Executive Summary

Background

Goa was 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 than the all India average. The State's literacy rate increased from 82.01 *per cent* (as per 2001 census) to 88.70 *per cent* (as per 2011 census). 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. During 2013-14 the percentage of population below poverty line was five *per cent* as compared to all-India average of 21.92 *per cent.*

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 2013-14 and to provide the State Government and the State Legislature with timely inputs based on audit analysis of financial data.

The Report

Based on the audited accounts of the Government of Goa for the year ended March 2014, 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 2014. 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

Gross State Domestic Product (GSDP)

The growth of GSDP of the State is an important indicator of the State's economy as it indicates the standard of living of the State's population. The GSDP increased from ₹ 42,407 crore in 2012-13 to ₹ 48,897 crore in 2013-14. The State's GSDP growth rate at current prices which had witnessed a negative growth (1.96 *per cent*) in 2012-13 mainly due to recession in mining activities had turned positive (15.30 *per cent*) during the current year. Tertiary sector and Secondary sector continued to be the dominant source of GSDP and it accounted for 46.37 *per cent* and 41.46 *per cent* of the GSDP during 2013-14. The contribution of Primary sector during the current year was 12.17 *per cent* mainly due to reduction in revenue from mining and quarrying activities.

Finances of the State Government

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. During 2013-14, the State achieved two of the three major parameters specified by the Thirteenth Finance Commission (ThFC) *viz.* (i) the ratio of fiscal liability to Gross State Domestic Product at 25.96 *per cent* was lower than the norms of 29.90 *per cent,* and (ii) the fiscal deficit at 2.76 *per cent* of Gross State Domestic Product was lower than the norms of three *per cent*. However, the third parameter of revenue surplus could not be achieved during the year. The revenue deficit increased by ₹ 137 crore over the previous year. This was due to increase of ₹ 742 crore (12.24 *per cent*) in revenue expenditure against the increase of only ₹ 605 crore (10.35 *per cent*) in revenue receipts over the previous year.

Revenue receipts: The rate of growth of revenue receipts increased from 1.11 *per cent* in 2012-13 to 10.35 *per cent* in 2013-14. This was due to the net effect of increase in tax revenue by ₹ 642 crore (21.83 *per cent*), share of Union taxes and duties by ₹ 72 crore (9.27 *per cent*) and ₹ 61 crore (20.61 *per cent*) in grants from the Government of India (GoI); offset by a decrease of non-tax revenue by ₹ 171 crore (9.31 *per cent*).

Interest payments: Interest payments (₹ 891 crore) which increased by 11.23 *per cent* during the year over 2012-13, were within the projection made in the ThFC (₹ 934.51 crore) but was more than the projections made in the budget (₹ 825.60 crore).

Non-Plan revenue expenditure: The revenue expenditure (₹ 6,803 crore) constituted 87.05 *per cent* of the total expenditure. Out of this 65.16 *per cent* was the Non-Plan component (₹ 5,092 crore). The Non-Plan Revenue Expenditure (NPRE) remained higher than the normative assessments of the ThFC but was less than the projections made in the budget.

Capital expenditure: Capital expenditure constituted 12.89 *per cent* of the total expenditure during the current year. The ratio of Capital expenditure to Aggregate Expenditure in 2013-14 was lower than the ratio of General Category States.

Review of Government investments: The average return on Government's investments in Statutory Corporations, Government Companies, Joint Stock Companies and Co-operatives decreased from 0.39 *per cent* in 2012-13 to 0.24 *per cent* in 2013-14. On the other hand, the Government paid an average interest rate of 7.69 *per cent* and 7.44 *per cent* in 2012-13 and 2013-14, respectively. Thus, this was an unsustainable position.

Debt Sustainability: The resource gap was negative during the period 2011-14, indicating decreasing capacity of the State to sustain the debt in the medium to long run. This was a result of insufficiency of the incremental non-debt receipt to meet the incremental primary expenditure and incremental interest payments.

Chapter II

Financial Management and Budgetary Control

The slow pace of programme implementation of various social and developmental programmes in the State left an overall savings of ₹ 2,345.22 crore. As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature.

During 2013-14, expenditure of ₹ 8,303.80 crore was incurred against total grants and appropriations of ₹ 10,649.02 crore, resulting in savings of ₹ 2,345.22 crore, offset by an excess of ₹ 97.50 crore in three grants and one appropriation. Excess expenditure of ₹ 97.50 crore requires regularisation under Article 205 of the Constitution of India. Besides, regularisation of excess expenditure of ₹ 81.29 crore was also pending from 2008-09 to 2012-13 as of March 2014. In many cases, the anticipated savings were either not surrendered or surrendered in the last month of March 2014, leaving no scope for utilising these funds for other developmental purposes.

Chapter III

Financial Reporting

There were 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.

The Government may ensure timely receipt of utilisation certificates against the financial assistance provided to grantee institutions. Departmental enquiries in respect of misappropriation cases pending action may be expedited to bring the defaulters to book and internal controls in all organisations should be strengthened to prevent such cases in future.