Executive Summary

Background

Goa was liberated from the Portuguese rule and 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 off than the all India average. During 2002-03 to 2011-12, the State has demonstrated a higher economic growth rate (16.64 *per cent*) as compared to General Category States (13.09 *per cent*). 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. The State had a higher per capita income on account of higher GSDP growth rate.

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 2011-12 and to provide the State Government and the State Legislature with timely inputs based on audit analysis of financial data. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged by the State Government in the Fiscal Responsibility and Budget Management Act, 2006 and Rules, 2007 as well as the budget estimates of 2011-12.

The Report

Based on the audited accounts of the Government of Goa for the year ended March 2012, 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 2012. 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

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 ₹ 422.23 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 2011-12 increased by 6.22 *per cent* over the previous year, as against the increase of 32.73 *per cent* in 2010-11 over the previous year. The decrease in the growth rate of revenue receipts in 2011-12 was mainly due to decrease in Grants from GoI by 47.55 *per cent*. The total revenue receipts increase was due to the net effect of increase in tax revenue by 19.20 *per cent*, non-tax revenue by 1.98 *per cent* and the States' share of Union taxes and duties by 16.60 *per cent*.

Revenue expenditure: The revenue expenditure constituted 82.13 *per cent* of the total expenditure and increased by 14.63 *per cent* during the current year over the previous year. Non-Plan Revenue Expenditure (NPRE) increased by 13.40 *per cent* over the previous year. The committed expenditure on salary and wages, pensions and interest payments constituted 42.41 *per* cent of revenue receipts during 2011-12, an increase of 12.74 *per cent* compared to the previous year.

Capital expenditure: Capital expenditure constituted 17.73 *per cent* of the total expenditure during the current year and decreased by three *per cent* during the current year over 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 0.22 *per cent* in the last five years while the Government paid an average interest rate ranging from 7.46 to 7.79 *per cent* on its borrowings during this 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 there.

Debt management

During 2011-12, the Government of Goa raised market loan of ₹ 550 crore, out of which only ₹ 250 crore was reflected in Finance accounts. The balance amount of ₹ 300 crore was lying in the Suspense Account. This led to (a) understatement of Public Debt and overstatement of Suspense Account; (b) understatement of liabilities; and (c) understatement of the net availability of borrowed funds by ₹ 188.82 crore.

Debt sustainability: The fiscal liabilities at the end of the current year was ₹ 9,879 crore and stood at 22.21 *per cent* of GSDP. During 2011-12, the quantum spread together with Primary Deficit was positive, indicating an improvement towards debt stabilisation.

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. The significant gap between the growth of revenue receipt (6.22 *per cent*) and revenue expenditure (14.63 *per cent*) over the previous year brought the revenue surplus down to ₹ 297 crore in 2011-12 from a revenue surplus of ₹ 658 crore in 2010-11.

Chapter II

Financial Management and Budgetary Control

During 2011-12, expenditure of ₹ 7,061.43 crore was incurred against total grants and appropriations of ₹ 8,649.99 crore, resulting in savings of ₹ 1,588.56 crore. The overall savings were the net result of savings of ₹ 1,607.44 crore, offset by an excess of ₹ 18.88 crore in one appropriation under revenue section. Excess expenditure of ₹ 18.88 crore required regularisation under Article 205 of the Constitution of India. Besides, regularisation of excess expenditure of ₹ 10.36 crore was also pending from 2007-08 to 2010-11 as of March 2012. 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 ₹ 25 lakhs in 18 major heads. In four cases, ₹ 0.75 crore was surrendered in excess of actual savings. In 46 cases, surrenders of funds amounting to ₹ 1,243 crore were made in the last month of the financial year, while in 34 grants/appropriations, savings amounting to ₹ 66.41 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. A large number of abstract contingent bills were pending adjustment at the end of March 2012.

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.