Executive Summary

Background

Goa was incorporated with the Indian Union as a Union Territory with Legislative Assembly in 1962. It was granted Statehood on 30 May 1987. The social indicators of the State *viz*., literacy rate, rate of infant mortality and life expectancy were better than the all India average. The State's literacy rate increased from 82.01 *per cent* (as per 2001 census) to 87.40 *per cent* (as per 2011 census). During this period the population of the State grew by 8.17 *per cent* and the density of population increased from 258 persons per sq km to 394 persons per sq km. During 2012-13 the percentage of population below poverty line was two *per cent* as compared to all-India average of 21.92 *per cent.*

This Report on the finances of the Government of Goa is being brought out with a view to objectively assess the financial performance of the State during 2012-13 and to provide the State Government and the State Legislature with timely inputs based on audit analysis of financial data.

The Report

Based on the audited accounts of the Government of Goa for the year ended March 2013, this Report provides an analytical review of the Annual Accounts of the State Government. This Report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the Government's fiscal position as on 31 March 2013. It provides an insight into trends of committed expenditure and borrowing pattern, besides giving a brief account of Central funds transferred directly to the State implementing agencies through the off-budget route.

Chapter **II** is based on audit of Appropriation Accounts and gives a grant-by-grant description of appropriations and the manner in which the allocated resources were managed by the service delivery Departments.

Chapter III is an inventory of the Government's compliance with various reporting requirements and financial rules. The report also compiles the data collected from various Government Departments/organisations in support of the findings.

Audit findings and recommendations

Chapter I

Gross State Domestic Product (GSDP)

The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The GSDP reduced from ₹ 35,932 crore in 2011-12 to ₹ 34,965 crore in 2012-13. The fall in GSDP was attributed to significant reduction in revenue from mining and quarrying activities which affected the income of the population dependent on mining. This impacted the economy of the State as a whole. Another consequence of the slowdown was that the tax and non-tax revenue realisation was lower than budgeted figures.

Finances of the State Government

Oversight of funds transferred from the Government of India directly to the State implementing agencies: The Government of India directly transferred ₹ 282.49 crore to State implementing agencies during the year. The direct transfer of funds, without routing them through the State budget, ran the risk of improper monitoring of the expenditure incurred by the implementing agencies.

The Government should ensure proper accounting of the funds transferred to State implementing agencies and the updated information should be validated by the Director of Accounts, Government of Goa for proper monitoring of the expenditure incurred by the implementing agencies.

Revenue receipts: The revenue receipts during 2012-13 marginally increased by 1.11 *per cent* as compared to 2011-12. The increase in revenue receipts during the current year as compared to previous year was due to the net effect of increase in tax revenue by 15.24 *per cent* (₹ 389 crore), Grants from GoI by 25.42 *per cent* (₹ 60 crore) the States' share of Union taxes and duties by 14.09 *per cent* (₹ 96 crore), offset by a decrease in non-tax revenue by 20.75 *per cent* (₹ 480 crore).

Revenue Arrears: Outstanding arrears of ₹ 1,076.85 crore were pending recovery by various Departments which accounted for 22.56 *per cent* of State's own resources.

Revenue expenditure: The revenue expenditure constituted 86.50 *per cent* of the total expenditure and increased by 10.52 *per cent* during the current year over the previous year. Non-Plan Revenue Expenditure (NPRE) increased by 10.02 *per cent* over the previous year. The committed expenditure on salary and wages, pensions and interest payments constituted 46.91 *per cent* of revenue receipts during 2012-13, an increase of 11.83 *per cent* compared to the previous year.

Capital expenditure: Capital expenditure constituted 13.44 *per cent* of the total expenditure during the current year and decreased by 20.43 *per cent* compared to the previous year.

Review of Government investments: The average return on Government's investments in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives was 0.27 *per cent* in the last five years while the Government paid an average interest rate ranging from 7.59 to 7.79 *per cent* on its borrowings during the same period.

The Government should take steps to ensure better value for money in investments; otherwise, high-cost borrowed funds will continue to be invested in projects with low financial returns. Projects which are justified on account of low financial but high socio-economic returns may be identified and prioritised with full justification for channeling high-cost borrowings thereto.

Market loans

Improper assessment of fund requirements, large market borrowings and investment of excess funds in intermediate Treasury Bills resulted in an avoidable interest burden of ₹ 1.82 crore during the period 2008-13.

Debt sustainability: The sum of quantum spread and primary deficit during 2012-13 was negative indicating unsustainable levels of public debt. The State can stabilise debt-GSDP ratio by containing/reducing primary deficit to meet the fiscal deficit cap (normal) of three *per cent* of GSDP as laid down under Goa FRBM Act 2006, and Rules 2007.

Fiscal correction: The fiscal parameters *i.e.* revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period. During 2011-12 the revenue surplus of ₹ 297 crore turned to revenue deficit of ₹ 216 crore in 2012-13 due to sharp increase in revenue expenditure by 10.52 *per cent* against the increase of revenue receipts of only 1.11 *per cent*.

Chapter II

Financial Management and Budgetary Control

During 2012-13, expenditure of ₹ 7,487.70 crore was incurred against total grants and appropriations of ₹ 10,279.84 crore, resulting in savings of ₹ 2,792.16 crore. The overall savings were the net result of savings of ₹ 2,844.25 crore, offset by an excess of ₹ 52.09 crore in one appropriation under revenue section. Excess expenditure of ₹ 52.09 crore requires regularisation under Article 205 of the Constitution of India. Besides, regularisation of excess expenditure of ₹ 29.24 crore was also pending from 2007-08 to 2011-12 as of March 2013. Augmentation/reduction of provisions by re-appropriation proved either in excess of requirement or insufficient, as the final expenditure of the re-appropriated sub-heads resulted in savings/excesses of over ₹ one crore in 14 major heads. In 11 cases, ₹ 25.54 crore was surrendered in excess of actual savings. In 36 grants, surrender of funds amounting to ₹ 2,077.01 crore were made in the last month of the financial year, while in 28 grants/appropriations, savings amounting to ₹ 91.60 crore were not surrendered.

Budgetary controls should be strengthened in all the Departments, especially in those where savings/excesses have been observed. All the Departments should submit realistic budget estimates, keeping in view the trends of expenditure and the actual requirement of funds in order to avoid savings/excesses.

Chapter III

Financial Reporting

The Government's compliance with various rules, procedures and directives was lacking in various Departments, which was evident from delays in furnishing of utilisation certificates against loans and grants by various grantee institutions. Delays were also noticed in submission of annual accounts by autonomous bodies and Departmentally managed commercial undertakings. There were instances of large outstanding cases of losses and misappropriations for which Departmental action was pending for long periods.

The Government should ensure timely receipt of utilisation certificates against the financial assistance provided to grantee institutions. Departmental enquiries in respect of all misappropriation cases should be expedited to bring the defaulters to book and internal controls in all organisations should be strengthened to prevent such cases in future.