



LEGISLATIVE ASSEMBLY OF THE STATE OF GOA

COMMITTEE ON PUBLIC UNDERTAKINGS

2014- 15

SEVENTEENTH REPORT

**Report of the Committee on Public Undertakings on the
Report of the Comptroller and Auditor General of India for
the year**

2009-2010

**LAID ON THE TABLE OF THE HOUSE ON
18th DECEMBER, 2017**

**GOA LEGISLATURE SECRETARIAT
ASSEMBLY COMPLEX
PORVORIM**

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(i)

**COMPOSITION OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS
(2014-15)**

CHAIRMAN

SHRI DIGAMBAR KAMAT

MEMBERS

- 1. SHRI SUBHASH PHAL DESAI**
- 2. SHRI RAJAN NAIK**
- 3. SHRI GLENN TICLO**
- 4. SHRI ROHAN KHAUNTE**
- 5. SHRI PRAMOD SAWANT**
- 6. SHRI VISHWAJIT RANE**

LEGISLATURE SECRETARIAT

**SHRI N.B. SUBHEDAR, SECRETARY, LEGISLATURE
SMT. CELIZA FERNANDES, UNDER SECRETARY**

(ii)

**COMPOSITION OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS
(2017-18)**

CHAIRMAN

SHRI DIGAMBAR KAMAT

MEMBERS

- 1. SHRI DEEPAK PAUSKAR**
- 2. SHRI MILIND NAIK**
- 3. SHRI GLENN TICLO**
- 4. SHRI CARLOS ALMEIDA**
- 5. SHRI CLAFASIO DIAS**
- 6. SHRI WILFRED D'SA**

LEGISLATURE SECRETARIAT

**SHRI N.B. SUBHEDAR, SECRETARY, LEGISLATURE
SMT. CELIZA FERNANDES, UNDER SECRETARY**

(iii)

INTRODUCTION

I, Chairman of the Committee on Public Undertakings (2014-15 and 2017-18), Goa Legislative Assembly having been authorized by the Committee to present the report on their behalf, present the Seventeenth Report based on the Report of the Comptroller and Auditor General of India for the year 2009-2010 pertaining to Economic Development Corporation Limited, Goa Scheduled Caste and Other Backward Classes Finance and Development Corporation Limited, Goa Tourism Development Corporation Limited, Sewage and Infrastructure Development Corporation Limited, Goa Electricity Department and the Report on pending Finalization of Accounts of various Corporations. The Report was adopted at the meeting held on 5th December, 2017.

During its meeting held on 22/12/2014, 27/01/2015, 04/03/2015, 07/04/2015 & 20/04/2015 the Committee on Public Undertakings considered the explanation of the Departments in respect of the Paras reflected in the Report of the Comptroller and Auditor General of India for the year 2009-2010. The Minutes of the meeting are at Appendix I, II, III, IV and V. After careful consideration, the Committee formulated its recommendations, which are embodied in the Report. The draft Report was considered and adopted by the Committee at its meeting held on 5th December, 2017. Minutes of the meeting are at Appendix VI.

The Committee expresses its gratitude to Ms. Devika and Shri Ashutosh Joshi, Accountant General - Audit, Porvorim, for their valuable guidance rendered to the Committee.

The Committee also places on record the cooperation extended to the Committee by Shri N. B. Subhedar, Secretary, Smt. Celiza Fernandes, Under Secretary, Smt. Perpetina D'Souza, Section Officer and concerned staff members of the Goa Legislature Secretariat and commends their contribution towards the Report.

ASSEMBLY HALL
PORVORIM, GOA
DATED: 5th DECEMBER, 2017

DIGAMBAR KAMAT
CHAIRMAN

REPORT

CHAPTER I

ECONOMIC DEVELOPMENT CORPORATION LIMITED

PARA 5.5 LOSS DUE TO WAIVER OF LOAN PRE-CLOSURE CHARGES

Waiver of loan pre-closure charges despite specific condition 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 installments commencing from 15 November 2008. GFL repaid (February 2008) the entire loan amount before the first installment 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 refinancing 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).

The Department stated that the condition of levy of pre-closure charges was not mentioned in the sanction letter. However, at the time of documentation, the said condition has been incorporated in loan agreements. The levy of pre-closure charges has been stipulated, as a penalty for discouraging pre-mature repayments so that the financial planning of the Corporation is not disturbed. The Corporation has been recovering pre-closure charges from the concerned borrowers wherever the said condition was stipulated in the loan agreements.

EDC Board had deliberations in the matter of levy of pre-closure charges in various occasions in the past. In its meeting held on 5/2/04. EDC Board, while approving waiver of pre-closure charges to one of the borrowers, Inertia, decided not to levy the said charges in future to all cases of premature repayment. Subsequently, EDC Board in its meeting held on 29/10/2004 reconsidered its decision and decided to continue with charging the pre-closure charges in order to discourage the transfer of standard accounts from EDC to other institutions.

The decision of levying the commitment charges by the Corporation for the pre-closure of accounts was always taken by taking into consideration the risk perception of performance of account / liquidity and cash flow position of the Corporation.

M/s. Goa Formulation Ltd. (GFL) in December 2007 informed the Corporation that their parent Company M/s. Parenteral Drugs (India) Ltd. was going in for consolidation of finances due in which they would like to pay off the loan taken from EDC Ltd. The Corporation informed them to clear the entire liability alongwith commitment charges. (pre-closure charges) of ₹18,92,945/-.

In response to this, the Company requested for waiver of commitment charges on the grounds that they are repaying Corporations liability to ensure proper banking and financial discipline.

During this period the Corporation was in need of funds due to following financial commitments:

- a. An amount of ₹37.50 crores was required for settlement of SIDBI dues.
- b. Goa State Infrastructure Development Corporation (GSIDC) had claimed disbursement of an amount of ₹30.00 crores from the sanctioned amount of ₹115.00 crores.

In view of the above the matter was placed before EDC board in its meeting held on 20/02/2008. Board after considering that no refinance was availed towards loan by the Corporation and as availability of funds at that time could help in meeting the financial commitments of the Corporation, decided to waive commitment charges payable by M/s. Goa Formulation Ltd. The Corporation has not waived any portion of principal/interest in this case.

The submission made by the Corporation to Audit are factual based on the clarification sought. The request for waiver of commitment charges was placed before the Board for decision, and depending on the circumstances prevailing during that period as already explained above the Board decided not to collect the pre-closure charges as per powers vested with it.

During the oral evidence the representatives of the Corporation informed the Committee that in the year 2006-2007 they were restructuring their Corporation and needed funds of 37 crores to be paid to CDBI and IDBI to avail of a one time settlement benefit of 47 crores. It was for this reason the Board took a decision of waiver of pre closure charges.

The Committee is of the opinion that the procedure followed wherein the financial waiver of pre-closure amount is decided and granted on a case to case basis for whatever reasons does not reflect transparency of operation. As such the Committee recommends immediate drawing up of a policy wherein fixed parameters are set for waivers of amounts pertaining to loans, interest and pre closure charges.

CHAPTER II

GOA SCHEDULED CASTE AND OTHER BACKWARD CLASSES FINANCE AND DEVELOPMENT CORPORATION LIMITED

PARA 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 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 or 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 finalizing its accounts in time and there were arrears of seven years in finalization of its accounts as of 30 June 2010. The Company has finalized its accounts up to 2001-02 only. Audit has been bringing out the fact regarding arrears in finalization 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 (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 finalized. 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 finalization of accounts may results 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.

This matter has been brought to the notice of the Board of Directors several times and the matter is been addressed to the Board vide Resolution No. 20/09 appointed an external accounting expert to finalise the accounts. Audit by Internal Auditor is been done. Statutory compliances will be done thereafter.

During the oral evidence, the Committee was appraised of the fact that the Accounts of the Corporation had not been submitted since 2001-2002. The representatives of the Corporation informed that it was due to non-appointment of an Accountant.

The Committee recommends that an Accountant be appointed to finalize the accounts and that the Government should assist in completion and submission of the accounts. The Committee further recommends that efforts be made to finalize the accounts for the years 2007-08, 2008-09 and 2009-10 by 30th December, 2017, and compliance in writing may be communicated to the Committee.

CHAPTER III

GOA TOURISM DEVELOPMENT CORPORATION LIMITED

PARA 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, 1994, 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 Contractors for civil works (gross

amount-₹5.14 crore), for which service tax paid/payable to the suppliers/service providers was ₹1.07 crore.

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).

The Department stated that the availment and utilization of the CENVAT credit has to be in accordance with the Cenvat Credit Rules, 2004. GTDC has worked out details of Service Tax for the year from 1-4-2004 to 31-3-2010 wherein the bills in respect of telephone charges, security services, rentals, insurances, etc. are paid inclusive of Service Tax. The total amount of Service Tax over the period of six years from 1-4-2004 to 31-3-2010 worked out to ₹5,40,670/- and not ₹1.07 crore as pointed out by the Auditor (gross figures from annual Report). Bills as shown by the Auditors such as civil works purchase of AC, Vehicles etc. did not include service tax hence there is no question of payment of service tax.

During the period from 1/4/2004 to 31/3/2007 (₹117049/-) and from 1/4/2007 to 21/3/2010 (₹423621/-) total ₹540670/- service tax was included in telephone bills, security services and other service provider. The Corporation availed the benefit of CENVAT Credit from 1-4-2007 to 30-4-2011. Further, it may be noted that the Corporation is availing the benefit of abatement from 1/5/2011 till date in the rate of Service Tax (now 40% to 60% abatement is allowed on accommodation/tour cruises) hence no credit of Service Tax on input service has to be availed under the provisions of the CENVAT Credit Rules, 2004. Since the Corporation is claiming benefit of abatement, there is no question of getting benefit under Cenvat Credit.

The Corporation keeps all the details and accordingly Cenvat Credit on service tax has been claimed from the service tax Department upto 30-4-

2011 and abatement benefit from 1-5-2011 till date. It is to be noted that the Service Tax is being paid to the Government treasury and all the books are maintained as per the requirement.

CENVAT credit is available for service tax, excise duty, additional excise duty and education cess paid on input services. As per rule 3 (1) of CENVAT credit rules 2004, a manufacturer or producer of final products or a provider of services shall be allowed to take CENVAT credit on duty of excise specified in the schedule to the Excise Tariff Act, leviable under Excise Act paid on any input or capital goods received by the producer of the service on or after 10th day of September 2004.

The reply of GTDC stating that the amount towards payment of service tax lost during the period 2004-10 being ₹5.41 lakh only (denying the CENVAT loss of ₹1.07 crore) is incorrect because it considered only the Services Tax element of the available invoices disregarding the service tax charged on service & works for which tax invoice was not obtained by the company. The excise duty component of excisable goods (like vehicles, equipments, engines etc.) that could be included in CENVAT credit also had not been taken in account.

The reply of the company stating that benefit of abatement on output services (accommodation, tours, cruises, etc.) was being availed since May 2011 is not pertinent to the period commented by audit i.e. 2004-09. Moreover, abatement facility is not yet available on certain output services (for e.g. Lease rent, renting of banquet hall for exhibition, open air exhibition ground rent, etc.) for which the company should avail CENVAT credit to discharge the service tax liability on services rendered.

The Auditor has pointed out that Goa Tourism Development Corporation Limited did not avail the benefit of the CENVAT credit aggregating to ₹1.07 crores. this was worked out by the auditor based on the expenditure of ₹8.81 crores for the period from April 2004 to March 2009 in respect of services such as civil works, purchase of AC, Vehicles, Vehicle hire charges, Cable TV charges, Security service, Architect fees, Bank charges & Insurance which was reflected in the Annual Reports for the period from 2004-05 to 2008-09.

It is to be clarified here that the bills of civil works, purchase of AC, Vehicles, Vehicle hire charges, Cable TV charges, Architect fees did not

include service tax/excise duty. In other words the contractor or the suppliers has not charged the service tax hence there was no question of availing CENVAT Credit for the said purchases/ services (copies of the bills are enclosed herewith for reference). The vehicle were purchased from the local dealers and not from the manufacturers. Dealers issue invoices for total amount with local levies. The invoices show separately VAT which cannot be claimed as CENVAT Credit.

CENVAT rule 2(a) specifies that the CENVAT Credit cannot be taken in respect of capital goods such as motor vehicles which falling under the tariff headings 8702, 8703, 8704, 8711 & their chassis including dumpers & Tippers. Tariff headings 8702, 8703, 8704, 8711 are as follows:

- i) Motor vehicles for the transport of 10 or more persons including the driver.
- ii) Motor cars and other motor vehicle principally designed for the transport of person (other than those covered in (i) above) including station wagons and racing cars.
- iii) Motors vehicle for transport of goods.
- iv) Motorcycle (including mopeds) and cycle fitted with auxiliary motor with or without side cars.

The above rules clearly specifies that no CENVAT credit can be taken on purchase of Vehicles which was to the tune of ₹2026889/-.

CENVAT Credit is available for service tax, excise tax, excise duty, and education cess paid on input services. As rule 3 (1) of CENVAT Credit rules 2004, a manufacturer or producer of final products, or a provider of services shall be allowed to take CENVAT Credit on duty of excise specified in the scheduled to the Excise Tariff Act, leviable under Excise Act paid on any input or capital goods received by the producer of the service on or after 10th day of September, 2004, dealers for purchase of Plant & Machinery issue bills with VAT at respective rates which cannot be set off against the service Tax and thus the question of availing CENVAT Credit on purchases of Plant & Machinery to the tunes of ₹2376537/- does not arise.

As regard to Service Tax on Civil Work aggregating to ₹5.14 crores for the year 2008-09 as shown by the Auditor, it is to state that the contractor had not charged service tax on the bill raised and as such the CENVAT Credit could not be claimed (Copies of the bill are enclosed herewith for reference). Moreover the Civil Construction done for Government

Undertakings for providing Civil Amenities are not taxable services. In view of that the CENAT Credit determined by the auditor to the tune of ₹1466100/- is not justifiable.

Similarly the parties who has rendered the services such as Architect Fees, Cable TV, Vehicle hire had not charged us the service tax on account of which we had not availed the CENVAT Credit to the tune of ₹2975101/-.

GTDC has worked out details of Service Tax for the period from 2004-05 to 2010-11 (₹954106/-) which were included in the bills in respect of telephone charges, security services, insurance, etc. copy of the working is enclosed herewith at annexure 'B'. The Corporation availed the benefit of CENVAT Credit from 2007-08 to 2010-11 (₹637057/-) and adjusted against the payment. It is admitted that the Service tax during the period from 2004-05 to 2006-07 totaling ₹117049/- has not been claimed.

Brief Summary of CENVAT CREDIT is as follows:

Service tax CENVAT as per the auditor		₹10733609
Less: Exempted/Ineligible for CENVAT CREDIT		
Vehicle purchases	₹2026889.00	
Plant & Machinery	₹2376537.00	
Civil Work	₹1466100.00	
Architect Fees, Cable TV, Vehicle hire	₹2975101.00	
Total	₹8844627.00	
CENVAT Credit not utilized on account of non-charging of service tax by the contractor/vendors	₹1051925.00	
Total	<u>₹9896552.00</u>	
Balance		₹
837057.00		
Less: Cenvat credit adjusted from April 2012 to Aug 2012		₹
837057.00		

Further, the Corporation is availing the benefit of abatement from 1.5.2011 till date i.e. paying only 40% to 60% (depending upon revision by Government) service tax on accommodation/tour/cruises. It may be noted that, since 2011-12 service tax per annum works out to approximately ₹ 2.00 cr. whereas Corporation is paying only ₹ 1.00 cr. (40% to 60%), thus saving Rs.1.00 crore per year. Since the Corporation is now claiming benefit of abatement, there is no question of getting benefit under CENVAT Credit.

During the oral evidence the representatives from the Government stated that the action has been taken in most of the cases. Only in two cases the re-assessment is on. It was further mentioned that rectification was also done and recovery was also made.

The Committee has examined the replies of the Company and it sees that replies are given for periods outside the relevant period of April 2004 to March 2009, which is the period which has been highlighted by the AG as the company not having availed CENVAT. It is seen that there has been a gross negligence in not having claimed CENVAT for the year 2004-2007. The Committee recommends that the responsibility be fixed for the lapse and action be taken for recovery of the amount. The Committee may be kept informed in writing on the progress of the matter.

CHAPTER IV

SEWAGE AND INFRASTRUCTURE DEVELOPMENT CORPORATION LIMITED

PARA 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 (₹ 7 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 the Managing Director. The Government had also directed (26 March 2008) that surplus funds with organizations funded by Government shall, at least to the extent of 60 per cent, be placed with Public Sectors Banks. The company violated the Government directions as more than 88 per cent of funds were deposited with a 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 facts 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).

The Corporation stated that the matter is noted by the Board of Directors and the Corporation has taken necessary measures to ensure the parking of funds in various banks immediately. Now as and when the Fixed Deposits Receipts mature they are renewed immediately on the same day and hence there is no delay in depositing the funds in banks. Now the Corporation has deposited maximum funds in nationalized banks rather than private sector bank.

As regard to parking of funds in private sector banks there is a notification from Reserve Bank of India stating that Public Sector Enterprises can undertake normal banking transactions with any bank of their choice including foreign/private sector banks (Xerox Copy of RBI Notification is enclosed).

After reactivation of the Corporation during the initial period there was a delay in finalizing the interest rate. From 2004 to 2008 the Corporation was defunct and no Banks were coming forward to accept the deposit, hence there was delay in depositing funds.

The rate of interest on Fixed Deposits was 8% which works out to ₹1075342.00 whereas the office of the CAG has worked out @ 12%, interest calculation which works out to ₹1667123.00. Therefore the loss of interest is reduced by ₹591781.00 (₹1667123.00- ₹1075342.00).

In the year 2008-09 the RBI had issued a Circular to all Banks to offer a lower rate of interest on bulk deposits. The deposits below one crore were getting 1% more interest, hence Corporation has deposited 90 lakhs per day to earn a higher rate of interest.

Now henceforth sufficient care will be taken to avoid such delays.

During the oral evidence the representatives of the Department informed the Committee that the loss incurred was not to the extent as reported, as the interest was to be calculated at 8% as against 12% as

calculated by the CAG. It was further informed that the delay in parking the funds with the banks was due to negotiations on interest rates and also reluctance on the part of the banks to accept the funds as the Corporation had been defunct from 2001-2008. It was also informed that amounts were now being deposited with the Banks within 48 hours of receipts.

The Committee strongly feels that the delay in negotiating with the Banks regarding rates need not have cost the exchequer the amount lost. The negotiations could have been held earlier as the Corporation was well aware that the funds were to be released to them and work had not started. The Committee strictly warns the Corporation against committing the lapse in future and recommends closure.

CHAPTER V

GOA ELECTRICITY DEPARTMENT

PARA 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 items 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 ₹1299 per set was accepted (July 2007). Thus, due to elimination of the lowest offers the item was procured at the higher rate (₹1299 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.

Department stated that the tender No. 4/2007-08 for procurement of galvanized stay rods/ plates (5500 sets) were called wherein, bidders were called upon to submit Type Test Certificates (TTC) obtained within the last ten years from any reputed or Government institution, as the Department did not have a full- fledged testing laboratory wherein all the tests required for passing/ accepting the materials.

Also, as the State of Goa is prone to high velocity winds thus causing uprooting of trees on HT/LT lines network and also due to saline atmosphere and high humidity conditions, the corrosion effect on the materials is very high which leads to the materials get rusted at a faster pace.

To overcome the above effects, this clause was incorporated in the tender with bonafide intention to ensure better quality of materials for the Department rather than substandard materials. The quantity proposed for procure was also large. Insisting routine test certificate alongwith supply of materials will not ensure quality materials.

The offer of M/s Bhagavati Galvanising Industries Kundaim @ ₹940.00 and M/s. Lalita Prabhu Gaonkar Canacona @ ₹1038.00 and M/s. Mayur Industries Curtorim @ ₹850.00 and M/s. Sai Metal Industries Kundaim @ ₹700.00 and M/s. Yash Enterprises Margao @ ₹829 and M/s Atul Udyog Mapusa @ ₹1246 and M/s. Datta Engineering Works Mapusa @ ₹839.00 are not considered since they have not enclosed type test certificate.

The offer of M/s. Bharat Udyog, Nagpur is rejected since they have not submitted EMD.

The offer of M/s Everlast Wire Industry Thane @ ₹1106.62 are not considered for comparison as their type test certificate submitted by them is from M.T.E Society's Walchand College of Engineering Sangli which is not as per our NIT specification.

Details of eligible bidders are as follows:

Sr. No.	Firms	Rate/Unit ₹.	Total Amount	% Variation
1.	M/s. E-Country Chicalim	1299.00	71,44,500.00	0.84% below

The only eligible offer is from M/s E-Country Chicalim at the rate of ₹1299.00 per unit inclusive of all taxes/duties but exclusive of VAT @ 12.5% and is 0.84% below estimated cost. The firm has submitted test report from Goa College of Engineering Farmagudi and have agreed to supply materials as per Department specifications.

As seen from the remarks from the comparative statement, no other bidders have furnished the TTC except by M/s. E-Country, Chikalim. Hence, rates quoted by E-Country was accepted as lowest bidder and also, considering aspects given in the para 1 to 3 above. It may please be noted that stay rods /

plates purchased are definitely of high quality which will last for longer period thus compensating for extra expenditure incurred.

During the oral evidence the representative of the Department informed the Committee that it was desirable that the material procured by the Department be accompanied by a TTC as even the non-conducting items needed to be certified for resistance to climate conditions, salinity and strength. They also informed that they did not have access to a testing bench to check quality in house.

The Committee was of the unanimous opinion that enforcing requirement of TTC on suppliers would result in automatic elimination of the lower bidders. The Committee recommends that all material be certified by the Goa Engineering College to establish a level playing field to all suppliers and certificates obtained from one source would be better monitored /verified. It does not accept the option of a third party inspection Committee but recommends that the on site quality inspection be carried out by senior officers of the Department who would verify the same in writing and be held accountable for the same.

* * *

**REPORT ON PENDING FINALISATION OF ACCOUNTS OF
VARIOUS CORPORATIONS**

The Committee on Public Undertakings noted that many Corporations had not finalized their Annual Accounts for more than 2 years and decided to examine these Corporations.

The following Corporations had not finalized their accounts for more than 2 years:

1. Goa Meat Complex Ltd. years	2012-13 and 2013-14	2
2. Goa State Horticulture Corporation Ltd. years	2010-11 to 2013-14	4
3. Info Tech Corporation of Goa Ltd. years	2007-08 to 2013-14	7
4. Goa Information Technology Development Corporation Ltd. years	2006-07 to 2013-14	8
5. Goa State Scheduled Caste & Other Backward Classes Finance and Development Corporation Ltd. years	2004-05 to 2013-14	10

THE GOA STATE HORTICULTURE CORPORATION LIMITED

The Committee examined the Goa State Horticulture Corporation Ltd. whose accounts had not been finalized for the last 4 years i.e. from 2010-11 to 2013-14. During the oral evidence, the representatives of the above Corporation informed the Committee that the Auditor has been appointed to audit the accounts for the year 2010-11 and will submit the accounts.

The Committee strongly recommends that the Corporation actively coordinate and follow up with the Auditors to ensure that subsequent accounts be finalized and audited by December, 2017, and compliance in writing may be communicated to the Committee.

INFO TECH CORPORATION OF GOA LIMITED

The Committee examined the Info Tech Corporation of Goa Ltd. Whose accounts had not been finalized for the last 7 years i.e. from 2007-08 to 2013-14. During the oral evidence, the representatives of the Corporation informed the Committee that the Corporation could not finalize the accounts due to sale of plots at IT habitat. It was in view of a huge revenue that had come and since the project was in jeopardy, it would have been a lot of tax,

which the Info Tech had to pay. After the Goa (Rajiv Gandhi IT Habitat-Cancellation/Abolition and Regulation of allotment of plots) Act 2012 was passed, all the plots allotted in the Rajiv Gandhi IT Habitat Dona Paula stood cancelled/abolished from the date of commencement of the said Act and the plots now vest with the Info Tech Corporation of Goa Limited. It was further informed that the audit for the year 2007 was taken up and finalized.

The Committee has taken note of the reply by the Corporation vide its letter dated 3/7/2015. The Committee recommends that strict follow up may be done with the auditor and the accounts be finalized by December, 2017, The Committee may be kept updated on the progress in writing and a compliance report be submitted to the Committee.

THE GOA INFORMATION TECHNOLOGY DEVELOPMENT CORPORATION LIMITED

The Committee examined the Goa Information Technology Development Corporation Ltd. whose accounts had not been finalized for the last 8 years i.e. from 2006-07 to 2013-14. The Corporation stated that the Goa Information Technology Development Corporation (GITDC) was set up under the Goa Information Technology Development Act, 2007. GITDC is a statutory body formed under the State Act, accountable to the State Government. The Corporation is run by the Board appointed by the State Government and the Managing Director and Chief Accounts Officer are also appointed by the State Government. The Corporation has to operate under the provisions of the said Act.

The Corporation further stated that the accounts of the Corporation are pending for finalization which is to be externally audited. The auditor for the Corporation is CAG as appointed by the State Government. The accounts were pending for want of finalization of rules of the Corporation called as the Goa Information Technology Development Rules, 2011, which were subsequently published on 2/2/2011.

During the oral evidence, the representatives of the Corporation informed the Committee that the Managing Director was appointed recently and the appointment of the Chief Accounts Officer was in process. It was further informed that no sooner the Government re-constitutes the Board and appoints the Chief Accounts Officer the accounts will be finalized.

The Committee recommends that the Board be appointed immediately and the accounts be finalized and due compliance be intimated to the committee.

THE GOA MEAT COMPLEX LIMITED

The Committee examined the Goa Meat Complex Ltd. whose accounts were pending for finalization for the last 2 years i.e. 2012-13 and 2013-14. During the oral evidence the representatives of the Corporation informed the Committee that the Corporation could not finalise the accounts for the year 2012-13 and 2013-14 as the internal auditor has not submitted the report in time.

The Committee recommends that the accounts for the year 2012-13 be finalized by December, 2017. The Committee may be kept updated.

THE GOA STATE SCHEDULED CASTE & OTHER BACKWARD CLASSES FINANCE DEVELOPMENT CORPORATION LIMITED

The Committee examined the Goa State Scheduled Caste & Other Backward Classes Finance and Development Corporation Ltd., whose accounts had not been finalized for the last 10 years i.e. from 2004-05 to 2013-14. During the oral evidence the representatives of the Corporation informed the Committee that the Corporation was running without a proper Accountant and an Accountant has been appointed on contract basis.

The Corporation has stated that as of now the accounts of the Corporation are finalized till the year ending 2003. Accounts for the year 2003-04 have been audited by the Office of Comptroller & Auditor General and their comments are awaited.

As regards to arrears in account from the year 2004-05 onwards the details are below:

- | | |
|------------|---|
| a. 2007-08 | Internal audit completed |
| b. 2008-09 | Internal audit is carried out but final report is awaited |
| c. 2009-10 | Accounts are prepared, waiting passing of closing entries |
| d. 2010-11 | Accounts are prepared, waiting passing of closing entries |
| e. 2011-12 | Accounts under preparation |
| f. 2012-13 | Accounts under preparation |
| g. 2013-14 | Accounts under preparation |

The Committee was shocked to note that the Corporation had not finalized the accounts for the last 8 years. The Committee recommends that the Auditor be appointed to audit the accounts. Compilation is the responsibility of the Company.

The Committee takes a very serious view of the fact that no consistent effort is being made to follow up on the finalization of Accounts/Audit Report with the Statutory Auditors. It sees a lacksidical attitude by the Corporation in the matter. The Committee recommends that immediate steps be taken in co-ordination with the Auditor to get the accounts cleared up to date. The Committee may be kept informed periodically in writing on the status in the matter.

The Committee strongly recommends that all the Corporations should mandatorily submit their finalized accounts annually. The Committee further brings to the notice of the Corporation that as per the New Companies Act, non-compliance may attract action against the Board of Directors.

APPENDIX – I

MINUTES OF THE MEETING OF THE PUBLIC UNDERTAKINGS COMMITTEE HELD ON 22nd DECEMBER, 2014 AT 12.00 NOON

The preliminary meeting of the Committee on Public Undertakings was held on 22nd December, 2014 at 12 00 noon in the Public Accounts Committee room in the Assembly Complex, Porvorim-Goa.

2) The following were present:

CHAIRMAN

1. Shri Digambar Kamat

MEMBERS

1. Shri Pramod Sawant
2. Shri Rohan Khaunte
3. Shri Rajan Naik

GOA LEGISLATURE SECRETARIAT

1. Shri N.B. Subhedar, Secretary, Legislature
2. Smt. Celiza Fernandes, Under Secretary, Legislature
3. Shri Uday Bicholkar, Committee Officer

AUDIT DEPARTMENT

1. Smt Devika, Accountant General (Audit)
2. Shri Sureshkumar, Sr. Audit Officer

3) At the outset the Chairman of the Public Undertakings Committee, welcomed the Members and Officers.

4) The Committee decided to examine the paras reflected in the C & AG Report of 2009-10, 2010-2011 and 2011-2012. The Managing Directors

were called whose financial regularization was pending for more than two years.

- 5) The next meeting was fixed on 27th January, 2015 at 3.30 p.m.
- 6) Verbatim proceedings were kept.
- 7) The Committee adjourned its sittings at 12.30 p.m.

APPENDIX – II

MINUTES OF THE MEETING OF THE PUBLIC UNDERTAKINGS COMMITTEE HELD ON 27TH JANUARY, 2015 AT 3.30 P.M.

The meeting of the Committee on Public Undertakings was held on 27th January 2015 at 3.30 p.m. in the Public Accounts Committee room in the Assembly Complex, Porvorim-Goa, to examine the pending accounts of the Corporations for more than two years.

- 2) The following were present:

CHAIRMAN

1. Shri Digambar Kamat

MEMBERS

1. Shri Pramod Sawant
2. Shri Rohan Khaunte
3. Shri Rajan Naik
4. Shri Subhash Phal Desai

GOA LEGISLATURE SECRETARIAT

1. Shri N.B. Subhedar, Secretary, Legislature
2. Smt. Celiza Fernandes, Under Secretary, Legislature

AUDIT DEPARTMENT

1. Shri S.S. Syed Meera Gani, Deputy Accountant General
2. Shri Santosh P. Vellody, Sr. Audit Officer/E.S.A.W.I

- 3) At the outset the Chairman of the Public Undertakings Committee welcomed the Committee Members and the Officers. The programme for

the day included the examination of the finalization of accounts of the Goa State Horticultural Corporation Ltd., Info Tech Corporation of Goa Ltd., Goa Meat Complex Ltd., Goa State Schedule Caste and Other Backward Classes Finance and Development Corporation Ltd. and Goa Information Technology Development Corporation Ltd.

4) The Committee examined the Secretary, Agriculture and the Managing Director (GSHC) in regards to the pending of finalization of accounts of the Goa State Horticultural Corporation Ltd. and requested the officer to try and complete the accounts for the years 2010-2011 and 2011-2012 by 30th March, and 2012-2013 and 2013-2014 by 30th September. Steps should be taken to appoint an Auditor for the years 2012-2013 and 2013-2014.

5) The Committee further examined the Director (IT) and MD (ITG) in regards to the accounts of Info Tech Corporation of Goa Ltd and Goa Information Technology Development Corporation and requested to reconstitute the Board and appoint Chief Accounts Officer for the finalization of Accounts and to submit 2007-2008, 2008-2009 and 2009-2010 by 31st March and 2010-11, 2011-2012, 2012-2013 and 2013-2014 by 30th September.

6) The Committee also examined the Secretary Fisheries and Animal Husbandry in regards to the finalization of accounts of the Goa Meat Complex Ltd and requested to submit the accounts of 2012-2013 by 15th March and 2013-2014 by 30th June.

7) Lastly the Managing Director of the Goa State Schedule Caste and Other Backward Classes Finance and Development Corporation Ltd. was examined. The Committee requested to submit the account of 2004-05, 2005-06 and 2006-2007 by 15th March and 2006-2007, 2007-2008, 2008-2009 and 2009-2010 by 30th June. The Committee also requested to appoint an Accountant well versed with Company accounts, to enable the Corporation to finalize the accounts and submit.

8) Digital and verbatim proceedings of the meeting were kept.

9) The next meeting was fixed for 20 February, 2015 at 3.30 pm. The Committee adjourned its sitting at 5.10 pm.

APPENDIX – III

MINUTES OF THE MEETING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 04 MARCH 2015 AT 3.30 P.M.

The meeting of the Public Undertakings Committee held on 4th March, 2015 at 3.30 pm in the PAC Room, Assembly Complex, Porvorim, Goa to examine Para 5.5 and 5.6 reflected in the CAG Report 2009-2010.

2) The Following were present:

CHAIRMAN

1. Shir Digambar Kamat

MEMBERS

1. Shri Subhash alias Rajan Naik
2. Shri Subhash Phal Desai
3. Shri Pramod Sawant
4. Shri Glenn Ticlo

GOA LEGISLATURE SECRETARIAT

1. Shri N.B. Subhedar, Secretary, Legislature
2. Smt. Celiza Fernandes, Under Secretary, Legislature

AUDIT DEPARTMENT

1. Smt Devika, Accountant General
2. Shri S.S. Syed Meera Gani, Deputy Accountant General

3) At the outset, the Chairman of the Public Undertakings Committee welcomed the Committee Members and the Officers. The programme for the day included the examination of Para 5.5 reflected in CAG Report 2009-2010 pertaining to the Economic Development Corporation Ltd and Para 5.6 pertaining to the Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Ltd.

4) The Committee took serious note at the fact that the Sewage and Infrastructure Development Corporation Limited and Goa Electricity Department had not submitted their replies to Para No. 5.4 and 5.7 reflected in the CAG Report in spite of several reminders sent to them.

5) The Committee examined the M.D. Economic Development Corporation Ltd in regards to loss due to waiver of loan pre-closure charges and questioned the Corporation as to how it would benefit the Corporation to accept a one-time settlement and the reason that they had restricted the same to only one company. The Committee requested that the same may be applicable to the other companies after giving justifications.

6) The Committee also examined the Goa State Scheduled Caste and Other Backward Classes Finance and Development Corporation Ltd. in regards to the finalization of accounts and requested the Corporation to submit their accounts every three months right from the year 2004-2005 after placing the finalized accounts for the year 2003-2004 in the House in July 2015.

7) The Committee further made a mention that the Secretaries be asked to be present for the next meeting with the replies, if their office failed to submit the same by 10th March 2015. Secretary, Finance along with the Director of Accounts may also be asked to remain present specifically with respect to the deputation of Accountants to all the PSU's.

8) Digital and verbatim records of the proceedings of the meeting were kept.

9) The next meeting was fixed for 30th March, 2015 at 3.30 pm. The Committee adjourned its sitting at 4.12 pm.

APPENDIX – IV

MINUTES OF THE MEETING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 07TH APRIL 2015 AT 3.30 P.M.

The meeting of the Public Undertakings Committee held on 7th April, 2015 at 3.30 pm in the PAC Room, Assembly Complex, Porvorim, Goa, to examine Paras 5.3, 5.4 and 5.7 reflected in the CAG Report 2009-2010.

2) The following were present:

CHAIRMAN

1. Shir Digambar Kamat

MEMBERS

1. Shri Subhash alias Rajan Naik
2. Shri Rohan Khaunte

GOA LEGISLATURE SECRETARIAT

1. Smt. Celiza Fernandes, Under Secretary, Legislature

AUDIT DEPARTMENT

1. Shri Ashutosh Joshi, Accountant General
2. Shri S.S. Syed Meera Gani, Deputy Accountant General

3) At the outset, the Chairman of the Public Undertakings Committee welcomed the Committee Members and the Officers. The programme for the day included the examination of Para 5.3 reflected in CAG Report 2009-2010 pertaining to the Goa Tourism Development Corporation Ltd, Para 5.4 Sewage & Infrastructure Development Corporation and Para 5.7 pertaining to the Goa Electricity Department.

4) The Committee examined the Principle Secretary, Sewage & Infrastructure Development Corporation Ltd in regards to loss of interest due to improper management of funds. The representative of the Corporation informed the Committee that the Corporation was defunct from 2001 to 2008. Then it was revived and made functional and the delay was because the new Corporation takes time to settle down. Further the Committee was informed that efforts are being made to put in the Fix Deposit within 28 to

48 hours. There was a lapse because of the newly formed Corporation which had to negotiate with the bank and the bank were reluctant to accept the deposits. The Chairman opined that such lapse should not occur in future.

5) The Committee also examined the Principle Secretary, Goa Tourism Development Corporation Ltd. regarding loss due to non-availing of CENVAT credit on payment of service tax. The Committee has requested for a detailed and proper breakup so that the Committee can verify and have a proper discussion on it.

6) The Committee further examined the Chief Electrical Engineer Electricity Department regarding extra expenditure due to purchase of stores at higher rates.

The Committee requested to insist on all the companies who are bidding to get certificate from Goa Engineering College and that there should be a uniform pattern.

7) The Committee concluded saying that as far as the Goa State Scheduled Caste and Other Backward Classes Finance & Development Corporation is concerned, the representative of the Finance Department may extend support to the Corporation in finalizing their accounts as discussed and decided in the earlier meeting.

8) Digital and verbatim records of the proceedings of the meeting were kept.

9) The next meeting was fixed for 17th April, 2015 at 3.30 pm. The Committee adjourned its sitting at 4.30 pm.

APPENDIX – V

MINUTES OF THE MEETING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 20TH APRIL 2015 AT 12.00 NOON.

The meeting of the Public Undertakings Committee held on 20th April, 2015 at 12.00 noon in the PAC Room, Assembly Complex, Porvorim, Goa, to discuss the Questionnaire pertaining to Goa Tourism Corporation Limited.

2) The Following were present:

CHAIRMAN

1. Shir Digambar Kamat

MEMBERS

1. Shri Pramod Sawant
2. Shri Rajan Naik

GOA LEGISLATURE SECRETARIAT

1. Shri N.B. Subhedar, Secretary, Legislature
2. Smt. Celiza Fernandes, Under Secretary, Legislature

3) The Chairman of the Public Undertakings Committee welcomed the Committee Members. A Questionnaire on Goa Tourism Development Corporation Ltd., was circulated to the Members.

4) The meeting was adjourned at 12.45 p.m.

APPENDIX – VI

MINUTES OF THE MEETING OF THE COMMITTEE ON PUBLIC UNDERTAKINGS HELD ON 5th DECEMBER, 2017 AT 3.30 PM.

The meeting of the Public Undertakings Committee held on 5th December, 2017 at 3.00 p.m in the PAC Room, Assembly Complex, Porvorim, Goa, to examine Para 3.5 reflected in the CAG Report 2014-2015.

2) The Following were present:

CHAIRMAN

1. Shir Digambar Kamat

MEMBERS

1. Shri Clafasio Dias
2. Shri Wilfred D'Sa

GOA LEGISLATURE SECRETARIAT

1. Shri N.B. Subhedar, Secretary, Legislature
2. Smt. Celiza Fernandes, Under Secretary, Legislature

AUDIT DEPARTMENT

1. Shri Ashutosh Joshi, Accountant General
2. Shri Murlidharan, Sr. Audit Officer (Report)

3) The Committee examined the Para 3.5 pertaining to Electricity Department reflected in the CAG Report for the year 2014-15.

4) The draft Report of the Committee on Public Undertakings on the Report of the Comptroller and Auditor General of India for the year 2009-10 was considered, adopted and circulated to the Members, of the Committee.

5) The meeting was adjourned at 04.45 p.m.