



LEGISLATIVE ASSEMBLY OF THE STATE OF GOA

COMMITTEE ON PUBLIC UNDERTAKINGS

2017- 18

EIGHTEENTH REPORT

**Report of the Committee on Public Undertakings on the Report of
the Comptroller and Auditor General of India for the year
2010-2011**

**L Aid on the Table of the House on
____ JANUARY, 2019**

**GOA LEGISLATURE SECRETARIAT
ASSEMBLY COMPLEX
PORVORIM**

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**COMPOSITION OF THE COMMITTEE ON
PUBLIC UNDERTAKINGS
(2017-19)**

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, LEGISLATURE**

(ii)

INTRODUCTION

I, Chairman of the Committee on Public Undertakings (2017-19), Goa Legislative Assembly having been authorized by the Committee to present the report on their behalf, present the Eighteenth Report based on the Report of the Comptroller and Auditor General of India for the year 2010-2011 pertaining to Infotech Corporation of Goa Limited, Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited, Goa Industrial Development Corporation and Goa Electricity Department. The Report was adopted at the meeting held on 5th October, 2018.

During its meeting held on 10/01/2017 & 10/07/2018 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 2010-2011. The Minutes of the meeting are at Appendix I and II. 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 October, 2018. Minutes of the meeting are at Appendix III.

The Committee expresses its gratitude to 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 October, 2018

DIGAMBAR KAMAT
CHAIRMAN

REPORT

CHAPTER I

INFOTECH CORPORATION OF GOA LIMITED

INFRASTRUCTURE DEVELOPMENT FOR THE IT PARK AT DONA PAULA – IRREGULAR PAYMENT OF COMPENSATION TO CONTRACTOR AND AVOIDABLE EXPENDITURE ON PROJECT MANAGEMENT CONSULTANCY.

Payment of compensation to the contractor over and above the contractual obligations and the delay in terminating the Project Management consultancy contract resulted in undue benefit of ₹71.91 lakh to the Contractor and Consultant at the cost of the Company.

a) The Company awarded (May 2006) the work of infrastructure development for the proposed IT park at Dona Paula to MVR-PCL-JV, Goa at an amount of ₹ 21.32 crore. As per the work order/ agreement, the work was to be completed within nine months from the fifteenth day of the work order by February 2007. Accordingly the contractor started the work on 2 June 2006 and interest free mobilization advance of ₹4.26 crore was paid to him. The contractor was paid ₹18.68 crore against RA bills, for the value of work done up to December 2007. The payment till December 2007 worked out to 88 per cent of the contract amount.

As the local people started creating obstruction, the execution of work was delayed. Violent activities were also reported in December 2007, which brought the work to a halt. Since the situation at the site was not conducive to resume the work, the Company decided (January 2008) to fore- close the work invoking force majeure clause in the contract, and this was agreed to by the contractor also.

After one year from the stoppage of work, the contractor claimed (January 2009) ₹7.05 crore towards bonus on early completion of contract, non-utilization of equipment's compensation for labour settlement etc., which was referred to Project Management Consultant (PMC) for their recommendation. The PMC recommended (August 2009) payment of ₹56.95 lakh towards idling of equipments for month upto April 2008 (₹36.12 lakh) and loss of profit against unexecuted work (₹20.83 lakh). Accordingly the Company paid (September 2009) ₹56.95 lakh, after obtaining an undertaking from the contractor that they will not make any further claim.

Audit scrutiny revealed that, as per the provisions of the contract (GCC 63.5), if the work suffers loss or damage consequent to force majeure, the contractor shall be entitled only to the cost of work executed in accordance with

the contract. Thus, the contractor was not entitled for the compensation for idle equipments at site or for loss of profit on unexecuted portion of work etc. especially when the contract was force closed by January 2008 and the contractor had no business to keep the equipments at site till April 2008. The claim of ₹7.05 crore was unreasonable when 88 per cent of the contracted amount was already paid by December 2007. Hence, payment of ₹56.95 lakh as compensation for a fore-closed work without any enabling clause in the contract, was irregular and unauthorized.

Management stated (May 2011) that compensation was paid to the contractor for avoiding litigation that may come up in future. This reply is not tenable as the contractor was not legally eligible for any compensation and as such no grounds existed for any anticipated litigation.

b) To monitor the above work the Board of Directors of the Company approved (May 2006) appointment of Madhav Kamat & Associates as Project Management Consultants (PMC). The consultancy contract was effective from the date of work order (May 2006) to the date of completion of services by PMC. Thus the expiry period of consultancy was vague and indefinite. As per the agreement executed (July 2006) between the Company and the PMC, the consultancy fees would be 2.85 per cent of the total project cost which works out to ₹0.61 lakh. Further, for the extended period of work, consultancy fee was to be paid at a higher rate.

The Company paid ₹1.14 crore (including service tax) as consultancy fees, of which ₹69.82 lakh was for the extended period of 14 months from March 2007 to April 2008. Thus the percentage of total fee paid to PMC had gone upto 5.6 per cent. Audit scrutiny revealed that though the contract for the infrastructure development was fore-closed in January 2008 by invoking force-majeure clause, the consultancy contract was not fore-closed and their fee was paid till April 2008. Moreover, the Company had not issued any orders at any time for the extension of service of PMC. Though there was provision for the force-majeure closure of consultancy contract also, the Company did not terminate the same in time which resulted in avoidable expenditure of ₹14.96 lakh by way of consultancy fee for three months from February 2008 to April 2008.

Management stated (May 2011) that the services of the PMC were availed subsequent to the fore-closure of the work for settlement of contractor's compensation claim and final bill. The reply is not tenable in view of the fact that PMC should have been terminated by January 2008 when contract was terminated. Further, the contractor was also paid ₹18.68 crore by December 2007 which covered the work done upto December 2007 and hence there was no

possibility of any bill being received thereafter for which the services of PMC was required.

Thus due to recommendation of PMC for payment to contractor for three months upto April 2008 not only resulted in irregular payment to contractor but PMC was also benefited at the cost of the Company.

“Irregular payment of compensation to the contractor”.

Compensation of ₹56.95 lakh was paid to a contractor for a fore-closed work, without enabling provisions in the contract.

MVR-PCL-JV with M/s. M. Venkat Rao as a lead partner in joint venture was awarded the works of infrastructure development at “Rajiv Gandhi IT Habitat” being the lowest in the bids obtained vide letter dated 16-05-2006 of info Tech Corporation of Goa Ltd.

Due to various hindrances, the project got delayed. On 6th/7th December, 2007, there were violent activities by local people causing a lot of damage at the site and work had to be brought to a halt. ITG had brought to the notice of the Government regarding violent activities. ITG was optimistic about restarting of the work, as immediate efforts were made by the management to resolve the issues amicably. If ITG had asked the contractor & consultant to terminate the work and demobilize immediately, then it would have not been possible to restart the work at instantly in case talks were fruitful as contractor/consultant need time to mobilize. It was also observed that situation on the ground was not conducive to continue the work at site, as it was feared that violence could reoccur more vigorously. As a result ITG was not in a position to give clear direction / decision regarding the continuation of work till 16th January, 2008. As a result, ITG in consultation with consultant decided to close the work on 16th January 2009 as talks were not yielding results. Thereafter ITG took decision to close the works as per minutes of meeting held between ITG, M. Venkat Rao Infra Projects Pvt. Ltd. and Madhav Kamat & Associates dated 16th January, 2008.

The works had been fore-closed to the tune of ₹4.00 crores approx. ITG took a decision to fore-close the work since the situation at the site was such that it was not possible to decide upon the date for re-starting the works. Thereafter the contractor put up a claim amounting to ₹7,05,05,534.34 as damages on various accounts like contract value not utilized fully, bonus payment on contract, non-utilisation of equipment etc. The meetings were held with the contractor and the Project Management Consultancy firm to discuss these claims. The PMC worked out the maximum amount that could be considered for payment of ₹56,95,439.00 as against the claim ₹7,05,05,534.34.

Ordinarily, the contractor prefers to have arbitration to settle such above mentioned claims. It can also, so happen that the award of the arbitration may be

challenged in the court. All these result in litigation. In view of this, it was felt appropriate to negotiate and arrive at the claims that could be considered. Accordingly, the discussions were initiated. The contractor then agreed for the recommended amount of ₹56,95,439.00 and also had given undertaking that there will be no additional claims/demands from them on account of fore-closure of the works. The contractor had also given undertaking that they shall not claim for the execution of the balance works to be given to them. However, the contractor had put a condition that the recommended amount of ₹56,95,439.00 should be paid to them within 7 days from their acceptance i.e. from 28th August, 2009.

In order to avoid litigation and to take forward the project as the litigation would have come as a obstacle for carrying out the balance infrastructure works at site and such obstacle can continue for a undefined time frame and thus hamper the overall project.

Keeping the above in mind, an amount of ₹56,95,439.00 was paid as per the recommendation of PMC in order to close the issue with the approval of Chairman/Board.

The sum awarded under this head is on account of the fact as mentioned above inter alia mentioning the reasons for delay not attributable to the contractor rather the admitted reasons of delay were due violent attack on site causing lot of damages and after holding that the adequate evidence has been placed on record awarded compensation/damages. In this case, we have paid after appraisal by PMC also in compliance with principle of natural justice. Further it may be possible that on the same evidence the Arbitrator/court might arrive at a higher compensation along with interest thereof i.e. ₹7,05,05,534.34 claimed by the contractor plus interest thereof, than the one arrived at by ITG. The particulars/analysis of claims and the amounts of compensation settled are as follows:

Sr. No.	Description	Amount Claimed (₹)	Amount Settled(₹)
1.	Claim No. 1- Contract value not utilized fully	90,50,539.03	20,83,373.00
2.	Claim No. 2- Bonus payment on contract	1,19,36,475.66	Nil
3.	Claim No. 3- Non utilization of the equipment deployed	4,74,67,929.60	36,12,067.00
4.	Claim No. 4- BG and labour licence extension charges	1,42,704.80	Nil
5.	Claim No. 5- Non utilization of office space	1,97,568.00	Nil
6.	Claim No. 6- Non utilization of office equipment's	2,13,920.00	Nil

7.	Claim No. 7- Payment held up in RA Bill 11, interest on this amount	71,757.25	Nil
8.	Claim No. 8- Compensation to labour towards settlement	8,40,000.00	Nil
9.	Claim No. 9- Repairs carried out	5,84,640.00	Nil
	Total claim	7,05,05,534.34	56,95,439.00

The payment of ₹20.83 lakhs to the contractor towards loss of profit on unexecuted portion of work has been stated as unwarranted as there is not enabling clause in the contract. In this regards it is stated that the contractor had claimed in terms of G.C.C Clause 58.3 page 54 of 83 considering 20% as profits and overheads which was restricted to the tune of 5% by the Project Management Consultant. The contract had to be put on hold solely on account of the aforesaid reason, defaults and breaches of contract on the part of ITG. This Corporation has not considered their Claim No.2, Claim No.4 to 9. Also the interest claim by the contractor was not considered for payment under settlement. ITG had paid the claim of ₹56,95,439/- on 02/09/2009 as per the provision of the contract of procedure to claim (GCC 59) which states that, notwithstanding any other provision of the contract, if the contractor intends to claim any additional payment pursuant to any clause of these conditions, he shall give notice of his intention to the Engineer, employer within 28 days after the event giving rise to the claim has first arisen. Payment to claim (GCC 59) which states that the Engineer after due consultation with the employer & the contractor and on verification of all particulars supplied by the contractor, may consider due to the contractor. If such particulars are insufficient to substantiate the whole claim, the contractor shall be entitled to payment to such extent as such particulars may be substantiated to the satisfaction of the Engineer. The Contractor has put up a claim amounting to ₹7,05,05,534.34. However ITG had settled the claims for an amount of ₹56,95,439/-

“Avoidable expenditure on Project Management Consultancy”

Delay in terminating the Project Management Consultancy contract resulted in extra expenditure of ₹14.96 lakh by way of consultancy fee.

A) The Contract for the infrastructure development was pre-closed on 16-1-2008. The project Management Consultancy contract was not terminated up to April 2008. However it was decided to continue with the Consultants for few more months, as ITG felt that incase of talks with agitators yielding results, total continuity with the project would be not be lost. Further, contractor had not submitted his Final Bill. Certification of PMC was mandatory for payment to contractor as per the contract agreement, as Consultancy Services was required for certification of final Bill & assessment of losses suffered by the contractor. In

addition to that they were working on claim submitted by contractor. Despite of their closure of consultancy contract they had engaged there services beyond April 2008 to September 2009, for settlement of claims, attending meetings & certification of Final Bill and had worked on Status Report for balance work.

B) As per the agreement the consultancy fees was 2.85% of the cost of the Project.

Fees payable = 2.85% of ₹18,77,75,987.00 = ₹53,51,615.62(A)

Monthly Instalment for 9 months = A/9 = ₹5,94,623.95(B)

Fees payable During Extended Period:

Per month = $\frac{0.75 \times \text{Consultants quoted \%} \times \text{cost of the project}}{100 \times \text{completion period of working months specified in construction contract.}}$

$= \frac{0.75 \times 2.85 \times 18,77,75,987.00}{100 \times 9.0}$

$= ₹4,45,968.0$ (C)

As per the normal rate of 2.85%, monthly instalment works out to be ₹5,94,623.95(B). which is higher by ₹1,48,655.95 per month during the extended period.

The present case the project is in its final stage and the major portion is completed.

The Committee is not satisfied with the reply given by the Government, stating that the sum of ₹56.95 lakh was paid to the Contractor to avoid any further litigation. The Committee is of the opinion that there was no question of any litigation as the Contractor was only to be paid as per works completed in case of force majeure. As such the action taken in speculation of litigation without following the provisions of the Contractor is seen as a lapse on the part of the Government.

The Committee wishes to point out the untenable recommendation for payment of Contractor by the PMC has also benefitted the PMC. The Committee recommends that in future the Government goes by the clauses of the Contract rather than speculation of future action by the Contractor. It would also like to be appraised on the position of the utilisation of completed works to the tune of ₹18.68 crores.

CHAPTER II
GOA HANDICRAFTS, RURAL AND SMALL SCALE INDUSTRIES
DEVELOPMENT CORPORATION LIMITED.
LOSS DUE TO SHORT LIFTING OF ALLOCATED QUANTITY OF
COAL

Execution of Fuel Supply Agreement for purchase of coal by fixing higher contracted quantity resulted in payment of penalty of ₹46.25 lakh.

The new coal policy notified (October 2007) by the Ministry of Coal, Government of India required State Government to work out the genuine quantity of coal required for small and Medium Industrial units(SMI) whose annual requirement would be below 4,200 Metric Tonnes(MTs). Government of Goa(GoG) appointed (April 2008) the Goa Handicrafts, Rural and Small Scale Industries Development Corporation Limited as the state agency for procurement and distribution of coal to various SMI units in Goa. The Company was entitled for five *per cent* margin over the basic price of coal.

The Company intimated (February 2009) CIL the expected annual requirement for 2009-10 as one lakh MTs, although the quantity estimate based on applications received from SMIs was 40,000 MTs only. CIL again requested (April 2009) the GoG to intimate the annual requirement of coal for 2009-10 and whether the Government proposes to continue with the same agency. The Company did not respond to the requirement of CIL and did not reassess and reduce the requirement to 40,000 MTs against 1,00,000 MTs intimated earlier. CIL allocated (May 2009) one lakh MTs of coal to the Company for the year 2009-10 and FSA to this effect was executed (June 2009) by the Company with SECL, Bilaspur.

As per clause 4.8 of the FSA, if the quantity of coal lifted falls below 60 *per cent* of the annual allocated/contracted quantity, compensation at the rate of five *per cent* of basis price of the short lifted quantity was payable to SECL. Further, as per clause 17(1), the FSA can be terminated either in the event of lifted quantity falling below 30 per cent of the annual allocated/contracted quantity or in the event of cancellation of nomination of the purchaser by the State Government.

For the year (2009-10) as against the allocated quantity of one lakh MTs of coal, the Company could lift only 28,910 MTs. Since the response from the

SIMs was very poor, at the instance of the Company, GoG de-nominated (April 2010) it as the State Agency. In view of the short lifting of allocated quantity/denomination of Agency ship, SECL terminated (July 2010) the agreement and forfeited the security deposits by invoking Bank guarantee to the tune of ₹46.25 lakh.

- The Company did not restrict its requirement to 40,000 MTs which was based on the assessment made by the Company. The Company should have restricted its requirement to 40,000 MTs in FSA so that its lifting corresponds more or less to the quantity mentioned in the FSA. This could have restricted the amount of penalty to the minimum in case of short lifting. Instead of acting prudently on the above lines, it carelessly entered into the FSA for 1,00,000 MTs against which the actual lifting of coal was only 28,910 MTs. Had the quantity been restricted to 40,000 MTs there would not have been any instance of paying the penalty even in the case of lifting of 28,910 MTs. As this was not done it ended up paying the penalty of ₹46.25 lakh.
- Though SECL recovered penalty of ₹ 46.25 lakh for the year 2009-10 the actual amount payable as worked out in audit was ₹23.88 lakh only, resulting in excess recovery of ₹22.37 lakh by SECL. The Company, however, has not noticed this so far and taken up the matter with SECL (June 2011).

The Government, while endorsing the reply of the Management stated (August 2011) that action is underway for getting refund of the penalty. It was further clarified that CIL allotted one lakh MT unilaterally though the Company intimated (March 2009) CIL its requirement as 41,297 MT. This reply is not tenable as the FSA for one lakh MT, was executed with mutual consent. The Management further stated that the possibility of recovering the loss from SIMs will be examined. This, however, is not feasible as there was no such agreement executed with SIMs.

The Corporation stated that at the outset it is submitted that the loss worked out by the Audit is hypothetical/presumptive and is not the actual loss. As on date it is admitted that Bank Guarantee of ₹46.25 lakhs has been forfeited by Coal India Ltd and the GHRSSIDC has approached the Ministry of Coal, Government of India with a request to refund the forfeited amount by giving reasons for the same and necessary follow up in this regard is underway. Officials from the Coal Ministry, New Delhi, Coal India Ltd., Kolkata and South Eastern Coal Field Limited, Bilaspur have been approached by officials of

GHRSSIDC as a part of follow up action and this office is fully optimistic that the forfeited amount will be refunded within the next three to four months as the matter considered favourably of the Coal Ministry. The further loss of ₹41.99 lakhs worked out by Audit is not applicable as there has been no short lifting of allocated quantity during 2010-11 since the actual lifting period was for six months only with effect from October, 2010 to March 2011 against annual contracted quantity of 60,000 tonnes. The brief background in this case is as below.

The Financial position of GHRSSIDC has been severely affected due to loss in business opportunity due to competition posed in steel marketing and change in market conditions, and limited margins in the rate contract scheme. The financial burden on the Corporation further increased due to the additional salary liabilities to the tune of ₹45.00 lakhs per annum on account of implementation of VIth Pay commission, salary structure to the Employees. On the other hand, the Company was faced with grim prospect of reduced profitability on its moral business activities such as steel, handicrafts, rate contract items, etc. The Corporation had to look at newer business opportunities in order to tide over the financial crisis in order to improve its cash flow and overall profitability.

As per the new coal distribution policy of the Government of India, the GHRSSIDC was nominated as the Nodal agency for supply of coal to small and medium Industrial units in Goa vide letter No.3/14/2008-IND (part) dated 2-4-2008 by the Government of Goa.(copy enclosed). It was advised by the State Government to contact the Ministry of Coal, Government of India to do further needful in the matter, thereafter, vide letter No. CIL/CMO/SO/47252/705/1889 dated 13.5.2008, Coal India Ltd., Kolkata (copy enclosed) informed that they have worked out State wise, Company wise allocated quantity keeping in view availability and other parameters and that it had been decided by CIL to allocate 1 lakh tonne of coal for the year 2008-09 in favour of Goa State to be released by SECL. It may be noted that this quantity was unilaterally allocated by Coal India Ltd., without obtaining any inputs from either the Industries Department or GHRSSIDC.

The Corporation issued press notes in local dailies inviting applications from prospective units to assess the demand. The small press note appeared in Navhind Times and Gomantak dailies dated 16.05.2008 and did not evince much response from the buyers. Thereafter the Corporation issued advertisements. In(A) Navhind Times dated 28.2.2009(B) Times of India dated 1.3.2009 (c)Herald dated 2.3.2009 dailies and Assistant Manager (Mkt.), Shri S. N. Parsekar was assigned the task of collecting data and requirements from Industrial units located all over the State. As per the initial response received

from various units, they were highly apprehensive in purchasing coal from GHRSSIDC due to the fact that the Corporation had no prior experience in this business and considering the fact that supply of coal had to be continuous so that their industrial production/activity would not be affected due to irregular supply. They were also unsure about the plethora of formalities, bureaucratic procedures that would be associated with purchase of coal from GHRSSIDC. It is observed that most of the demand was from steel rolling mills, pig iron plants etc., located in Goa. Other potential customers were small units like bakeries, bricks kilns, restaurants and tandoors etc.

After follow up with the units and initiating marketing efforts, it was noted that around 18 to 20 steel rolling mills and associated units displayed their initial willingness to purchase coal supplied by GHRSSIDC, out of which **17 units** finally submitted letters to GHRSSIDC requesting to allot coal for the financial year 2009-2010. Other units also orally displayed their interest and assured GHRSSIDC that they would purchase coal once normal supplies in Goa resumed. It was therefore safely and logically assumed that GHRSSIDC would be in a position to cater to around 18 units after assessing the ground reality and market demand based on actual market analyses. The business risk was taken by GHRSSIDC hoping for revival of profitability of the Company depending on smooth supply of coal to the industrial units in Goa since GHRSSIDC stood to earn a margin of 5% on the total sale of coal. It was also felt that this demand would subsequently rise from smaller consumers like hotels, bakeries, tandoors, brick manufacturers, thereby enabling GHRSSIDC to lift maximum annual contracted quantity of 1 lakh tonne per annum allotted by Coal India Ltd. the GHRSSIDC also wanted to offer liberal business terms with the indenting units as an incentive for them to purchase their requirement of coal from GHRSSIDC.

Vide letter No.GHR/Coal/08-09/17/5990 dated 26th March, 2009, Coal India Ltd. and South Eastern Coal Field Ltd., were informed that the total quantity required by GHRSSIDC was 28,685 tonnes (copy enclosed) and it was requested to accordingly execute the FSA. Further, vide letter No.GHR/Coal/08-09/17/2929 dated 1.10.2009, (copy enclosed) it was further informed to allocated 12,612 tonnes of coal for additional 4 units after conducting inspecting for demand analysis.

Despite the fact that the GHRSSIDC had clearly informed CIL & SECL a requirement of 28,685 tonnes, SECL, maintained the quantity of 1 lakh tonne in the fuel supply agreement and it was verbally clarified by SECL officials in Bilaspur, Chhattisgarh at the time of signing the agreement that the quantity of 1 lakh tonne was maintained in the agreement in view of the fact that the decision

to allocate 1 lakh tonne was taken by Coal India Ltd., Kolkata, which was also communicated to GHRSSIDC vide letter referred above. Accordingly the GHRSSIDC signed an agreement with South Eastern Coal Field Ltd., on 3rd June, 2009. The Board of Directors in its 117th Board Meeting dated 29.5.2009 approved the appointment of GHRSSIDC as State Agency for supply of coal and the fact that 1 lakh tonne coal was allotted by Coal India Ltd., was also clearly disclosed in the Board Meeting. Since GHRSSIDC lost the months of April and May in 2009, the GHRSSIDC had to lift 60% of 83,333 tonnes as proportionate share. However, subsequently some of the units unilaterally decided not to lift coal during 2009-10 due to regulations and restrictions imposed by the Goa State Pollution Control Board and hence 5 units did not lift coal from the month of July, 2009 to March, 2010, as a result of which GHRSSIDC could not lift proportionate quota from SECL, thereby affecting the uptake.

After analysing the business performance for the financial year 2009-10, the GHRSSIDC decided to obtain an undertaking from the indenting units and decided to assess their exact demand for the year 2010-11 well in advance and accordingly detailed letters were sent to the units in the month of January 2010. The units were asked to abide by the terms of supply and inform us their requirement within 33 days. None of the units responded to this letter. It may be noted that the original agreement with SECL was valid for 24 months and the GHRSSIDC had to continue with this agreement. The annual contracted quantity was once again internally reassessed for the year 2010-11 assuming that the quota would be lifted for full period of 12 months.

Since none of the units responded to the letters sent by GHRSSIDC, there was no option and the GHRSSIDC had to request the State Government to denotify the GHRSSIDC as a State Agency for supply of coal till such time the units agree to the terms and conditions of the supply so that the units do not default at a later date.

Accordingly, vide letter No.3/14/2008-IND (part) dt.8.4.2010 the State Government denotified the GHRSSIDC as State Agency and vide letter No.SECL/KOL/5169 dated 21.07.2010, SECL informed the GHRSSIDC its decision to forfeit Bank Guarantee for ₹46.25 lakhs. It is however not known as to how SECL arrived at a figure of ₹46.25 lakhs as penalty and GHRSSIDC has taken up the matter with SECL officials to clarify in the matter. Though SECL recovered a penalty of ₹46.25 lakhs for 2009-10, the actual amount worked out to ₹23.88 lakh. However, the GHRSSIDC has approached the Government of India for full reimbursement of forfeited amount and accepting the penalty amount of ₹23.88 lakhs would have affected the efforts of GHRSSIDC to recover the entire penalty and hence the GHRSSIDC did not take up the matter with SECL for partial recovery of forfeited amount.

Thus as can be seen from the above, despite the fact that the actual requirement was communicated to CIL/SECL based on market requirements, CIL/SECL allotted 1 lakh tones without taking GHRSSIDC into confidence. Despite best of efforts, GHRSSIDC could lift only 27,620 tonnes for the year 2009-10.

Subsequently, in the month of July, 2010 all the units decided to commence purchase of coal from GHRSSIDC and accordingly 8 letters were received from the units requesting resumption of coal supply for the year 2010-11. As per the clause 4 of the letter No. GHR/Coal/4825 dated 13.01.2010, which was sent to all the Industrial Units, it was clearly mentioned and agreed by the units that they shall be bound to lift the allocated quantity during the respective year and in case they fail to lift the allocated quantity, then the GHRSSIDC will reserve the right to terminate all future supplies and recover the losses caused on account of non-lifting of allocated quota of coal as arrears of land revenue. Due to delay on the part of the 8 units to submit their letters of acceptance for renewal of coal supply during 2009-10, the FSA had to be terminated leading to forfeiture of Bank Guarantee. The GHRSSIDC is also examining the option of recovering the loss from the units who had failed to submit their renewal letter on time.

Accordingly, GHRSSIDC approached the Government requesting for re notification for the year 2010-11, which was done vide letter No.3/14/2008-IND (Part) dated 11.8.2010 with the anticipation that the forfeited Bank Guarantee would be refunded by Coal India, due to continuation of Fuel Supply Agreement. A Fuel Supply Agreement was executed with SECL on 27.10.2010 for annual contracted quantity of 60,000 tonnes. It is stated that since 6 months had lapsed during the year 2010-11, prior to signing of the fresh fuel supply agreement and the GHRSSIDC had to lift only 30,000 tonnes during 2010-11 out of which the actual quota lifted was 18,875 tonnes which works out to 62.91% of the total quantity. The Audit has not taken this aspect into consideration and has worked out penalty on the allocated quantity of 60,000 tonnes.

It may be noted that consumption of coal by the units is linked to Industrial production and as per the Coal distribution policy, only those units whose requirement is upto 4200 tonnes per annum is covered under the Fuel Supply Agreement executed by the State Agency. It would not be practically feasible for the Industrial Units not would it be his intention of the FSA to lift 12 months quota in 6 month and hence the actual lifting has to be calculated only against six monthly period which works out to 30,000 tons for six months (proportionately). Thus the quantity lifted by GHRSSIDC is above the mandatory 60% lifting quota (of 30,000 tons) and hence further penalty will not be applicable to GHRSSIDC during 2010-11.

Vide letter No.3/14/2008-IND(PART) dated 5th April, 2011, Secretary (Industries), Government of Goa wrote a letter to Secretary, Ministry of Coal, Government of India requesting to release the forfeited Bank Guarantee and to intervene in the matter in view of the facts mentioned in detail in the letter.

The GHRSSIDC is actively following up with Coal Ministry, Coal India Ltd., Kolkata and SECL, Bilaspur and it is anticipated that the request of GHRSSIDC will be considered favourably and the forfeited Bank Guarantee will be released to the GHRSSIDC. The Audit will be kept informed about the progress in the matter.

Inspite of several request and reminders the Coal Ministry, Coal India Kolkata and South Eastern Coal Field Ltd., Bilaspur has not considered our request and forfeited Bank Guarantee amount of ₹46.25 lakhs has not been refunded.

The forfeited Bank Guarantee amount of ₹46.25 lakhs has been subsequently recovered from Coal purchasing units proportionately in the year 2012-13 based on the allocation of the Coal in the year 2010-11 under condition that amount will be refunded/adjusted to the respective Parties once the forfeited Bank Guarantee is refunded by Coal Ministry, Coal India Ltd., Kolkata.

During the oral evidence, the representatives of the Government informed that coal was ordered to the tune of one lakh ton from Coal India Pvt. Ltd. wherein the actual requirement was approximately 40 tons. The coal was supplied to steel units. It was further informed that it took time because of documentation and issues with the Pollution Control Board and as such the coal could not be lifted on time. It was also informed that the amount is being recovered.

The Committee strongly feels that the GHRSSIDC erred by estimating the requirement as 1 lakh MT. It had restricted its estimate to 40,000 MTs, as indicated by the letters received from the SMI's. No penalty would need to be paid for short lifting. It is also mentioned that the amount of ₹46.25 lakhs has been recovered from the coal purchasing units against the condition that the same would be refunded/adjusted once the forfeited Bank Guarantee was refunded by Coal India Ltd., Kolkata. The Committee would like to be appraised of the efforts and current position of the refund from Coal India Ltd., Kolkata and the amounts recovered from the SMI's unit-wise/year-wise.

CHAPTER III
GOA INDUSTRIAL DEVELOPMENT CORPORATION
IDLE INVESTMENT ON UTILITY SERVICE CENTRE BUILDING

Inordinate delay in completion of Utility Service Centre building rendered the construction expenditure of ₹33.54 lakh, unfruitful.

With the intention to encourage the unemployed youths for self-employment, the Corporation decided (July 2001) to construct a “Utility Service Centre Complex” at Bogda, near Vasco-da Gama with built up area of 1,606.94 square meter, consisting of 17 gallas (small shop rooms) of 30 square meter each, with canteen and other common facilities.

The required land (2,530 square meter) was taken possession in January 2002 from Goa Electricity Department and foundation stone laid in March 2002.

Tender were invited (September, 2001) and work order issued (March 2002) to the lowest offer of Satej Engineering Pvt. Ltd. for ₹60.84 lakh.

Audit scrutiny revealed that though the Contractors were required to complete the work within 360 days from the date of work order, the work remained incomplete even after nine years (April 2011). Despite the slow progress of work, no action was taken to terminate the contract and execute the same at the risk and cost of the Contractor. The incompleting building complex remained open without proper fencing and security and was being used by outsiders. Thus, the expenditure incurred for the work (₹33.54 lakh) remained unfruitful as the intended purpose for which the project was undertaken was not served.

The matter was referred to the Government in April 2011 their reply has not been received (September 2011).

The Corporation stated that in an effort to gate the work done the Corporation had requested the contractor by verbal and written communication to speed up the work consequently the following additional show cause notices were issued to the contractor.

1. show cause notice no GIDC/GM(E)/utility Bogda/9713 dated 26.07.2006
2. show cause notice no GIDC/GM(E)/ utility Bogda/9780 dated 7.08.2006

Finally the following termination letters were issued

1. Termination Notice No. GIDC/GM(E)/utility Bogda/166 dated 15.05.2007

2. Termination Notice No. GIDC/GM(E) utility Bogda/1977 dated 30.08.2007

However the Termination Notice was withdrawn vide letter No. GIDC/GM(E)/ Bogda Utility Bldg/ 4722 dated 25.02.2010 on conditions to restart the work immediately, purely in the interest of getting the above work completed.

Now the work is completed and the building is ready for occupation. The then GM(E) issued a stability and completion certificate, so as to facilitate the allotment of the shops and put the building in use. In this regards the occupancy was asked vide letter No. GOA-IDC/OCU/UTILITY/BOGDA/2805 dated 02.11.2011 from the Mormugao Municipal Council, however vide letter No.MMC/Tech/V.N/11-12/1444 dated 13.11.2011 requested us to take a completion certificate from the Mormugao Planning and Development Authority. The same is under process.

Maximum effort is directed to get the occupancy certificate the building from the concerned authority so as to enable this Corporation to allot the premises and to put the building in use. As such Audit may be kindly requested to drop the above Audit Para reflected in CAG report for the year 2010-2011.

During the oral evidence the representatives of the Government informed that the "Utility Centre Building" which was built to create some employment by building the gallas. The said building was built away from the main Commercial area and becomes difficult to get business as the place is interior and commercial not viable.

The Committee sees a total absence of planning by the GIDC with respect to making a study of viability and commercial usefulness of the location of the Utility Service Centre Complex at Bogda before commencing the project. Apart from withdrawing the termination notice after 4 years, which in itself shows a very lax and totally unacceptable attitude of the GIDC, the Committee sees a further expansion bid for the additional 2 floors which would serve no Commercial purpose except benefit the Contractor. Further the necessary certification and NOC's are yet to be obtained to enable use of the structure.

The Committee recommends that in future a feasibility report be taken up before starting such projects and the report may be signed by the respective officers to enable fixing of responsibility.

CHAPTER IV
GOA ELECTRICITY DEPARTMENT
LOSS OF REVENUE DUE TO NON-LEVYING OF COMPOUNDING
CHARGES IN ELECTRICITY THEFT CASES

Failure to implement the provisions of electricity act 2003 regarding cases of theft of energy caused loss of revenue of ₹2.78 crore.

As per section 135 of the Electricity Act 2003, consumers involved in theft of electricity shall be punishable with imprisonment for a term which may extend up to three years or with fine or with both. Section 152 of the Act further provides that the Department may accept from Consumers involved in theft cases, compounding charges at the prescribed rates. By levying compounding charges, such consumers are deemed to be acquitted from the penalties under the Criminal Procedure Code.

During the period from April 2006 to March 2011, the Meter, Relay and Testing (MRT) Division of the Department had detected 453 cases of theft of energy against which in 141 cases Department recovered energy charges of ₹67.37 lakh on the basis of assessment made. However, the prescribed fine as per Section 135 (i) and (ii) was not imposed, in these cases. Further, these cases were neither reported to police for further action nor any compounding charges collected, thereby absolving the persons involved in theft cases from criminal liability. Thus the Department failed to comply with the Codal Provision which led to loss of revenue of ₹2.78 crore by way of compounding charges.

Department stated (September 2011) that, in all the cases pointed out by Audit, assessments were made and energy charges were recovered or were yet to be recovered. It was also replied that booking a consumer under section 135 of the Act is not necessary if the theft or by-passed load is not done intentionally by the consumer. The reply is not convincing since the Department had not established the fact that the theft was not intentionally done in any of the cases. Further, out of the 453 cases, details of energy charges recovered/ demanded were available with the Department for 141 cases only. Department further stated that, no orders have been issued by Government appointing the authorized person for booking the case under section 135. This reply itself indicates that the Department has not complied with the provisions of the Electricity Act 2003.

The matter was referred to the Government in July 2011, their reply has not been received (September 2011).

There has been no loss of revenue by way of not invoking sec 135 of the Electricity Act since assessed energy amount has been recovered and also as all these 453 cases does not involve theft of energy.

The Internal Audit wing of the Department bring to the notice of the Divisional Officers through their Audit Report if any cases of theft of energy are detected by MRT division for taking remedial measures to recover the loss of revenue. There has been no loss of revenue, since assessed energy amount has been recovered.

During oral evidence the representatives of the Government informed that under section 126, the recovery has started and under section 145 of the Electricity Act, 2003 FIR has to be registered and fine has to be imposed. It was further informed that the matter has been placed before the Government to seek empowerment to file the FIRs.

The Committee feels that although section 152 was applied, there is no clarity regarding implementation and enforcement of the same. As such loss of revenue from non-collection of fines/compounding charges from the defaulters can be seen. The Committee recommends that sanction may be obtained for filing of FIR and levying of compounding charges at the earliest.

LOSS OF REVENUE DUE TO NON-COLLECTION OF ELECTRICITY DUTY ON SALE OF POWER

Failure to include electricity duty while fixing the price for sale of power to a private firm resulted in loss of revenue of ₹55.20 lakh.

The Department entered into (August 2007) an Agreement with Goa Sponge & Power Limited (GSPL) for a period of 15 years for purchase of surplus power generated by the latter's Captive Power Plant, at a price of ₹2.40 per unit. GSPL was also permitted to draw power from the Department's source in case of their additional requirement, at the rate of ₹2.76 per unit during normal

hours and at the rate of one and a half times more than the normal rate during peak hours. The rate for sale of power to GSPL was fixed on the basis of parameters such as (i) the then tariff applicable to High Tension Industries (Ferro metallurgical/steel melting/power intensive); (ii) contract demand of 4500KW; (iii) power factor of 0.99 and (iv) loading factor as 0.8. The power purchase rate by the Department (₹2.40 per unit) was fixed constant for the entire period of Agreement, whereas the rate for power sold to GSPL was subject to revision based on changes made by Government in the tariff applicable to HT Industrial category.

As per Section 3(1) of the Goa, Daman and Diu Electricity Duty Act, 1956 duty at the specified rate should be levied on the units of energy consumed. The rate of electricity duty for HT Industrial category was revised (May 2008) by Government from ₹0.05 to ₹0.58 per unit. The Department, however, while fixing the rate for sale of power to GSPL, failed to include the electricity duty factor. This resulted in loss of revenue of ₹55.20 lakh on the 112.85 lakh units sold to GSPL during the period from August 2007 to March 2011, and the loss is still recurring.

The Department stated (September 2011) that as back-up/start-up power only is supplied to GSPL, they are not a regular consumer and hence no duty is chargeable as per the Electricity Duty Act. The reply is not tenable in view of the facts that:- (a) according to the Electricity Duty Act, the word 'energy' includes energy generated, transmitted, supplied or used for any purpose and (b) as per the Power Purchase Agreement, GSPL was required to be considered at par with HT Industrial (ferro metallurgical/steel/melting/power intensive) consumer.

The matter was referred to the Government in May 2011; their reply has not been received (September 2011).

Loss of Revenue due to non-collection of electricity duty on sale of power.

Non-compliance with Sec.3 (1)of Goa, Daman & Diu Electricity Act, 1956 resulting in non-collection of electricity duty on sale of power to Goa Sponge Power Ltd.

In Notification No.120/2/CEE/Tech dated 28/5/2008, the category of consumers from whom the Electricity duty is to be collected has been specified and the said category of consumers does not include any consumer to whom start-up and Backup power is supplied for their generating units and hence Electricity Duty is not chargeable from M/s. GSPL. Moreover the tariff for sale of power to (GSPL) is regulated under the terms and conditions of the agreement which does not include electricity duty and also GOI is discouraging imposing of duties to generating units so as to encourage power generation in the country.

Consequent upon audit observation the department attempted to recover electricity duty but the party invoked Arbitration clause and approached the

Hon'ble High Court for appointment of an Arbitrator, who has been appointed. The matter is now subjudice.

During the oral evidence the representatives of the Government informed that the electricity was not paid by the GSPL. Notice was sent and it is challenged in the Court and the matter is subjudice.

As the party has approached the Hon. High Court for appointment of an Arbitrator, the Committee awaits further updates in the matter as the same is subjudice.

EXTRA EXPENDITURE IN THE PURCHASE OF SINGLE PHASE ELECTRONIC METERS

Purchase of electronic meters without assessing the exact re-ordering quantity with reference to the available stock, resulted in extra expenditure of ₹90 lakh.

In order to reduce the loss of revenue on account of faulty meters, Department had fixed a target of replacement of mechanical energy meters with electronic meters in a phased manner. Considering this, the Stores and Workshop Division of the Department invited (August 2007) tenders for supply of 20,000 numbers of single phase electronic meters (5-20 Amps). On evaluation of tenders, the offer of ₹1,650 per meter, of LASER EQUIPMENTS was found as the lowest. LASER EQUIPMENTS expressed (March 2008) their willingness to reduce the rate to ₹1,250 if the order quantity is increased to 60,000 numbers. However, the Goa State Works Board approved (March 2008) the offer of LASER EQUIPMENTS for a quantity of 20,000 meters only at the rate of ₹1,650. The reduced offer of ₹1250 per unit was ignored though sufficient funds were available. Accordingly, purchase order was placed (April 2008) for 20,000 numbers of single phase electronic meters at a rate of 1650 per meter and the firm supplied the entire ordered quantity by May 2008.

Tenders were again invited (January 2009) for supply of 40,000 meters of same type and there again, of the two offers received, the lower one was of LASER EQUIPMENTS who quoted ₹1250 per meter which was the rate offered by them in March 2008. Accordingly, purchase order was placed (May 2009) on LASER EQUIPMENTS for supplying 40,000 meters.

The Department had fixed 20,000 as the minimum and 40,000 as the maximum level of stock for single phase electronic energy meters. Within the period of 10 months (April 2008 to January 2009), the Department had decided to procure a total quantity of 60,000 single phase electronic meters. But during the said period and in subsequent periods, the quantity in stock had never exceeded the maximum stock level at any time, whereas the minimum stock level had dipped to the level of 16 numbers. Further, had the quantity of 20,000 ordered in April 2008 been increased to 40,000, the maximum stock level would not have been crossed. As such, there was no accumulation of inventory and

hence the Department could have procured the entire quantity of 60,000 meters at the rate of ₹1,250 itself through a staggered delivery schedule. Failure of the Department in this regard resulted in procurement of meters at higher rate and consequent extra expenditure of ₹90 lakh. The Department also did not conduct any negotiations with LASER EQUIPMENTS to reduce their first offer to supply 20,000 meters at the rate of ₹1650. Further, the reason for not accepting the earlier offer for supply of 60,000 meters at ₹1250 per meter, though sufficient funds were available, was not on record.

The Department stated (September 2011) that loss, if any, incurred in the transaction has been fully compensated by the supplier by supplying 6,400 meters free of cost. The reply is not tenable as the reduced offer price in March 2008 by LASER EQUIPMENTS was not taken up by the Department against all principles of financial prudence. The subsequent free offer of LASER EQUIPMENTS was not against any specific order and it was supplied as a good will gesture in March 2010 much after the completion of supply against first order and placement of subsequent order.

The matter was referred to the Government in May 2011; their reply has not received (September 2011).

The contention of audit is that the Department has fixed 20000 as the minimum and 40000 as the maximum level of stock for single phase electronic energy meters which is not correct as this limit was not fixed at the time of inviting tenders in 2008 and was only fixed in August, 2009 when approval was conveyed to the Central Stores. The purchase of 40000 nos. of energy meters was done subsequently against the special sanctioned estimate under APDRP. Therefore, the stand taken by the audit that the department could have availed the offer of M/s. Laser Equipment at the rate of ₹1250/- by increasing the quantity to 60,000/- is untenable and hence the audit claim of having incurred extra expenditure to the tune of ₹90,00,000/- by not availing this benefit is not justified. Moreover on further negotiations M/s. Laser Equipment have supplied 6400 nos. of single phase electronic metre free of cost to the Department which at the rate of ₹1,250/- per metre and vat works out to a sum of ₹90.00 lakhs. Hence the question of extra expenditure of ₹90.00 lakh does not arise.

During the oral evidence the representative of the Government informed that the tender was floated for 20,000 meters even though at that time the company had offered a discounted price, if the order was placed for 60,000 meters. The Department had ignored the offer even though sufficient funds were available and the Department had already taken a decision to replace mechanical meters with digital meters.

The Committee finds that the Department has taken a very short sighted and hasty decision while ordering only 20,000 meters in the first order even

after having been offered a better rate by M/s Laser Equipments even though there was a Department Policy decision of upgrading all mechanical meters with electronic meters. A study could have been made so as to procure the requirements within the frame work of the Department and the order for 40,000 meters could have been placed with a condition of a staggered delivery schedule. The contention of the Department that free meters were subsequently given does not mitigate the fact that there was a lapse in coordination, costing the Exchequer an additional ₹ 90 lakhs. The Committee recommends that the Department makes a logical and factual forecast of material required in the future to avail of better bulk purchasing benefits.

LOSS DUE TO NON-RECOVERY OF COST OF STRENGTHENING OF SUPPLY LINE.

Failure to recover the cost of strengthening supply line from the consumer compiled with non-completion of the work resulted in loss of ₹22.79 lakh.

As per clause 4(i) of the “Condition of Supply of Electricity Energy”, if an existing consumer requires an additional load and if for the supply of additional power, the service line require to be strengthened, the entire cost of such strengthening shall be borne by the consumer on the basis of the actual estimated cost plus 15 per cent supervision charges.

Electrical Division IV (Margao) of the Department received (October 2005) an application from penguin Alcohols Pvt. LTd. (PAPL), Canacona for enhancement of connected load of their HT installation from 1,000 KVA to 1,250 KVA. For this, the 33 KV feeder already erected upto Rajbag was to be tapped and extended by five kilometres. Accordingly an estimate for ₹43.53 lakh was proposed, tenders invited (December 2005) and work awarded (February 2006) to a contractor for ₹44.21 lakh, with a stipulation to complete the work by July 2006. Meanwhile, as the consumer for whom the work was proposed, was not prompt in paying the monthly charges, the service was disconnected temporarily in July 2006 and permanently in January 2007.

The Department had incurred ₹22.79 lakh for the work. As the work could not be completed due to objection from local people and the consumer had already closed his industry, the Division proposed (June 2009) for pre-closure of the work.

Audit observed that:-

- Though the line extension work was initiated at the instance of the consumer (PAPL), the Department decided not to recover the cost from the consumer and instead, executed the work at its own cost by obtaining minimum guarantee for seven years from the consumer which resulted in loss of ₹22.79 lakh to the Department. Revenue Recovery action was

initiated in April 2007 for recovering only the electricity charges (₹1.32 lakh) up to the date of disconnection and the same is still pending (August 2011).

- The contractor had not started the work till July 2006 when the supply to the consumer was disconnected. At the same time (July 2006) though the contractor had not started the work, the Department granted extension instead of cancelling the same.
- Further, the scope of completing the work in future and recovering the cost already incurred is remote, as the Consumer has already closed his business and power supply disconnected permanently.

Further, if the department insisted that the customer made payment in advance of all expenses to be incurred for laying the separate line and the feeder along with reasonably expected charges on account of consumption of electricity, the department would have avoided incurring the loss of ₹24.11 lakh.

Failure to invoke the power vested with the Department under section 47 of the Electricity Act, 2003 to demand security from the customer has resulted in a loss of ₹24.11 lakh.

The Department stated (September 2011) that the cost strengthening the service line alone was collected as done in a similar case previously. This, however, is against the codal provisions. Further, the reply that the Department could not anticipate closure of the consumers industry is also not tenable as the work was actually started at the time when disconnection was effected.

The matter was referred to the Government in April 2011; their reply has not been received (September 2011).

- (i) The consumer, M/s. Penguin Alcohols Pvt. Ltd was having 11 KV supply to their installation at Industrial Estate, Canacona with contract demand of 1000 KVA. They applied for additional load of 250 KVA and hence the total load i.e. 1250 KVA to the consumer was to be released at 33KV supply. Accordingly the consumer executed an agreement on 3rd February, 2006 to migrate to 33 KV supply system due to increase in the requirement of load.
- (ii) As per the decision of this department vide No.154/IV/CEE/Tech/988 dtd. 16/9/2005, in a similar case of increase of load from 11 KV level, to 33 KV level only the cost of strengthening the service line had to be collected from the consumer. As regards to capital investment by the department, the consumer had to guarantee an annual return of 15% by

way of line minimum charges or energy charges, whichever is higher over a period of seven years as is applicable for any consumer for whom electrical lines have to be extended or strengthened. Therefore the work cannot be considered as a “deposit work”.

- (iii) The work for the erection of 33 KV line was awarded to M/s. Sunshine Electric Co. (p) Ltd., Mapusa for an amount of ₹42,15,294/- after due process of tendering, which involved detailed survey for spotting/erecting the poles along the route finalized by the department among other works. The obtaining of clearance from the Railways authorities for crossing the railway tracks is a routine matter and was not a constraint for carrying out the work.
- (iv) The contractor commenced the work but could not complete the same in view of the objections raised by the general public of the locality for erecting the high tension poles in the residential area. Several efforts were made but the local MLA too insisted for diverting the line via a circuitous route. In the meantime the factory closed on 18/01/2007 and therefore the Division office of this Department did not pursue for completion of the balance work to avoid infructuous expenditure.
- (v) The act of consumer, M/s penguin Alchols Pvt. to stop operations could not be anticipated by this office as the consumer had taken new connection for a load of 1000KVA on 30/3/2005 and had paid all the outstanding dues of ₹13,52,982/- of the earlier consumer and was regular in paying the electricity bills raised by this office. The supply to the earlier consumer was disconnected on 30/6/2002 and the department was unable to recover the said areas under Land Revenue Rules, 1956. Further it was expected that the new 33KV line could supplement growth of large industries in the Canacona Industrial Estate, where the consumer's premises are located and was prospect for future progress. However neither of this could materialize and the division office had to stop further continuation of the required work.
- (vi) The outstanding dues of the 11 KV installation amounting to ₹1,31,720/- are referred to Revenue Recovery Court for affecting recovery vide no. EE-IV/O&M/Accts-71/460/0708 dated 23/4/2007. However till date the concerned authority has not been able to recover the amount.

(vii) The contractor M/s. Sunshine Electric Pvt. Ltd had supplied material and carried out part of the work and was paid an amount of ₹32,08,339/-which comprises of ₹13,66,973/- paid towards secured advance for supply of material and ₹18,41,366/- paid towards the work carried out along with materials by the contractor. The contractor has handed over material worth ₹11,97,750/- against the secured amount paid to him and other material worth ₹14,22,880/- is erected at the site which can be dismantled and used for any other HT line work by the department. In addition to this, contractor is in possession of material worth ₹1,69,222/- which shall be settled during the fore-closing of the work order. From above it is clear that an amount of ₹27,89,852/- spent against the above said work order is towards the cost of material and is available for use by the department and the balance expenditure of only ₹4,18,487/- could not be avoided and cannot be termed as infructuous.

Total expenditure incurred on the works	₹ 32,08,339/-
a) Less material returned to stores	₹11,97,750/-
b) Less material erected but can be dismantled and used on any other works	₹14,22,880/-
c) Less material to be handed over by the contractor	₹ 1,69,222/-
d) Net expenditure which could not be avoided	₹4,18,487/-

The observations raised by the audit are clarified as under:

The Department decided to execute the work in view of the request of M/s. Penguin Alcohols Pvt. Ltd. for additional load as stated at para "II".

The supply to the consumer M/s. Penguin Alcohols Pvt. Ltd. was only temporarily disconnected in July 2006 and the department had not envisaged that the industry will close down as stated at para 'V' since generally the consumer seek reconnection of electricity connection once their difficulties are sorted.

The Department does not intend to continue with the said work in view of closure of the industry, but the materials supplied/ used by the contractor against the work order are available for use by the Department as stated at para 'vii' and will be utilized.

The expenditure of ₹4,18,487/-(Rupees Four lakhs eighteen thousand four hundred and eighty seven only) incurred as stated at para 'vii' above is unavoidable since the department had not foreseen the prospect of closure of M/s. Penguin Alcohol Pvt. Ltd., as they had applied for additional load and also executed agreement for availing the electricity supply for another seven years.

The expenditure incurred would have been more if the contractor had executed the entire ordered work.

During the oral evidence the representatives of the Government informed that the Consumer had shut down the industry which was not foreseen by the Department. It was also informed that the payment was already released to the contractor although the consumer already had an outstanding of ₹1,31,720/- and it was due to laxity and leniency that a time of 7 years for recovery was offered without any guarantee.

The Committee feels that a more vigilant study of the case would have thrown light upon the fact that M/s Penguin Alcohols Pvt. Ltd. was defaulting in payments even before commencement of works. With this in mind the Department should have not commenced works on strengthening the supply line without a fool proof guarantee of payments for the new connection as there was and still is an outstanding on the old connection to the tune of ₹1,31,720/-. The Committee recommends that a more in depth study should be made especially where defaulters are concerned even if temporary and adequate safe guards and guarantees should be taken to avoid such losses.

APPENDIX – I
MINUTES OF THE MEETING OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS HELD ON 10TH JANUARY 2018.

The meeting of the Public Undertakings Committee was held on 10th January 2018 at 3.30 pm in the PAC Room, Assembly Complex, Porvorim, to examine paras reflected in the CAG's Report for the year 2010-11, 2012-13 and 2014-15 of the Comptroller and Auditor General of India.

The following were present:

CHAIRMAN

Shri Digambar Kamat

MEMBERS

- | | |
|------------------------|--------|
| 1. Shri Deepak Pauskar | Member |
| 2. Shri Wilfred D'sa | Member |

GOA LEGISLATURE SECRETARIAT

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

AUDIT DEPARTMENT

1. Shri Dattaprasad Sirsat, Dy. Accountant General
2. Shri Jayvant Vernekar Sr. Audit Officer

2. The programme for the day included the examination of the representatives of the Goa Information Technology Development Corporation Ltd. in relation to Para 6.2 reflected in the CAG's Report 2010-11, Goa State Infrastructure Development Corporation in relation to Para 5.3 of the year 2012-13, Para 3.3 of the year 2014-15 and Goa Industrial Development Corporation Ltd. in relation to Para 6.4 for the year 2010-11.

3. At the outset, the minutes of the meeting held on 13th December 2017 were circulated to the Members. The Committee examined the Officers GITDC on Para 6.2 of the year 2010-11 regarding IT park at Dona Paula-irregular compensation to contractor and undue benefit to PMC-Rs 71.91 lakh. The Committee asked the concerned officers to send the replies to the AG within a week.

4. The Committee further examined the officers GSIDC in regards to Para 5.3 of the year 2012-13 on avoidable payment of income tax of 1.31 crore. The Committee decided to close the para as corrective measures were taken. The Committee also warned the officers that in future such things do not happen.

5. The Committee also examined the Officers, GSIDC in relation to Para 3.3 of the year 2014-15 regarding Thematic audit on execution of works by GSIDC for Government Departments. The Committee asked the Officers to send the file to AG within a week as it was a collection of paras.
6. The Committee examined the Officers IDC, regarding para 6.4 of the year 2010-11 on Idle investment on Utility Service Centre Building - Rs. 33.54 lakh. The Committee informed that it was a wasteful expenditure and if it was retendered then the Department would create liability.
7. Digital and verbatim records of the proceedings of the meeting were kept.
8. The Committee adjourned its sitting at 4.44 pm.

APPENDIX – II
MINUTES OF THE MEETING OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS HELD ON 10TH JULY 2018.

The meeting of the Public Undertakings Committee was held on 10th July 2018 at 3.30 pm in the PAC Room, Assembly Complex, Porvorim, to examine Paras reflected in the CAG's Report for the year 2010-11 of the Comptroller and Auditor General of India.

The following were present:

CHAIRMAN

Shri Digambar Kamat

MEMBERS

- | | | |
|----|--------------------|--------|
| 1 | Shri Clafasio Dias | Member |
| 2. | Shri Wilfred D'sa | Member |

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 K. S. Muralidharan Sr. Audit Officer (Report)

2. The programme for the day included the examination of the representatives of the Goa Information Technology Development Corporation Ltd. in relation to Para 6.2, Goa Handicraft, Rural and Small Scale Industries Corporation Ltd. Para 6.3 Goa Industrial Development Corporation Ltd. in relation to Para 6.4 and Goa Electricity Department in relation to Paras 6.6, 6.7, 6.8 and 6.9 reflected in the CAG's Report 2010-11.

3. At the outset, the minutes of the meeting held on 10th January 2018 were circulated to the Members. The Committee examined the Officers of GITDC on Para 6.2 of the year 2010-11 regarding Infrastructure development for the IT Park at Dona Paula-Irregular payment of compensation to contractor and avoidable expenditure on Project Management Consultancy. The Committee wanted to know the total amount paid.

4. The Committee further examined the Officers of GHRSSIC on Para 6.3 of the year 2010-11 regarding loss incurred due to short lifting of allocated quantity of coal. The Committee requested the Officers to submit details like, regarding

forfeited amount recovered, from whom the amount was recovered and how much and the total amount that has been recovered.

5. The Committee further examined the Officers of Goa Industrial Development Corporation Ltd. in relation to Para 6.4 of the year 2010-11 regarding Idle investment on utility service centre building. The Committee wanted to know about the number of towers that are set up in the Industrial land with the name of allottees. The Committee asked the Officer concerned to submit the entire file notings of the Meta strip transfer case and also wanted to know as to how many open spaces have been converted into plots and how land could be allotted in open spaces. The Committee also wanted to know the details of the Industries that were handed over to Daman & Diu.

6. The Committee examined the Officers of Goa Electricity Department on the following Paras: Para 6.6 of the year 2010-11 regarding loss of revenue due to non-levying of compounding charges in electricity theft cases. The Committee informed that every installation of meters has to be checked for load capacity which would help to add to the revenue and reduce line losses. The Committee also made a mention that theft of power was a very serious matter.

Para 6.7 of the year 2010-11 regarding loss of revenue due to non-collection of electricity duty on sale of power. The Committee informed that since the company is paying from 2015 they should pay the rest of the amount also. The matter is in the Court and the decision is awaited.

Para 6.8 of the year 2010-11 regarding extra expenditure in the purchase of single phase electronic meters. The Committee brought to the notice that if the meters were bought in bulk, a sizeable amount could have been saved and prevented wasteful expenditure due to the near sighted decisions taken in procuring of the meters.

Para 6.9 of the year 2010-11 regarding loss due to non-recovery of cost of strengthening of supply line. The Committee informed that this was negligence on the part of the Department as the Department should have safeguarded its interest when it saw that the Party was defaulting in payments even before the works were started.

7. Digital and verbatim records of the proceedings of the meeting were kept.

8. The Committee adjourned its sitting at 5.13 p

APPENDIX – III
MINUTES OF THE MEETING OF THE COMMITTEE ON PUBLIC
UNDERTAKINGS HELD ON 5TH OCTOBER 2018.

The meeting of the Public Undertakings Committee was held on 5th October 2018 at 3.30 pm in the PAC Room, Assembly Complex, Porvorim, to examine the Paras reflected in the CAG's Report for the years 2011-12, 2013-14 and 2014-15.

The following were present:

CHAIRMAN

Shri Digambar Kamat

MEMBERS

1. Shri Clafasio Dias
2. Shri Wilfred D'sa
3. Shri Glen Ticlo

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 Muralidharan Sr. Audit Officer (Report)

2. 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 representatives of Information Technology in relation to Para 5.4 for the year 2011-2012, Para 5.3 for the year 2013-2014 and Power in relation to Para 5.6 for the year 2011-2012, Paras 5.2, and 5.4 for the year 2013-2014 and Para 3.4 for the year 2014-2015 reflected in the CAG's Reports.

3. The Committee examined the Secretary Power in relation to Para 5.6 for the year 2011-12 regarding avoidable expenditure on the construction of 11 KV supply line. The Committee was informed that 4.22 crore had already been paid to the Department through electricity bills. The Officer further stated that it should have been procedurally done. The A.E. and J.E. who had framed the estimate were already superannuated. The Committee informed that in future such things should not be repeated and to examine whether the amount spent was recovered or to take steps to recover.

4. The Committee was informed that the reply to Para 5.2 regarding laying of underground cabling network for the year 2013-14 was submitted to A.Gs office.

5. The Committee further examined Para 5.4 regarding excess payment of consultancy fees for the year 2013-14. The Committee was informed that the amount was recovered after the observation had been made by audit.
6. The Committee also examined the Para 3.4 regarding extra expenditure on procurement of energy meters by Goa Electricity Department Rs. 4.52 crore for the year 2014-15. The Committee was informed that as per the audit observation the Department should have gone for DGS. The observation was that DGS&D Power Meters are not up to the standard. Once before, purchases were made and there were several complaints and it had to be withdrawn. Further it was informed that DGS&D could also participate in the open tender process.
7. The Committee could not examine the Secretary Information Technology in relation to Para 5.3 regarding avoidable expenditure/loss due to awarding contract to United Telecoms Limited for the year 2013-14 as the reply was not submitted.
8. As regard to Para 5.4 regarding avoidable expenditure on proposed IT Park for the year 2011-12. The Committee was informed that within the compound of the park an administrative block will be created which will house certain activities from a skilled Development stand points like crèche, something which will result in employment and income for locals in that area.
9. Draft Report of the year 2010-11 was circulated to the Members of the Committee and adopted.
10. Digital and verbatim records of the proceedings of the meeting were kept.
11. The Committee adjourned its sitting at 3.55 pm.