining various categories of HT Tariff to be applied to different categories of HT consumers. The billing system refers this to the Master tariff file for applying the relevant tariff applicable to each category of HT consumer. Master data in the system contained details of Tariff code, HT Meter rent, connected load, category of consumers, Contract Demand, etc. of each consumer. Audit scrutiny revealed that:-

(i) Most of the fields were left blank or recorded as ‘Zero’ out of a total 677 consumer records, as given below:-

Master file was not updated

Fields	Number of entries kept blank or zero
HT Meter rent	31
LT Meter rent	653
HT Meter Number	12
Connected load	321
Category	126
HT Meter ratio	8
Installation date	74

Variations noticed between Master data and bill data

(ii) Entries in the Master data were also found varying with the details as available in the generated bills. For instance, Contract Demand recorded in the Master Data varied from the Contract Demand recorded in the Bill data in 25 cases out of 230 records test checked. The variation ranged between (+) 19,650 KVA and (-) 19250 KVA.

(iii) Entries in the Master data contained factual errors. For instance, category of consumers recorded in the Master data as “Government” was found wrong in 57 cases.

Multiplying Factor used for computing consumption was not correct

(iv) The meter reading figures are to be multiplied by a ‘Multiplying Factor (MF)’ for arriving at the exact number of units consumed (KWH) and to calculate the energy charges. This factor varies according to the type and specification of meter. Based on the details of meter specification available in the Master File, audit had computed the exact MF to be applied for each consumer. This MF varied from the actual MF used for billing in respect of 97 consumers.

This indicated non updation of the Master data and non utilization of the same for billing purpose. Thus the reliability of the data in the system could not be ensured.

Meter reading

5.2.28 A meter provided by the Department at the consumer’s premises records energy consumed by the consumer. Monthly meter reading is done by a meter reader and details thereof are entered in the billing system. As the meter reading is vital for accurate computation of the energy bill, adequate

control should be exercised to ensure its accuracy. In this context, audit scrutiny revealed the following deficiencies:-

Confirmation of meter reading was not obtained

(i) Though the meter reading statement contained a provision to incorporate the signature of consumer as a confirmation/acceptance of the reading data, the same was not seen obtained in most of the statements. Absence of confirmation by the consumer resulted in non-acceptance and subsequent revision of bills.

Multiplying Factor applied for KVA and KWH varied

(ii) Demand Charges is computed based on the 'connected load' which is expressed in terms of "KVA" (Kilo Volt Ampere). Monthly KVA is arrived at by multiplying 'KVA reading' with the 'multiplying factor' applicable. The Multiplying Factor (MF) for KVA of an HT installation will be same as that of KWH. However, instances were noticed where the MF applied for KVA of the same consumer for the same month was found varying with the MF applied for KWH.

Test checked reading data was not available in the system

(iii) Meter reading furnished by Meter Readers were not being test checked by an authority other than the Meter Reader for ensuring accuracy and identification of variance. The billing system is also not depicting any data regarding 'test check readings'.

(iv) The tariff recorded and applied for billing for same category of consumers was found varying from Division to Division indicating absence of input control and inadequate supervisory checks. For example, though all BSNL Telephone Exchanges are billed under HT (Industrial) Tariff, one of the Exchange is billed under HT-mix Tariff.

Rent for factory light meter was not levied

(v) Every HT consumer under industrial tariff have to install a separate meter for recording the factory light consumption and meter rent for the same is ₹ 10 per month. However, in several cases, though factory light consumption charges were levied, no meter rent was seen levied.

Loss of revenue due to incorrect application of tariff

5.2.29 While analyzing the billing data of HT/EHT consumers it was noticed in Audit that in respect of certain consumers, the tariff recorded in the system and applied for billing was found varying with reference to the service connection records maintained by Division offices, resulting in loss of revenue of ₹ 14.98 lakh in respect of four consumers, as detailed in **Appendix 5.8**.

Logical and physical controls

Logical access controls and Audit Trail

Logical access control and audit trail were absent

5.2.30 The HT Billing system is installed on a personal computer (PC) in the Office of the Chief Electrical Engineer, Panaji. The access to the system is being controlled by a common username and common password for data administrator as well as the other data entry operators.

This provides scope for unauthorized modification of software and modification of master data as well. Further, this also leaves no scope for existence of audit trail and user accountability. In view of the above, the security of the data and the software has been compromised.

It was noticed in audit that the 'Master Tariff File' was accessible to every user. This provides scope for manipulation of tariff rates and incorrect computation of bills.

Physical access controls

Physical access controls were not adequate

5.2.31 The computer room in which HT Billing system is installed did not have firefighting equipment installed to protect against occurrence of fire due to short-circuit or any other reason.

It was also noticed that the Computer room was dumped with stationeries, and used/damaged computer hardware. The approach way to the Computer room is being used as storage space for old records and thus had accumulated lot of dust, which may be harmful for the day to day functioning of the HTBCS.

Change management controls

5.2.32 Change management control refers to control to be exercised in carrying out changes to the system. It also includes proper authorization for changes to the system to incorporate tariff and other changes.

It was noticed that there was no formal documentation procedure describing the manner in which changes made to the programme are to be documented such as records of programme code, use of charts to show the structure of programme in terms of its major components, the relationships among these components and flow of logic in calculation of various charges. The following instances relating poor change management procedures were noticed.

Loss of revenue due to short collection of electricity duty

Short collection of electricity duty caused revenue loss of ₹ 75.39 lakh

5.2.33 The electricity duty was revised by the Government from five paise to 18 paise per unit of energy from 28 May 2008 in respect of all HT consumers except in the case of HT Industrial consumers where it was revised to 58 paise per unit. However, the corresponding changes in the billing programme were not effected immediately and the revision was effected from June 2008 only. Non-levying of the revised rates from the date of applicability of the order has resulted in short collection of revenue to the tune of ₹ 75.39 lakh in respect of 602 consumers for the four days in May 2008.

Rebate for power factor

5.2.34 The system of granting rebate for power factor contained some errors due to which the Department had been incurring revenue loss. The same was corrected at the instance of Audit (Para 5.6 of CAG'S Audit Report,

Government of Goa, 31 March 2009) in March 2009. This change, however, was not properly documented.

Delayed Payment Charges (DPC)

Delayed Payment Charges was not being properly billed

5.2.35 If the electricity bill is not paid before the due date, Delayed Payment Charges (DPC) is calculated by the system by default for the entire amount of arrears. However, vide executive orders DPC need not be computed for the Electricity duty portion w.e.f 1 April 2009. However, necessary changes to effect this decision was not made in the system. Hence the excess DPC collected on Electricity duty is computed manually and credit is given in the subsequent bills. There was no provision in the system to exclude Electricity duty arrears and to calculate Delayed Payment Charges on the remaining portion of arrears.

Systems Operation/User Manual

System Operation Manual was not available

5.2.36 In order to ensure use of a software system in an authorized and useful manner, it is necessary to have a ‘Systems Operation Manual’ and ‘User Manual’ approved by the user department which shall list out the method of operation of the software, hardware requirements, security controls provided by the system, list of reports that the system is designed to generate, guidance necessary for ‘system operator’ and normal ‘users’ of the system. Audit scrutiny revealed that the Department does not have any approved Systems Operation Manual or User Manual. The Department has been fully dependant on a single person (One retired official of NIC) for its day to day system related issues.

Back-up Policy and Disaster Recovery Plan

Back-up policy was not documented

5.2.37 The HT billing software and the data pertaining to bills generated from the system is being stored in the PC placed in the Computer room itself. Audit scrutiny revealed that the Department does not have an approved/documented back-up policy and there was no system of taking periodic back-up of data or testing the quality/reliability of the backed up data. It was also noticed that the Department does not have any approved and documented ‘Disaster Recovery Plan’ except a copy of the software system and current data kept separately in the same building.

System integration of billing and revenue collection

Delayed Payment Charges

5.2.38 As per the tariff order and the “Conditions of Supply of Electricity”, DPC is to be levied from all consumers who have paid the bill after the due date. Audit scrutiny, however revealed that in certain cases, the system recorded that payment was received before the due date whereas the field records revealed that payments were received one or two days after the due date in 10 instances test checked. Thus DPC was omitted to be levied.

Computation of DPC required manual intervention

It was noticed that in the event of payments after the due date, DPC to be levied is calculated manually and collected on the spot and in some cases it is added as arrears in the subsequent month. As the system is not computing DPC by default, omissions in levying DPC cannot be ruled out. At the end of March 2009, the amount pending collection from HT Consumers was ₹ 66.27 crore (Net) and it included disputed amount of ₹ 1.72 crore. DPC is computed manually for disputed amounts also and levied and subsequently reversed. In view of such manual intervention in the system, the accuracy cannot be ensured.

Management information

Non-recording of age/period of arrears

System was not capable of generating proper accounting records

5.2.39 It was noticed that though the system indicated the total amount of arrears of a defaulted consumer as on a particular date, the age/periodicity of such arrears was not ascertainable. In the absence of this vital information, progress of recovery of arrears could not be ascertained from the system.

5.2.40 Personal Ledger Account of each consumer showing opening balance, addition/demand, collection and closing balance of electricity dues was not being prepared using the HTCBS.

Delay in issue of bills

Delay in billing caused loss of revenue of ₹101.37 lakh by way of interest

5.2.41 The very purpose of the computerisation of billing is to avoid delay in processing and issuing of bills. As per the standing instructions, billing for HT consumers has to be completed and bills issued to consumers on or before fifth of every month.

- (i) On examining the billing data relating to 60 months of all Divisions it was revealed that, billing was delayed in all months in all the Divisions except in Division 3 for 24 months. The delay in billing ranged from one to 10 days. The delay in billing caused delay in realisation of revenue and led to loss of ₹ 101.37 lakh (@14 per cent per annum) by way of interest.
- (ii) Payment of electricity charges are to be made in 14 days from the date of Bill. Hence last date of payment is fixed by the billing system by adding 14 days to the bill date. However, on 10 occasions more days were allowed while fixing the last date of payment. The extension of last date of payment caused delay in realisation of revenue.

Other points of interest

Energy consumption data was erratic

5.2.42 There were several cases of erratic energy consumption data which indicate that there was no system to analyse and compare the consumption data of each month with previous month's/year's data and to find out cases of short/excess billing.

5.2.43 When payment is received by cheque or demand draft, pre-printed receipt is filled up and issued to consumer on the spot. This system is not fool

proof as receipt can be prepared/issued at any time with back date and levy of DPC can be avoided.

Though the due date/last date for receipt of bill amount is mentioned in the bill, no timing is prescribed for the last date and payment is received till the end of office hours. Hence cheques/DDs received could not be remitted into the Bank on the date of receipt itself.

Internal Audit

Internal audit of HT billing system was not conducted

5.2.44 The role of the HTCBS of the Department is vital as well as critical as 69 *per cent* of its total annual revenue is from HT/EHT consumers. However, no system existed to conduct internal audit of the billing system so as to avoid errors and omissions. Further, though the Chief Electrical Engineer had instructed (March 2005) that all bills of HT Consumers were to be checked by the Accounts Officer of Electrical Circle Office, no such exercise was being conducted.

Conclusion

The High Tension Billing System used by the Department to cater to the needs of HT consumer billing continued to be used with lot of system deficiencies like absence of provisions to accommodate advance payments, Delayed Payment Charges, supplementary billing and thus was permitting adjustments through credits in the subsequent bills without exhibiting reasons. This made the system not reliable. The physical and logical controls were inadequate. Poor change management controls resulted in loss of revenue. Lack of proper input controls and non mapping of business rules resulted in generation of erroneous bills and loss of revenue. Revenue collection process was not mapped in the system. Thus, the system was found not effective in achieving the objectives of a computerised billing operation.

Recommendations

- **The Department should take immediate action to rectify the deficiencies in the existing HTCBS, as discussed in the foregoing audit findings.**
- **Service connection records of all HT consumers are to be thoroughly reviewed and compared with the system data.**
- **The system of collection of electricity charges should be automated and linked to the HTCBS.**
- **Faulty HT meters should be replaced without delay and exact consumption data recorded/billed.**
- **Manual interventions should be avoided as far as possible.**

The matter was referred to the Government in September 2010, their reply had not been received (October 2010).

SECTION B – TRANSACTION AUDIT OBSERVATIONS

GOVERNMENT COMPANIES

Goa Tourism Development Corporation Limited

5.3 Loss due to non-availing of CENVAT credit on payment of service tax

Payment of service tax on output services without availing CENVAT credit on input services, resulted in loss of ₹ 1.07 crore.

As per the Finance Act, 1994¹, Service tax was leviable at the prescribed rates, on certain specified output services. CENVAT Credit Rules 2002 and Service Tax Credit Rules, 2002 further provided that the provider of any such taxable services was eligible to avail CENVAT credit of Excise Duty, Service Tax and Education Cess paid by him on input goods/services received, for payment of Service Tax on output services.

As a part of its tourism development activities, the Company has been providing various services such as leasing of shops/restaurants, renting of halls and operating river cruise/conducted tours etc. During the period from April 2004 to March 2009, the Company paid ₹ 1.28 crore as Service Tax (including Education Cess) for the output services provided by it. During the same period, the Company received input services such as insurance, telephone, Architectural consultancy, bank charges, security services etc. (gross value - ₹ 4.77 crore), purchased excise duty paid items (aggregate value - ₹ 3.77 crore) and engaged various contactors for civil works (gross amount - ₹ 5.14 crore), for which service tax paid/payable to the suppliers/service providers was ₹ 1.07 crore².

We observed that the Company did not maintain any account of service tax paid on input services received by it. Excise Duty paid invoices or Tax invoices from the Suppliers/Contractors were available in some cases only. The Company did not avail the benefit of CENVAT credit aggregating to ₹ 1.07 crore which would have been otherwise eligible for adjustment against Service Tax paid on output services provided by it.

Management has been repeatedly replying since March 2010 that input credit will be calculated and set off availed while remitting Service Tax in future. We, however, observed that the claim for CENVAT Credit was not preferred till date (July 2010). Thus, the possibility of getting the benefit of earlier years is remote.

The matter was referred to the Government in April 2010; their reply has not been received (July 2010).

¹ Clause 105 of Section 65 Chapter V.

² Approximate amount, as worked out by Audit based on the Annual Accounts of the Company.

Sewage and Infrastructure Development Corporation Limited

5.4 Loss of interest due to improper management of funds

Improper planning and management of funds caused loss of ₹ 27.37 lakh by way of interest, besides non-compliance of Government directions.

The Company received ₹ seven crore (02 September 2008) and ₹ 11.65 crore (21 October 2008) by way of budgetary allocation from the Government for executing various sewer line projects in the state. As the Company had not formulated any investment policy, the funds were initially deposited in the Current Account (₹ seven crore) and in Savings Bank Account (₹ 11 crore) with a private Bank and later transferred to Term Deposits of six months with the same private Bank (₹ 16 crore on 4 November 2008) and with Andhra Bank (₹ two crore on 16 October 2008) at an interest rate of 12 *per cent* per annum.

Audit scrutiny revealed the following:

- The funds remained in current account (₹ two crore for 43 days and ₹ five crore for 63 days) without fetching any interest and in Savings Bank Account (₹ 11 crore for 14 days) with nominal interest (@ 3.5 *per cent* per annum). Thus the delay in investing the funds in term deposits, led to loss of interest of ₹ 16.77 lakh.
- Further, there were delays ranging from two to 27 days in re-investing the matured deposits resulting in loss of interest of ₹ 4.95 lakh. During the intervening period before re-investment, the interest rate declined from eight to 7.5 *per cent* per annum. This led to further loss of ₹ 5.65 lakh.
- As per the directions issued (5 March 2008) by the Government of Goa, decision on investment of surplus funds of PSUs shall be taken by the Board of Directors (BoD) or delegated to a Group of Executives (GoE) which should invariably include Managing Director. The Government had also directed (26 March 2008) that surplus fund with organisations funded by Government shall, at least to the extent of 60 *per cent*, be placed with Public Sector Banks. The company violated the Government directions as more than 88 *per cent* of the funds were deposited with private Bank and that too without the approval of BoD/GoE.

The Management, while confirming the audit observations stated (October 2009/February 2010) that there was some procedural delay in understanding the methodology and taking decision regarding parking of surplus funds.

The Company was in the initial stages of the process of awarding the works at the time of receipt of funds and hence it was aware of the fact that the funds were not likely to be utilized immediately. Moreover, as the Company was pursuing the release of funds provided in the budget for the year 2008-09 from April 2008 itself, there was adequate time to plan the parking of funds in Term Deposits immediately on receipt of funds.

The matter was referred to the Government in March 2010; their reply has not been received (July 2010).

EDC Limited

5.5 Loss due to waiver of loan pre-closure charges

Waiver of loan pre-closure charges despite specific conditions in the loan agreement resulted in loss of ₹ 18.93 lakh.

With a view to avoid Standard loan accounts from getting transferred to other financing institutions, the Board of Directors (BoD) of the Company decided (October 2004) to introduce the system of levying pre-payment/pre-closure charges (PCC) on all loans where mortgage of landed property is involved. All such loan agreements contained a condition that in case the loan amount was repaid in full or in part before the due dates, the borrower/mortgager shall pay to the Company a premium calculated at the rate of one *per cent* per annum on the amount so pre paid for the period from the date of such payment upto its due date. Accordingly the Company had collected ₹ 32.42 lakh as PCC in respect of 36 loan accounts pre-closed during the period from October 2004 to March 2010.

We observed that the Company had disbursed (March to June 2007) a term loan of ₹ 4.77 crore to Goa Formulations Limited (GFL) which was repayable in 24 quarterly instalments commencing from 15 November 2008. GFL repaid (February 2008) the entire loan amount before the first instalment was due. Though the loan agreement contained provision to levy PCC, the BoD decided (February 2008) not to collect the pre-closure charges, which amounted to ₹ 18.93 lakh.

Management stated (July 2010) that PCC was waived as (a) no refinance was availed in this case, and (b) the Company was in need of funds to meet its financial commitment especially for repayment of loan availed from re-financing agencies. It was, however, noticed in audit that the Company had stopped the system of availing refinance even before the disbursement of loan to GFL and even before the receipt of refund of loan amount of GFL, the Company had planned to settle the loans availed from refinancing agencies.

The matter was referred to the Government in May 2010, their reply has not been received (July 2010).

Goa Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited

5.6 Inordinate delay in finalization of accounts

On account of delay in finalization of accounts, Government's investment (₹ 1.66 crore) in the Company remained outside the scrutiny of the State Legislature.

Section 210 of the Companies Act, 1956, read with Sections 166 and 216, casts the duty on the Board of Directors of a Company to place the accounts of the Company along with Auditor's Report (including supplementary comments of CAG) in the Annual General Meeting of the shareholders within six months of the close of its financial year. As per Section 210(5) of the Act

ibid, if any person, being a Director of a Company, fails to take all reasonable steps to comply with the provisions of Section 210, he shall be punishable with imprisonment for a term which may extend to six months or with fine which may extend to ten thousand rupees or with both. Similar provision exists under Section 210 (6) in respect of a person who is not a Director but is charged with the duty of ensuring compliance with Section 210.

Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited (Company) was incorporated in April 1990. In spite of clear provisions in the Companies Act, the Company has not been finalising its accounts in time and there were arrears of seven years in finalisation of its accounts as of 30 June 2010. The Company has finalised its accounts up to 2001-02 only. Audit has been bringing out the fact regarding arrears in finalisation of accounts to the notice of the State Government (Finance Secretary/ Chief Secretary) from time to time. However, there was no effective action to liquidate the arrears and during past four years the Company could finalise only one account (2001-02). The State and Central Governments had already made an investment of ₹ 1.66 crore in the Company in the form of equity, grants subsidy, loans etc. during the period for which the accounts were not finalised. Audit scrutiny revealed that many of the primary records and accounts, especially bank reconciliation, accounts for loan/interest on loan were not made upto date and hence finalization of accounts got delayed.

In the absence of accounts and their subsequent audit, it cannot be ensured whether the investments and expenditure incurred were properly accounted for and the purpose for which the amount was invested achieved or not and thus Government's investment in the Company remains outside the scrutiny of the State Legislature. Further, delay in finalisation of accounts may result in risk of fraud and leakage of public money apart from violation of the provisions of the Companies Act.

Management stated (June 2010) that they are in the process of appointing experienced accounts personnel on contract basis to finalise the accounts in arrears.

It is recommended that the Government and the Company management may make a time-bound programme to clear the arrears and monitor it on a continuous basis.

The matter was referred to the Government in April 2010; their reply has not been received (July 2010).

DEPARTMENTAL COMMERCIAL UNDERTAKINGS

Goa Electricity Department

5.7 Extra expenditure due to purchase of stores at higher rates

Elimination of lower offers for supply of stay rods/plates on insignificant grounds resulted in purchase of the item at higher rates with resultant extra expenditure of ₹ 37.06 lakh.

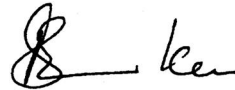
While inviting tenders for procurement of galvanized stay rods/plates, the Department called upon tenderers to submit Type Test Certificate (TTC)

obtained within the last 10 years from any reputed or Government institutions. This condition was newly incorporated in the tender document from March 2007 onwards. In June 2007 tenders were invited for the supply of 5,500 sets of 'Hot dip galvanized iron stay rods/plates'. The Department received nine offers for the supply of the item out of which eight lower offers (ranging from ₹ 700 to ₹ 1,246 per set) were rejected due to non submission of TTC. The highest offer of ECOUNTRY, Goa at ₹ 1,299 per set was accepted (July 2007). Thus, due to elimination of the lowest offers the item was procured at the higher rate (₹ 1,299 per set) resulting in extra avoidable expenditure of ₹ 37.06 lakh (including Service Tax).

We observed that TTC was not a vital requirement for the item as the stay rod is not an electrically connected device. The quality parameters for these items are dimensional accuracy and uniformity of coating. These parameters could have been ensured by a routine test certificate to accompany the goods. By making TTC mandatory which was not important for the goods procured, the Department incurred an avoidable expenditure of ₹ 37.06 lakh. It was further seen that TTC was not being insisted by the Department at present for galvanized iron stay rods which confirmed our observation.

The matter was referred to the Government/Department in May 2010; their reply has not been received (July 2010).

**Panaji
The**



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The**



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Comptroller and Auditor General of India**