

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. The benefits of FRBM legislation have been realized to a great extent already, in terms of reduction in major deficit indicators.

The Comptroller and Auditor General of India's Audit Reports have been commenting upon the Government's finances for over two years since the FRBM legislation. Since these comments formed part of the Audit Report, it was felt that the audit findings on State finances remained camouflaged because the majority of audit findings were on compliance and performance aspects. The obvious fallout of this all-inclusive reporting was that the audit findings on financial management did not receive proper attention. In recognition of the need to bring State finances to centre-stage, a Stand-alone report on State Government finances was considered an appropriate audit response to this challenge. Accordingly, from the report year 2009 onwards, the Comptroller and Auditor General has decided to bring out a separate volume titled 'Report on State Finances'.

The report

Based on the audited accounts of the Government of Goa for the year ending March 2009, 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 2009. 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. However, during the year, the revenue surplus declined by Rs 63 crore. The Government has to make concerted efforts to contain the fiscal deficit.

Need to compress Non-Plan expenditure: The revenue expenditure was 78.72 *per cent* of the total expenditure, of which 64.49 *per cent* was under Non-Plan. Salary expenditure, pension liabilities, interest payments and subsidies constituted 44.83 *per cent* of Non-Plan revenue expenditure during 2008-09.

Review of Government investments: The average return on the Government's investments in statutory corporations, Government companies, co-operative banks and societies varied between 0.1 and 0.3 *per cent* in the past three years, while the Government paid interest on borrowings in the range of 7.5 to 8.0 *per cent*. This is obviously an unsustainable proposition. The State Government should, therefore, hasten to seek better value for money in 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 2008-09, there were overall savings of Rs 717.02 crore, which were a result of the total savings of Rs 717.05 crore, being offset by the excess of Rupees three lakh. This excess requires regularization 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 or inadequate budgetary control. As against savings of Rs 104.59 crore, the amount surrendered was Rs 108.22 crore, resulting in excess surrender of Rs 3.63 crore. There were seven grants/appropriations in which savings of Rs 7.24 crore occurred but no part of the amount had been surrendered by the concerned departments. Similarly, out of total savings of Rs 304.10 crore under 24 other grants/appropriations,

Rs 176.20 crore was not surrendered. In respect of 15 major heads out of an expenditure of Rs 638.57 crore, Rs 420.23 crore was incurred during the last quarter of the year. Budgetary controls should be strengthened to avoid such deficiencies in financial management. Last minute fund releases and issuance of re-appropriation/surrender orders should be avoided.

Financial reporting: The State Government's compliance with various rules, procedures and directives was unsatisfactory, which was evident from the delays in furnishing utilization certificates against the loans and grants received from various grantee institutions. As on 30 June 2009, 282 annual accounts of 113 institutions had not been received. The Government reported 18 cases of misappropriations, involving Government funds amounting to Rs 1.53 crore upto March 2009, on which final action was pending. Final action in respect of all misappropriation 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.