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. Goa has a land area of 3,702 sq. km. and a coastline of 104 km. It has two districts, 12 talukas and 359 villages, with a population density of 394 persons compared to the all India average of 382 persons per sq.km. It has one of the highest literacy rates (87.40 *per cent*) among the States of the country. The infant mortality rate and the population living below poverty line are low as compared to the all India average. During the past decade, the state has demonstrated a higher economic growth rate (17.55 *per cent*) as compared to General Category States (14.68 *per cent*). During 2001-02 to 2010-11 the population of the state grew by 8.17 *per cent* against 17.56 *per cent* in General Category States. The per capita income compound annual growth rate of the State (16.27 *per cent*) was higher than that of the General Category States (11.32 *per cent*) in the current decade.

This Report on the Finances of the Government of Goa is being brought out with a view to assessing objectively, the financial performance of the State during 2010-11 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 2010-11.

The Report

Based on the audited accounts of the Government of Goa for the year ended March 2011, 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 2011. 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 collated from various Government departments/organizations 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 ₹ 467.53 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 2010-11 increased by 32.72 *per cent* over the previous year, as against the increase of 16.21 *per cent* in 2009-10 over the previous year. The high growth rate was mainly due to increase of 21.40 *per cent* in States' own tax revenue compared to four *per cent* during the previous year.

Revenue expenditure: The revenue expenditure constituted 79.45 *per cent* of the total expenditure and increased by 13.17 *per cent* during the current year over the previous year. Non-Plan Revenue Expenditure (NPRE) increased by 11 *per cent* over the previous year. The committed expenditure on salary and wages, pensions, interest payments and subsidies constituted 41 *per* cent of revenue receipts during 2010-11, a decrease of nine percentage points compared to the previous year.

Capital expenditure: Capital expenditure constituted 20 *per cent* of the total expenditure during the current year as well as in the previous year.

Review of Government investments: The average return on the Goa Government's investments in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives was 0.17 *per cent* in the last five years while the Government paid an average interest rate ranging from 7.46 to 7.97 *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 prioritized with full justification for channeling high-cost borrowings there.

Debt sustainability: The fiscal liabilities at the end of the current year worked out to ₹ 8,985 crore and stood at 30.07 *per cent* of GSDP. During 2010-11, the quantum spread together with Primary Deficit were positive, indicating an improvement towards debt stabilization.

Fiscal correction: The fiscal parameters ie. 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 (32.72 *per cent*) and revenue expenditure (13.17 *per cent*) over the previous year turned the revenue deficit of ₹ 127 crore in 2009-10 to a revenue surplus of ₹ 658 crore in 2010-11.

Chapter II

Financial Management and Budgetary Control

During 2010-11, expenditure of ₹ 6,328.38 crore was incurred against total grants and appropriations of ₹ 7,376.24 crore, resulting in savings of ₹ 1,047.86 crore. The overall savings were the net result of savings of ₹ 1,050.60 crore, offset by excess of ₹ 2.74 crore. Excess expenditure of ₹ 2.74 crore in one grant and one appropriation required regularisation under Article 205 of the Constitution of India during 2010-11. Besides, regularization of excess expenditure of ₹ 7.63 crore was also pending from 2008-09 to 2009-10 as of March 2011. 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 ₹ 10 lakhs in 14 major heads. In four cases, ₹ 1.31 crore was surrendered in excess of actual savings. In 22 cases, surrenders of funds amounting to ₹ 673 crore were made in the last month of the financial year, while in 27 grants/appropriations, savings amounting to ₹ 115.84 crore were not surrendered.

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 large savings/excesses. Re-appropriation/surrender of funds may also be done at the earliest in order to make the funds available for other schemes.

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 utilization 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 2011.

The Government should ensure timely receipt of utilization 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. Internal controls in all organisations should be strengthened to prevent such cases in future.