

Executive Summary

Background

In response to the Twelfth Finance Commission's recommendations, the Goa Government enacted its Fiscal Responsibility and Budget Management Act, (FRBM), entitled the Goa Fiscal Responsibility and Budget Management Act, 2006, with a view to ensuring prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, sustainable debt management consistent with fiscal stability, greater transparency in fiscal operations of the Government and conduct of fiscal policy in a medium-term fiscal framework. The State Government's commitment to carry forward these reforms is largely reflected in the policy initiatives announced in its subsequent budgets. Though during the period 2006-09 the trend with regard to fiscal indicators showed positive towards achieving fiscal stability by reduction of deficits, but the deficit indicators turned negative during the current year.

The report

Based on the audited accounts of the Government of Goa for the year ending March 2010, this report provides an analytical review of the Annual Accounts of the State Government. The report is structured in three Chapters.

Chapter I is based on the audit of Finance Accounts and makes an assessment of the Goa Government's fiscal position as at 31 March 2010. It provides an insight into trends in committed expenditure and borrowing pattern, besides giving a brief account of Central funds transferred directly to State implementing agencies through the off-budget route.

Chapter II is based on audit of Appropriation Accounts and gives a grant-wise 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 has additional data collated from several sources in support of the findings.

Audit findings and recommendations

Fiscal discipline: The target to reduce the revenue deficit to zero by 2008-09 was achieved by the Government in 2006-07. The State had a revenue surplus of ₹ 103 crore in 2008-09, which however, turned to a deficit of ₹ 127 crore in 2009-10. The Government should make concerted efforts to contain the revenue deficit.

Need to compress Non-Plan expenditure: The revenue expenditure was 79 *per cent* of the total expenditure, of which 82 *per cent* was under Non-Plan.

Review of Government investments: The average return on the Government's investments in statutory corporations, Government companies, Co-operative banks and societies varied between 0.11 and 0.32 *per cent* in the past three years, while the Government paid average interest rate on borrowings in the range of 7.46 to 7.79 *per cent*. This is obviously an unsustainable proposition. The State Government should, therefore, speed up to seek better value for money on its investments. Otherwise, high-cost borrowed funds invested in projects with low financial returns will continue to strain the economy.

Increasing fiscal liabilities accompanied by negligible rates of return on Government investments and inadequate interest cost recovery on loans and advances might lead to a situation of unsustainable debt in the medium to long run unless suitable measures are initiated to compress the Non-Plan revenue expenditure and mobilize additional resources, both through tax and non-tax sources.

Financial management and budgetary control: During 2009-10, there were overall savings of ₹ 945.70 crore, which were a result of the total savings of ₹ 953.27 crore, being offset by the excess of ₹ 7.57 crore. This excess requires regularization by the State Legislature under Article 205 of the Constitution of India. Cases were noticed where the amounts surrendered were in excess of the actual savings, indicating lack of budgetary control. As against savings of ₹ 40.44 crore, the amount surrendered was ₹ 41.36 crore, resulting in excess surrender of ₹ 92 lakh. There were eight grants/ appropriations in which savings of ₹ 4.08 crore occurred but no part of the amount had been surrendered by the concerned departments. Similarly, out of total savings of ₹ 580 crore under 24 other grants/appropriations, ₹ 173 crore was not surrendered. In respect of 30 major heads of account, out of an expenditure of ₹ 690.24 crore, ₹ 442.86 crore was incurred during the last quarter of the year. Budgetary controls should be strengthened to avoid such deficiencies in financial management.

Financial reporting: The State Government's compliance with various rules, procedures and directives was not adequate, which was evident from the

delays between one year and above seven years in furnishing of 5,694 utilization certificates aggregating ₹ 384 crore against the loans and grants received from various grantee institutions. As on 30 June 2010, 446 annual accounts of 193 institutions had not been received. The department reported 26 cases of misappropriations, involving Government funds amounting to ₹ 1.91 crore upto March 2010 of which final action was pending. These cases should be expedited to bring the defaulters to book. Internal controls in all the organisations should be strengthened to prevent such cases in future.