

EXECUTIVE SUMMARY

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Background

Goa is situated in the western coastal region known as Konkan, bounded by Arabian sea in the west, Maharashtra in the north and Karnataka to the east and south. Goa is the smallest State in terms of geographical area (3,702 sq.km) and has a coastline of about 131 km. Goa was incorporated as a Union Territory with Legislature in 1962. It was granted Statehood on 30 May 1987. The decadal population growth of the State was 8.17 *per cent* (0.13 crore in 2001 to 0.15 crore in 2011). The density of population in the State increased from 258 persons per sq. km. to 394 persons per sq. km. in the last decade (2001-2011) as against the all India average of 382. The population below poverty line was 9.90 *per cent* as compared to 21.90 *per cent* for the Country. The State's Gross State Domestic Product (GSDP) in 2016-17 at current prices was ₹ 64,544 crore.

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 2016-17 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's Fiscal Responsibilities and Budget Management (first amendment) Act, 2014 and budget and revised estimates of 2016-17.

The Report

Based on the audited accounts of the Government of Goa for the year ended March 2017, 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 2017. It provides an insight into trends of committed expenditure and borrowing pattern.

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

Fiscal correction

The growth rate of GSDP was 18.92 *per cent* against the Fourteenth Finance Commission (FC XIV) projection of 14.52 *per cent* during the year.

The State Government had achieved the target of reduction of revenue deficit to zero in 2014-15 as projected in Goa Fiscal Responsibility and Budget Management GFRBM (first amendment), Act 2014. Revenue surplus in 2016-17 stood at ₹ 699 crore and was higher than the previous year's surplus by ₹ 567 crore. This was due to higher growth rate (11.84 *per cent*) of the revenue receipts as compared to revenue expenditure (5.30 *per cent*) over the previous year.

The fiscal deficit during 2016-17 was 1.45 *per cent* of GSDP, which was within the target of three *per cent* set forth in GFRBM (first amendment) Act, 2014 and FC XIV. The State had primary surplus of ₹ 214 crore during 2016-17. During 2016-17, incremental non-debt receipts at ₹ 1,012 crore was able to cover the incremental primary expenditure of ₹ 390 crore and incremental interest burden of ₹ 73 crore; these were sufficient to meet the primary expenditure resulting in primary surplus.

Fiscal liabilities of the State increased from ₹ 11,232 crore in 2012-13 to ₹ 16,824 crore in 2016-17. The growth rate decreased from 12.24 *per cent* in 2015-16 to 8.02 *per cent* in 2016-17. However, over a period of four years, fiscal liabilities to GSDP ratio had reduced from 35.34 *per cent* in 2013-14 to 26.07 *per cent* in 2016-17. This was higher than the target fixed (25 *per cent*) in the GFRBM (first amendment) Act, 2014 and 25.55 *per cent* projected by FC XIV.

Resource mobilisation

Revenue receipts (₹ 9,565 crore) increased by ₹ 1,013 crore recording an increase of 11.84 *per cent* over the previous year. Though State's own taxes increased by ₹ 286 crore, its growth rate (7.19 *per cent*) was less than the norm of 8.26 *per cent* prescribed by the FC XIV. The share of State's own taxes comprising tax and non-tax revenue to revenue receipts was 73 *per cent* and the tax devolution from GoI including grants-in-aid contributed 27 *per cent*.

Expenditure management

Revenue expenditure increased continuously from ₹ 6,061 crore in 2012-13 to ₹ 8,866 crore in 2016-17. The year-wise growth of revenue expenditure fluctuated between 8.92 *per cent* and 13.63 *per cent* during the period 2012-13 to 2015-16. In 2016-17, the

growth rate of revenue expenditure further reduced to 5.30 *per cent*. The share of capital expenditure to total expenditure remained constant at 13 *per cent* during the period 2012-14, but it increased to 16 *per cent* during the past two years.

The overall development expenditure to total expenditure decreased from 71.75 *per cent* in 2015-16 to 70.69 *per cent* in 2016-17. During 2013-14 and 2016-17, the State's share of expenditure on health and family welfare to aggregate expenditure were better than General Category States, but the State's share in respect of education and capital expenditure to aggregate expenditure was lower as compared to General Category States.

Financial assistance to local bodies and other institutions increased from ₹ 837 crore in 2015-16 to ₹ 915 crore in 2016-17. Expenditure on Subsidies (₹ 248 crore) constituted 2.59 *per cent* of revenue receipts.

The return from investment of ₹ 561 crore as of March 2017 in Companies/Corporations was negligible (₹ 0.86 crore) while the average return on this investment was 0.28 *per cent* in the last five years. On the other hand, the Government paid an average interest rate of 7.09 *per cent* on its borrowings during 2016-17.

Chapter II

Financial Management and Budgetary Control

During 2016-17, expenditure of ₹ 12,848.37 crore was incurred against total grants and appropriations of ₹ 15,899.60 crore, resulting in saving of ₹ 3,051.23 crore. This includes an excess of ₹ 1,683.20 crore in two grants and one appropriation. Excess expenditure of ₹ 1,683.20 crore requires regularisation under Article 205 of the Constitution of India.

In 31 grants, savings in excess of ₹ 20 crore, aggregating ₹ 3,982.44 crore was surrendered in the last month of the financial year. Supplementary provisions aggregating ₹ 244.74 crore obtained in eight grants during the year proved unnecessary as the actual expenditure (₹ 75.01 crore) did not come up to the level of the original provision (₹ 237.89 crore).

Chapter III

Financial Reporting

There were delays in furnishing of utilisation certificates against grants to 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.

As of March 2017, 492 Abstract Contingent bills involving ₹ 95.97 crore were pending adjustment due to non-receipt of Detailed Contingent bills.

Pendency of utilisation certificates and Detailed Contingent bills was fraught with the risk of fraud and misappropriation.

During 2016-17, expenditure aggregating ₹ 3,328.20 crore constituting 31.67 *per cent* of the total expenditure was classified under Minor Head '800-other expenditure'. Similarly, revenue receipts aggregating ₹ 418.45 crore constituting 3.73 *per cent* of total receipts were classified under Minor Head '800 – Other Receipts'. Accounting of various important items of expenditure and revenue receipts under omnibus Minor Head –800 resulted in non-exhibition of diverse activities of the Government under available Minor Heads.