CHAPTER 1

OVERVIEW

Chapter 1: Overview

1.1 Profile of Goa

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. Administratively, Goa is divided into two districts: North Goa and South Goa, which are further divided into 12 talukas.

The State population increased from 0.15 crore in 2011 to 0.16 crore in 2020, recording a growth of 6.66 *per cent*. The density of population in the State was 394 persons per sq. km. 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 2019-20 at current prices was ₹ 80,449 crore. During 2019-20, per capita income of the State stood at ₹ 5,20,032, which was significantly higher than the All-India per capita income of ₹ 1,51,677. The social indicators *viz.,* literacy rate and rate of infant mortality (except life expectancy) were better than all-India average. The basic statistics of the State are given in **Appendix 1.1**.

1.2 Basis and Approach to State Finances Audit Report

In terms of Article 151 (2) of the Constitution of India, the reports of the Comptroller and Auditor General of India (CAG) relating to the accounts of a State are to be submitted to the Governor of the State, who shall cause them to be laid before the Legislature of the State. The State Finances Audit Report (SFAR) of Goa for the year ending 31 March 2020 is prepared and submitted to Governor of Goa under Article 151 (2) of the Constitution of India.

Directorate of Accounts, Government of Goa prepares the Finance Accounts and Appropriation Accounts of the State annually from the vouchers, challans and initial and subsidiary accounts rendered by the treasuries, offices and Departments responsible for keeping of such accounts functioning under the control of the State Government and the statements received from the Reserve Bank of India (RBI). These accounts are audited independently by the Accountant General, Goa and certified by the CAG.

Finance accounts and appropriation accounts of the State for the year 2019-20 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2019-20, both for assessing the fiscal parameters and allocative priorities *vis-à-vis* projections, as well as for evaluating the effectiveness of its implementation and compliance with the relevant rules and prescribed procedures;

- Results of audit carried out by the Office of the Accountant General, Goa;
- Other data with Departmental Authorities and Treasuries;
- GSDP data and other State related statistics from the Directorate of Planning, Statistics and Evaluation, Government of Goa; and
- Various audit reports of the CAG of India prepared during 2014-19.

The analysis is also carried out in the context of recommendations of the Fourteenth Finance Commission (FC XIV), Goa Financial Responsibility and Budget Management Act, best practices and guidelines of the Government of India (GoI).

1.3 Report Structure

The SFAR is structured into the following four chapters:

Chapter 1	**Overview** This chapter describes the basis and approach to the Report and the underlying data, provides an overview of structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and State's fiscal position including the deficits/surplus.
Chapter 2	**Finances of the State** This chapter provides a broad perspective of the finances of the State, analyses the critical changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2015-16 to 2019-20, debt profile of the State and key Public Account transactions, based on the finance accounts of the State.
Chapter 3	**Budgetary Management** This chapter is based on the appropriation accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports on deviations from Constitutional provisions relating to budgetary management.
Chapter 4	**Quality of Accounts & Financial Reporting Practices** This chapter comments on the quality of accounts rendered by various authorities of the State Government and issues of non-compliance with prescribed financial rules and regulations by various departmental officials of the State Government.

1.4 Overview of Government Account Structure and Budgetary Processes

The accounts of the State Government are kept in three parts:

1. Consolidated Fund of the State (Article 266 (1) of the Constitution of India)

This fund comprises all revenues received by the State Government, all loans raised by the State Government (market loans, bonds, loans from the Central Government, loans from financial institutions, special securities issued to National Small Savings Fund, *etc.*), Ways and Means advances extended by the RBI and all moneys received by the State Government in repayment of loans. No moneys can be appropriated from this fund except in accordance with law and for the purposes and in the manner provided by the Constitution of India. Certain categories of expenditure (*e.g.,* salaries of Constitutional authorities, loan repayments *etc.*), constitute a charge on the Consolidated Fund of the State (charged expenditure) and are not subject to vote by the Legislature. All other expenditure (voted expenditure) is voted by the Legislature.

2. Contingency Fund of the State (Article 267 (2) of the Constitution of India)

This fund is in the nature of an imprest which is established by the State Legislature by law and is placed at the disposal of the Governor to enable advances to be made for meeting unforeseen expenditure pending authorisation of such expenditure by the State Legislature. The fund is recouped by debiting the expenditure to the concerned functional major head relating to the Consolidated Fund of the State.

3. Public Accounts of the State (Article 266 (2) of the Constitution)

Apart from above, all other public moneys received by or on behalf of the Government, where the Government acts as a banker or trustee, are credited to the Public Account. The Public Account includes repayables like Small Savings and Provident Funds, Deposits (bearing interest and not bearing interest), Advances, Reserve Funds (bearing interest and not bearing interest), Remittances and Suspense heads (both of which are transitory heads, pending final booking). The net cash balance available with the Government is also included under the Public Account. The Public Account is not subject to the vote of the Legislature.

There is a constitutional requirement in India (Article 202) to present before the House or Houses of the Legislature of the State, a statement of estimated receipts and expenditures of the government in respect of every financial year. This 'Annual Financial Statement' constitutes the main budget document. Further, the budget must distinguish expenditure on the revenue account from other expenditures.

Revenue receipts consist of tax revenue, non-tax revenue, share of Union Taxes/ Duties, and grants from GoI.

Revenue expenditure consists of all those expenditures of the Government which do not result in creation of physical or financial assets. It relates to those expenses incurred for the normal functioning of the Government departments and various services, interest payments on debt incurred by the Government, and grants given to various institutions (even though some of the grants may be meant for creation of assets).

The capital receipts consist of:

- **Debt receipts:** Market loans, bonds, loans from financial institutions, net transaction under Ways and Means Advances, loans and advances from Central Government, *etc.*;

- **Non-debt receipts:** Proceeds from disinvestment, recoveries of loans and advances;

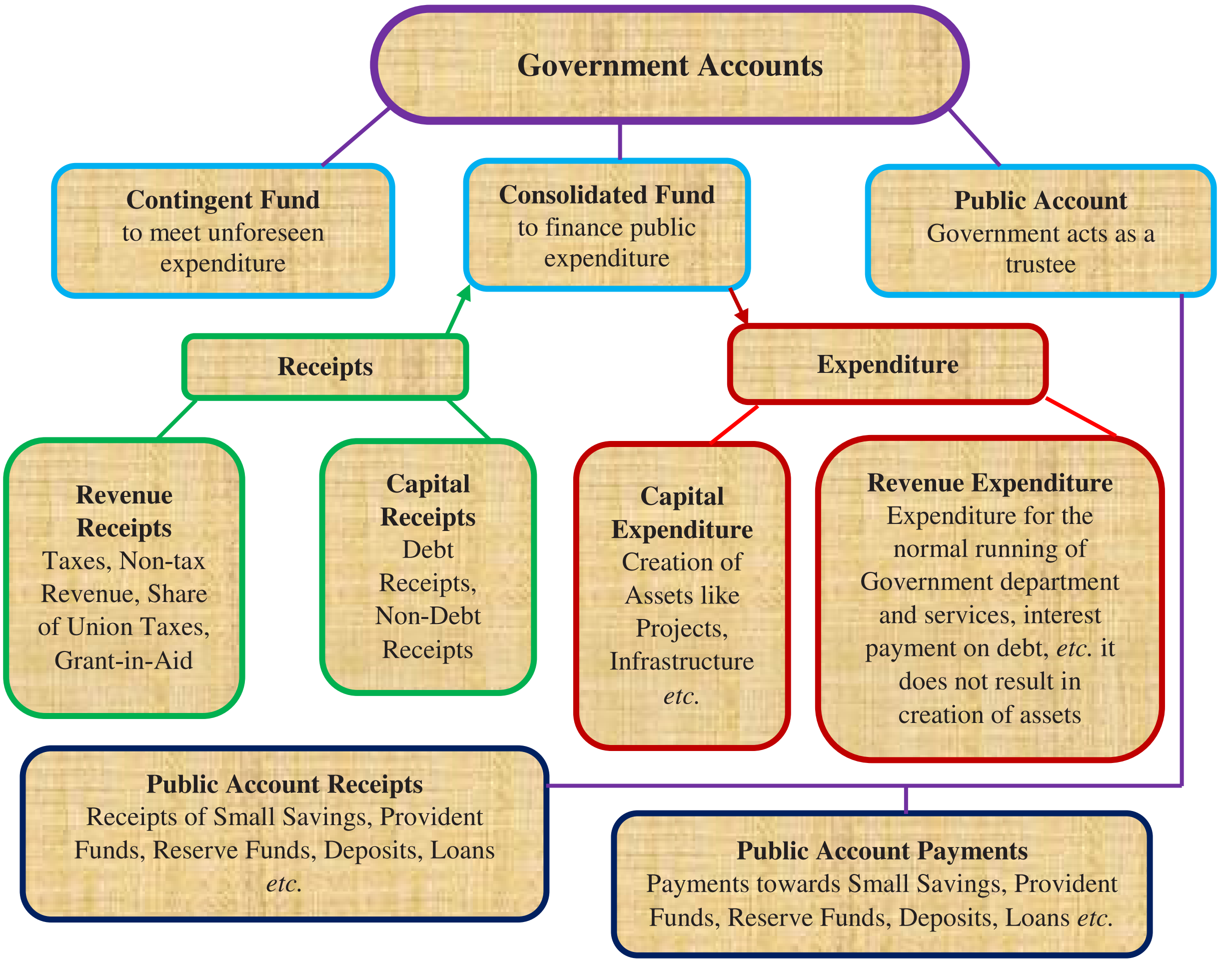
Capital Expenditure includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares, and loans and advances by the Government to SPSEs and other parties.

At present, Government of Goa maintains a five-tier arrangement of the classification structure of Government Accounts that is both functional and economic.

	Attribute of transaction	**Classification**
Standardised in LMMH by CGA	Function- Education, Health, *etc.*/Department	Major Head under Grants (4-digit)
	Sub-Function	Sub Major head (2-digit)
	Programme	Minor Head (3-digit)
Flexibility left for States	Scheme	Sub-Head (2-digit)
	Purpose/object of expenditure	Detailed Head (2-digit)

The functional classification lets us know the department, function, scheme or programme and object of the expenditure. Economic classification helps organize these payments as revenue, capital, debt, *etc*. Economic classification is achieved by the numbering logic embedded in the first digit of 4-digit Major Heads. For instance, 0 and 1 is for revenue receipts, 2 and 3 for revenue expenditure, *etc*. Economic classification is also achieved by an inherent definition and distribution of some detailed heads. For instance, generally "salary" (detailed head) is revenue expenditure; "construction" (detailed head) is capital expenditure. Detailed head is the primary unit of appropriation in the budget documents.

Chart 1.1: Structure of Government Accounts



Fund-based accounting coupled with functional and economic classification of transactions facilitates in-depth analysis of Government activities/transactions and enables legislative oversight over public finances.

Budgetary Processes

In terms of Article 202 of the Constitution of India, the Governor of Goa causes to be laid before the State Legislature, a statement of the estimated receipts and expenditure of the State for the financial year in the form of an Annual Financial Statement (referred to as the Budget).

In terms of Article 203, the above shall be submitted to the State Legislature in the form of Demands for Grants and Appropriations. After approval of these, the Appropriation Bill as passed by the legislature under Article 204 to provide for appropriation of the required money out of the Consolidated Fund.

As mentioned in **Paragraph 1.2,** finance accounts and appropriation accounts encompass the core data for preparation of the SFAR. These accounts are based on actual receipts and expenditure of the State during the year 2019-20 including various inter-Governmental and other adjustments carried out by the RBI. Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is important to study the budget of the State for 2019-20 closely and analyse the actual receipts and expenditure during the year with reference to the projections made in the budget.

The Budget orders issued by the Finance Department, Government of Goa guide the State Departments in preparing its budgetary estimates. Further, monitoring its expenditure activities are conducted by the Directorate of Planning, Statistics and Evaluation, Government of Goa. Results of audit scrutiny of budget and implementation of other budgetary initiatives of the State Government are detailed in **Chapter 3** of this Report.

1.4.1 Gross State Domestic Product of Goa (GSDP)

GSDP is the market value of all officially recognised final goods and services produced within the State in a given period of time. The growth of GSDP is an important indicator of the State economy as it indicates the standard of living of the State population. The trends in the annual growth rate of the State's GSDP as compared to National Gross Domestic Product (GDP) at current prices are indicated in **Table 1.1**.

Table 1.1: Annual growth rate of GDP and GSDP at current prices

Year	2015-16	2016-17	2017-18	2018-19	2019-20
India's GDP (*₹ in crore*)[1]	13771874	15391669	17098304 (R)	18971237 (R)	20339849 (P)
Growth rate of GDP (*in per cent*)	10.46	11.76	11.09	10.95	7.21
State GSDP (*₹ in crore*)[2] (base year 2011-12)	55054	62976	69352	73170 (P)	80449 (Q)
Growth rate of GSDP (in *per cent*)	15.14	14.39	10.12	5.51	9.95
State contribution to GDP	0.40	0.41	0.40	0.39	0.40

(Q) Quick estimates; (P) Provisional Estimates; (R) Revised Estimates

It could be seen from the above table that the growth rate of the State GDP has fallen in the last five years from 15.14 *per cent* in 2015-16 to 5.51 *per cent* in 2018-19. However, it increased to 9.95 *per cent* in 2019-20. Of the last five years, the growth rate of GSDP of the State was lower than India's GDP in 2017-18 and 2018-19, while for the remaining three years (2015-16, 2016-17 and 2019-20) it was higher than the GDP.

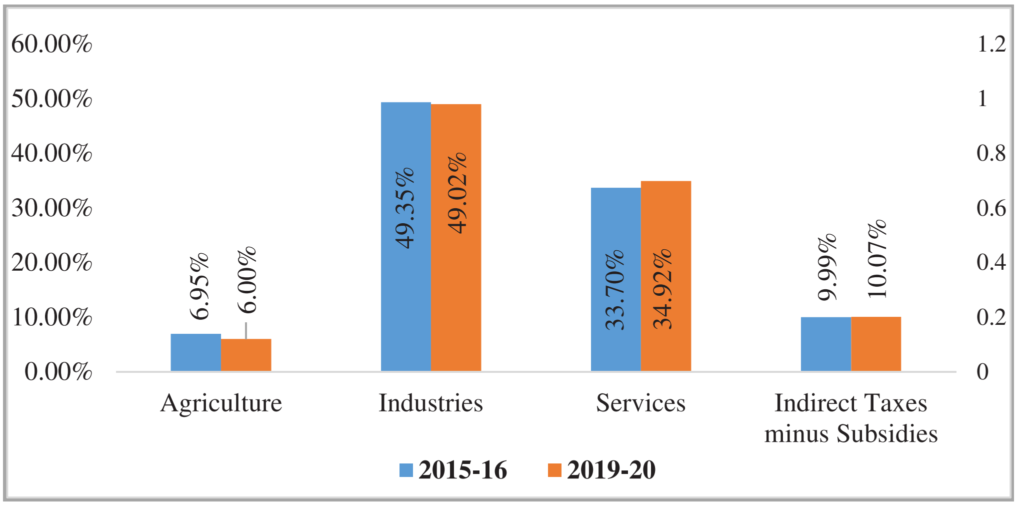
During 2019-20, the State's GSDP grew at the rate of 9.95 *per cent* which was lower than the projection made in FC XIV (14.52 *per cent*).

Change in Sectoral Contribution to GSDP at Current Prices During 2015-20

The sectoral contribution to GSDP at current prices for the period 2015-16 to 2019-20 was as under:

[1] Economic Survey 2020-21
[2] Directorate of Planning, Statistics and Evaluation, Government of Goa

Chart 1.2: Change in sectoral contribution to GSDP at current prices (2015-16 to 2019-20)



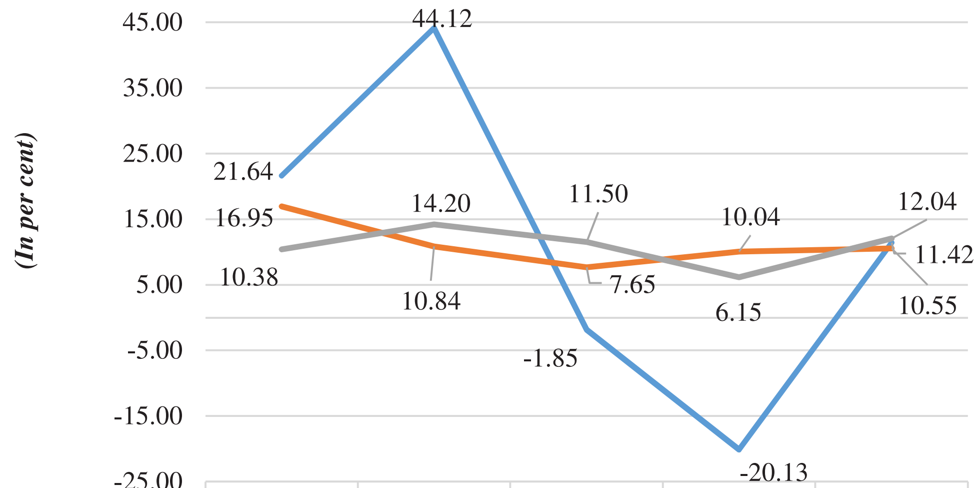
(Source: Directorate of Planning, Statistics and Evaluation, GoG)

Chart 1.2 reveals that during the five-year period from 2015-16 to 2019-20, the relative share of services in GSDP increased from 33.70 *per cent* in 2015-16 (₹ 18,552 crore) to 34.92 *per cent* in 2019-20 (₹ 28,092 crore). However, marginal decrease was observed in the agriculture and industries sectors during the last five-year period.

Sectoral Growth Rate at Current Prices during 2015-20

The sectoral growth rate in agriculture, industries and services sectors increased during the last two years from 2018-19 to 2019-20. Further, the sectoral growth rate in Agriculture increased substantially during 2019-20, as against the negative growth rate witnessed during 2017-18 and 2018-19. The details are depicted in **Chart 1.3**.

Chart 1.3: Sectoral growth rate at current prices during 2015-20



	2015-16	2016-17	2017-18	2018-19	2019-20
Agriculture	21.64	44.12	-1.85	-20.13	11.42
Industry	16.95	10.84	7.65	10.04	10.55
Services	10.38	14.20	11.50	6.15	12.04

(Source: Directorate of Planning, Statistics and Evaluation, GoG)

1.4.2 Snapshot of Finances

The following table provides the details of revised estimates (RE) for the year 2019-20 *vis-à-vis* actuals of 2018-19 and 2019-20.

Table 1.2: Revised estimates for the year 2019-20 *vis-à-vis* actuals of 2018-19 and 2019-20

(₹ in crore)

Sr. No.	Components	2018-19 Actual	2019-20 RE	2019-20 Actual	Percentage of Actuals to RE	Percentage of Actuals to GSDP
1	2	3	4	5	6	7
1	Tax Revenue	4871	5182	4700	90.69	5.84
2	Non-Tax Revenue	2874	3251	2737	84.19	3.40
3	Share of Union Taxes/ duties	2878	3147	2480	78.81	3.08
4	Grants-in-aid and Contributions	815	1936	1380	71.28	1.72
5	**Revenue Receipts (1+2+3+4)**	**11438**	**13516**	**11297**	**83.58**	**14.04**
6	Recovery of Loans and Advances	5	9	4	44.44	-
7	Miscellaneous Capital Receipts	-	-	-	-	-
8	Borrowings and other Liabilities *(a)*	1792	4027	1994	49.51	2.47
9	**Capital Receipts (6+7+8)**	**1797**	**4036**	**1998**	**49.50**	**2.48**
10	**Total Receipts (5+9)**	**13235**	**17552**	**13295**	**75.75**	**16.53**
11	**Revenue Expenditure Of which**	**11083**	**13246**	**11622**	**87.74**	**14.45**

Sr. No.	Components	2018-19 Actual	2019-20 RE	2019-20 Actual	Percentage of Actuals to RE	Percentage of Actuals to GSDP
1	2	3	4	5	6	7
12	Interest payments	1344	1512	1465	96.89	1.82
13	Grant in Aid for creation of capital assets	1.64	-	0.65	-	-
14	**Capital Expenditure Of which*(b)***	**2152**	**4306**	**1673**	**38.85**	**2.08**
15	Capital Outlay	2149	4268	1660	38.89	2.06
16	Loan and Advances	3	38	13	34.21	0.02
17	**Total Expenditure (11+14)**	**13235**	**17552**	**13295**	**75.75**	**16.53**
18	**Revenue Deficit (-)/Revenue surplus (+) (5-11)**	**355**	**270**	**(-)325**	**(-)120.37**	**(-)0.40**
19	**Effective Revenue Deficit (18-13)**	**353**	**270**	**(-)324**	**(-)120.00**	**(-)0.40**
20	**Fiscal Deficit {(5+6+7)-17}**	**(-)1792**	**(-)4027**	**(-)1994**	**49.52**	**(-)2.47**
21	**Primary Deficit (20-12)**	**(-)448**	**(-)2515**	**(-)529**	**21.03**	**(-)0.66**

(Source: Annual Financial Statement of GoG and Finance accounts of respective years)

(a) *Borrowings and Other Liabilities: Net (Receipts-Disbursements) of Public Debt + Net of Contingency Fund + Net (Receipts - Disbursements) of Public Account + Net of Opening and Closing Cash Balance*

(b) *Expenditure on Capital Accounts includes Capital expenditure and Loans and Advances disbursed*

1.4.3 Snapshot of Assets and Liabilities of the Government

Government accounts capture the financial liabilities of the Government and the assets created out of the expenditure incurred. The liabilities consist mainly of internal borrowings, loans and advances from GoI, receipts from public account and reserve funds and the assets comprise mainly the capital outlay and loans and advances given by the State Government and cash balances.

Table 1.3: Summarised position of Assets and Liabilities

(₹ in crore)

<table>
<tr><th colspan="5">Liabilities</th><th colspan="5">Assets</th></tr>
<tr><th colspan="2"></th><th>2018-19</th><th>2019-20</th><th>Per cent increase</th><th colspan="2"></th><th>2018-19</th><th>2019-20</th><th>Per cent increase</th></tr>
<tr><th colspan="10">Consolidated Fund</th></tr>
<tr><td>A</td><td>Internal Debt</td><td>14018.85</td><td>15745.70</td><td>12.32</td><td>a</td><td>Gross Capital Outlay</td><td>20052.94</td><td>21713.18</td><td>8.28</td></tr>
<tr><td>B</td><td>Loans and Advances from GoI</td><td>1200.71</td><td>1148.40</td><td>(-)4.36</td><td>b</td><td>Loans and Advances</td><td>95.77</td><td>105.61</td><td>10.27</td></tr>
<tr><td colspan="2">Contingency Fund</td><td>100.00</td><td>98.11</td><td>(-)1.89</td><td colspan="2">Contingency fund</td><td>1.89</td><td>(-)1.81</td><td>(-)195.77</td></tr>
<tr><th colspan="10">Public Account</th></tr>
<tr><td>A</td><td>Small Savings, Provident Funds, etc.</td><td>2421.77</td><td>2495.65</td><td>3.05</td><td>a</td><td>Advances</td><td>0.53</td><td>0.53</td><td>-</td></tr>
<tr><td>B</td><td>Deposits</td><td>1874.02</td><td>2059.19</td><td>9.88</td><td>b</td><td>Remittance</td><td>392.07</td><td>331.17</td><td>(-)15.53</td></tr>
<tr><td>C</td><td>Reserve Funds</td><td>1850.45</td><td>2136.79</td><td>15.50</td><td>c</td><td>Suspense and Miscellaneous</td><td>1026.70</td><td>1134.57</td><td>10.51</td></tr>
<tr><td>D</td><td>Remitt-ances</td><td>-</td><td>-</td><td>-</td><td colspan="2">Cash balance (including investment in Earmarked Fund)</td><td>1305.57</td><td>1485.12</td><td>13.75</td></tr>
<tr><td></td><td>Total</td><td>21465.80</td><td>23683.84</td><td>10.33</td><td colspan="2"></td><td></td><td></td><td></td></tr>
<tr><td></td><td>Cumula-tive excess of receipts over expendi-ture</td><td>1409.67</td><td>1084.53</td><td>(-)23.06</td><td colspan="2">Deficit in Revenue Account</td><td></td><td></td><td></td></tr>
<tr><td colspan="2">Total</td><td>22875.47</td><td>24768.37</td><td>8.27</td><td colspan="2">Total</td><td>22875.47</td><td>24768.37</td><td>8.27</td></tr>
</table>

(Source: Finance accounts of the State)

During 2019-20, the assets increased by 8.27 *per cent* while the liabilities increased by 10.33 *per cent* over the previous year.

1.5 Fiscal Balance: Achievement of Deficit and Total Debt Targets

Deficit is an indicator of prudent fiscal management of the Government. Further, the ways in which the deficits are financed, and the application of the resources raised, are important pointers to the fiscal health of the State.

This Section presents the trends, nature, magnitude and the manner of financing these deficits and also the assessment of actual levels of revenue and fiscal deficits *vis-à-vis* targets set under the Goa Fiscal Responsibility and Budget Management (First Amendment) Act, 2014 for the financial year 2019-20.

1.5.1 Review of Fiscal Situation

In pursuance of the recommendations of the Twelfth Finance Commission (FC XII), Government of Goa enacted the Goa Fiscal Responsibility and Budget Management (FRBM) Act, 2006. It came into force on 15 May 2006 to ensure prudence in fiscal management and fiscal stability by progressive elimination of revenue deficit, greater transparency in fiscal operations of the Government in a medium-term fiscal framework. In compliance with the Act, Goa FRBM Rules, 2007 were introduced by the Finance Department in November 2007. The Act was amended with effect from March 2014 by passing the Goa FRBM (First Amendment) Act, 2014 in March 2014.

As per the Goa FRBM Act, 2006 and Rules, 2007, the State Government, in each financial year, was required to prepare and lay before the Legislative Assembly a Medium-Term Fiscal Plan (MTFP) along with the Budget. The MTFP was to include three years rolling targets in respect of the following fiscal indicators:

a) Revenue deficit as a percentage of total revenue receipt;
b) Fiscal deficit as a percentage of GSDP;
c) Outstanding total liabilities as a percentage of GSDP; and
d) Ratio of interest payment to total revenue receipt.

However, the State Government has not prepared MTFP and set rolling targets in respect of the fiscal indicators specified above from 2011-12 onwards.

Review of fiscal situation of the State further revealed the following:

- As per provision of Section 5(a) of the Goa FRBM (First Amendment) Act, 2014, the State Government was to eliminate revenue deficit[3] from the financial year 2014-15 and maintain at that level or generate revenue surplus thereafter. The State Government achieved this target in 2014-15 and has maintained revenue surplus till 2018-19. However, the State had a revenue deficit of ₹ 325 crore in 2019-20. The Budget Estimates (BE), Revised Estimates (RE) and actual figures in respect of revenue deficit/surplus during last three years are summarised below.

Table 1.4: Revenue deficit/surplus in last three years

(₹ in crore)

Revenue deficit(-)/surplus(+)as per	2017-18	2018-19	2019-20
Budget estimates	203	145	455
Revised estimates	309	145	270
Actuals	511	355	(-)325

(Source: Finance accounts and Budget documents of the State)

It could be seen from the above table that the revenue surplus of the State stood at ₹ 511 crore and ₹ 355 crore during the period 2017-18 and 2018-19. This was higher than the projections made in BE and RE. However, during 2019-20, there was a revenue deficit of ₹ 325 crore, as the actual revenue receipts (₹ 11,297 crore) declined by ₹ 2,219 crore

[3] Revenue deficit = Revenue receipts – Revenue expenditure; (+) indicates surplus and (-) indicates deficit

against ₹ 13,516 crore (16.42 *per cent*) in RE. The actual revenue expenditure (₹ 11,622 crore) decreased by ₹ 1,624 crore against ₹ 13,246 crore (12.26 *per cent*) in RE.

Thus, a greater fall in revenue receipts (16.42 *per cent*) and relatively less control over expenditure (12.26 *per cent*) than RE was the reason for revenue deficit during 2019-20. The State Government needs to work-out more realistic estimates of receipts and expenditure while preparing the budget of the State.

- Section 5(b) of the Goa FRBM (First Amendment) Act, 2014 envisaged achievement of fiscal deficit[4] at three *per cent* of GSDP by 2013-14 and thereafter, to maintain the ratio or reduce it. The fiscal deficit to GSDP ratio was first brought below three *per cent* in 2014-15 and it remained so thereafter.

Table 1.5: Fiscal deficit/GSDP

(in per cent)

	Budget estimates	Revised estimates	Actuals
2017-18	5.73	4.81	2.29
2018-19	5.33	5.33	2.32
2019-20	5.79	5.21	2.47

(Source: Finance accounts and Budget documents of the State)

The ratio of fiscal deficit to GSDP during 2019-20 stood at 2.47 *per cent* which was within the target of three *per cent* prescribed under the Goa FRBM Act and FC XIV recommendations. The fiscal deficit during 2019-20 stood at ₹ 1,994 crore which was lower than the projections made in BE (₹ 4,470 crore) and RE (₹ 4,027 crore).

- The provisions of Section 5(d) of the Goa FRBM (First Amendment) Act, 2014 prescribed that total outstanding debt[5] to GSDP be brought down to 27 *per cent* by 31 March 2015 and thereafter, maintain it below 25 *per cent*. However, the ratio of outstanding debt to GSDP registered an increase during the last three years from 26.75 *per cent* in 2017-18 to 27.90 *per cent* in 2018-19 and finally to 28.03 *per cent* in 2019-20.

Table 1.6 below shows the extent of compliance by the State Government against the targets set forth in the Goa FRBM Act during 2015-20.

[4] Fiscal deficit is the difference between the total income of Government (revenue receipts + non-debt capital receipts) and its total expenditure (revenue expenditure + capital expenditure + disbursement of loans and advances). This excludes the borrowings of the Government.

[5] Total outstanding debt includes public debt and public account liabilities. Public debt includes only internal debt and loans from GoI. Public account liability includes liabilities under small saving funds, GPF, reserve funds *etc.*

Table 1.6: Compliance with provisions of FRBM Act

Fiscal Parameters	Fiscal targets set in the Goa FRBM Act	Achievement (₹ *in crore*)				
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenue Deficit(-)/ Surplus (+) (₹ in crore)	Revenue Surplus	132	699	511	355	(-)325
		✓	✓	✓	✓	✗
Fiscal Deficit (-)/ Surplus (+) (as *percentage of GSDP*)	Three *per cent*	(-)1483 (-2.70)	(-)934 (-1.48)	(-)1610 (-2.32)	(-)1792 (-2.44)	(-)1994 (-2.47)
		✓	✓	✓	✓	✓
Ratio of total outstanding debt to GSDP (*per cent*)	Target	25	25	25	25	25
	Achievement	28.29	26.71	26.75	27.90	28.03
		✗	✗	✗	✗	✗

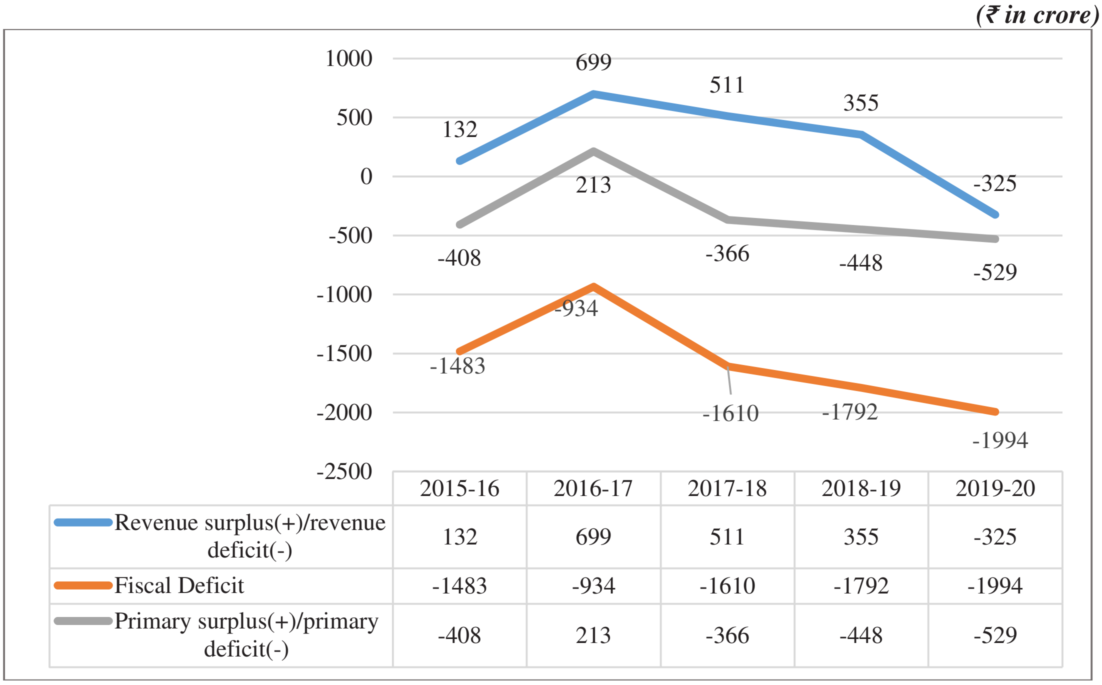
(Source: Finance accounts of the State)

Three key fiscal parameters *viz.,* revenue, fiscal and primary deficits indicate the extent of overall fiscal imbalances in the finances of the State Government during a specified period.

Chart 1.4 presents the trend in deficit indicators of these three key fiscal parameters over the period 2015-20.

Chart 1.4: Trends in deficit indicators of three key fiscal parameters

(₹ in crore)

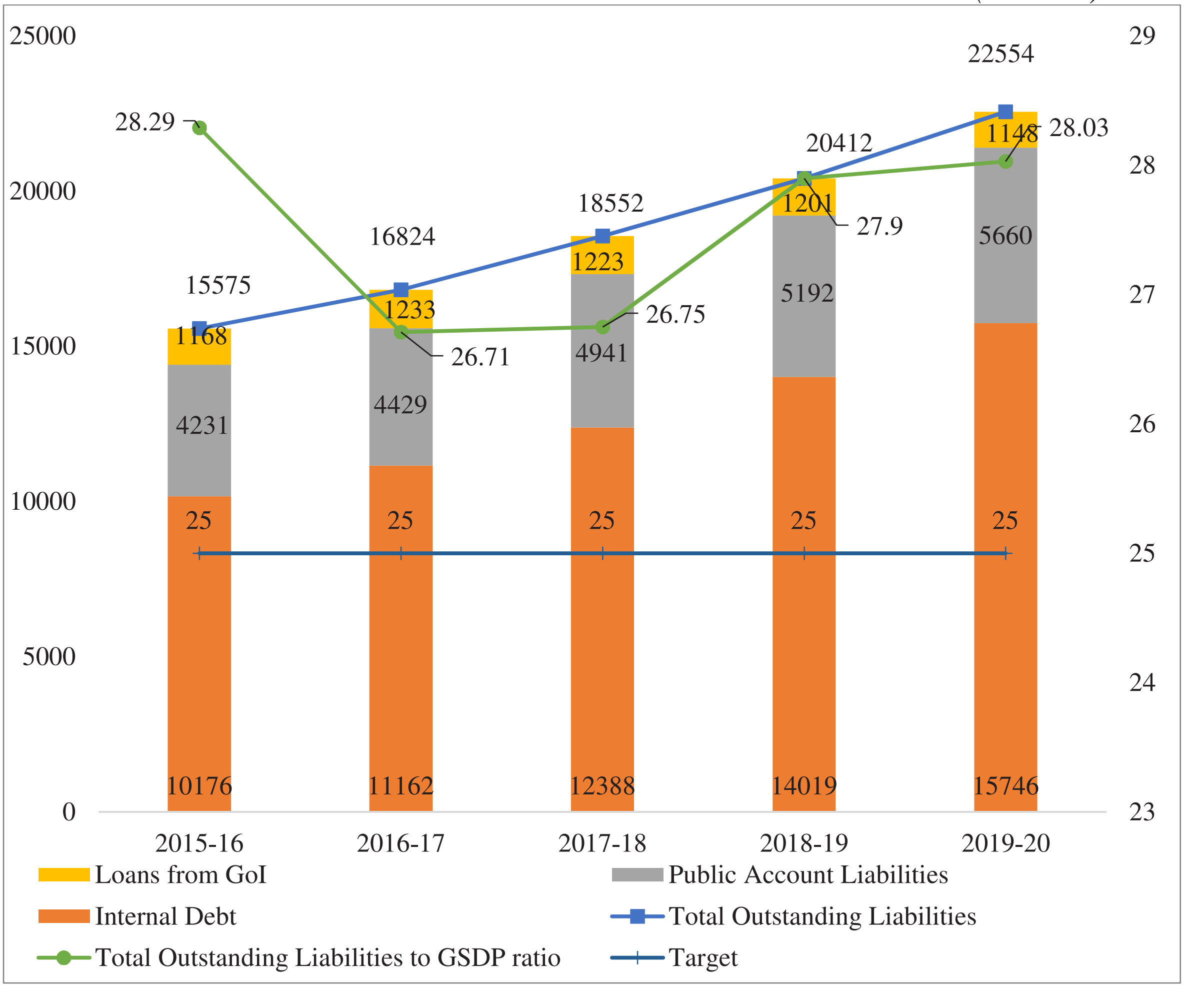


(Source: Finance accounts of the State)

As may be observed, none of the three key parameters could be achieved by the State during 2019-20. The State had a revenue deficit of ₹ 325 crore and fiscal deficit of ₹ 1,994 crore during 2019-20 *vis-à-vis* revenue surplus of ₹ 355 crore and fiscal deficit of ₹ 1,792 crore during 2018-19. Due to increase in fiscal deficit by 11.27 *per cent* and interest payment by nine *per cent*, primary deficit[6] increased from ₹ 448 crore in 2018-19 to ₹ 529 crore in 2019-20.

Chart 1.5: Trends in Fiscal Liabilities and GSDP

(₹ in crore)



(Source: Finance accounts of the State)

During 2019-20, fiscal liabilities (total outstanding debt) of the State Government increased by 10.49 *per cent* (₹ 2,142 crore) over the previous year due to increase in Internal Debt by 12.31 *per cent* (₹ 1,727 crore), Public Account Liabilities by 9.01 *per cent* (₹ 468 crore) and Loans and Advances from GoI by 4.41 *per cent* (₹ 53 crore).

The total outstanding debt-GSDP ratio increased from 26.71 *per cent* in 2016-17 to 28.03 *per cent* in 2019-20. Thus, the State could not achieve the target of 25 *per cent* fixed under Goa FRBM (First Amendment) Act, 2014 and 24.92 *per cent* set forth by FC XIV.

1.6 Deficits and Total Debt after Examination in Audit

In order to present a better picture of State finances, there is a tendency to classify revenue expenditure as capital expenditure and to conduct off-budget fiscal operations.

[6] Refers to fiscal deficit minus interest payments.

1.6.1 Post Audit - Deficits

Misclassification of revenue expenditure as capital and off budget fiscal operations impacts deficit figures. Besides, deferment of clear-cut liabilities, non-deposition of cess/royalty to Consolidated Fund, short-contribution to New Contributory Pension Scheme (NPS), sinking and redemption funds, *etc*. also impacts the revenue and fiscal deficit. In order to arrive at actual deficit figures, the impact of such irregularities needs to be reversed.

Table 1.7: Revenue and Fiscal Deficit - post examination by Audit

(₹in crore)

Particulars	Impact on Revenue Deficit [understated (+)/overstated (-)]	Impact on Fiscal Deficit (understated)
Short-transfer of employees and Government contribution to NSDL under Defined Contribution Pension Scheme	138.49	138.49
Total	**138.49**	**138.49**

(Source: Finance accounts and audit analysis)

The State Government, short-transferred ₹ 138.49 crore during the financial year 2019-20, thus, understating the revenue deficit and fiscal deficit to that extent.

1.6.2 Post Audit - Total Public Debt

According to the Goa FRBM Act, 2006, “total liabilities” (herein termed as total outstanding debt) means the liabilities under the Consolidated Fund of the State and the Public Account of the State.

Table 1.8: Total outstanding debt - post examination by Audit

1.		**Total outstanding Debt as per Finance Accounts of 2019-20 (₹ 22,554 crore)** *(₹in crore)*	**As percentage of GSDP (28.03** ***per cent*****)** ***(in per cent)***
2.	**Impact on total outstanding Debt (understated) due to:**		
a.	(i) Off-budget fiscal operations such as borrowings by ***'Sewerage and Infrastructural Development Corporation of Goa Limited'*** *and* ***'Goa State Industrial Development Corporation Limited'*** on behalf of the State Government where the principal and/or interest were to be serviced out of the State budgets.	919.21	1.14
b.	Deployment of own funds by the State Public Sector Companies/Corporations, SPVs *etc.* for the execution of Deposit work of the State Government which was to be financed by the State Government through borrowings.	-	-
c.	Non-reimbursement of the principal/interest component by the State Government to State Public Sector Companies/ Corporations, SPVs *etc*. of the loan taken by them on behalf of the State Government:	-	-
	i. for the year for which SFAR proposed	-	-
	ii. of the previous years	-	-
	Total of 2 (a+b+c)	**919.21**	**1.14**
	Total of (1 + 2)	**23473.21**	**29.17**

(Source: Information provided by SPSEs)

Considering the off-budget fiscal operations amounting to ₹ 919 crore during 2019-20, the total outstanding debt of the State Government at the end of March 2020 worked out to ₹ 23,473 crore instead of ₹ 22,554 crore depicted in the finance accounts. Consequently, the ratio of total outstanding debt to GSDP (28.03 *per cent*) at the end of the year was understated by 1.14 *per cent.* The post-audit total outstanding debt of the State Government at 29.17 *per cent* was also higher than the target of 25 *per cent* fixed in the Goa FRBM (First Amendment Act), 2014.

1.7 Summary of Financial Performance of State Public Enterprises

There were 16 State Public Sector Enterprises (SPSEs) in the State as on 31 March 2020 under various sectors other than Power[7]. These SPSEs were incorporated between 1965 and 2016 and included 14 Government Companies and two Statutory Corporations *viz.,* Goa Industrial Development Corporation

[7] The State Government Electricity Department executes the functions of power purchase, distribution, and maintenance.

(GIDC) and Goa Information Technology Development Corporation (GITDC). The Government Companies further included one active subsidiary company (Goa Electronics Limited or GEL[8]). The State Government provides financial support to the SPSEs in the form of equity, loans and grants/subsidy from time to time. Of the 16 SPSEs, the State Government invested funds in 15 SPSEs (excluding GEL). Details of 16 SPSEs and introduction to their activities are given in **Appendix 1.2**.

1.7.1 Contribution of SPSEs to Economy of the State

The ratio of turnover of the SPSEs to GSDP shows the extent of activities of the SPSEs in the State economy. **Table 1.9** provides the details of turnover of 15 SPSEs *vis-à-vis* GSDP of Goa for five-year period (2015-20).

Table 1.9: Turnover of SPSEs' *vis-à-vis* GSDP of Goa

(₹in crore)

Particulars	2015-16	2016-17	2017-18	2018-19	2019-20
Turnover[9]	820.56	909.08	934.44	1103.42	934.37
Percentage change in turnover as compared to turnover of preceding year	1.42	10.79	2.79	18.08	(-)15.32
GSDP of Goa (Base year 2011-12)	55054	62976	69352	73170	80449
Percentage change in GSDP as compared to GSDP of preceding year	15.14	14.39	10.12	5.51	9.95
Percentage of Turnover to GSDP	1.49	1.44	1.35	1.51	1.16

(Source: Turnover figures compiled from accounts of SPSEs and GSDP figures provided by Directorate of Planning, Statistics and Evaluation, Government of Goa)

The turnover of 15 SPSEs recorded continuous growth from ₹ 820.56 crore in 2015-16 to ₹ 1,103.42 crore in 2018-19. However, it took a turnaround and declined to ₹ 934.37 crore in 2019-20, registering a negative growth of 15.32 *per cent* over the previous year. The ratio of turnover of SPSEs to GSDP of the State also marked its lowest at 1.16 *per cent* during the last five years.

The Compound Annual Growth Rate or CAGR[10] is a useful method to measure growth rate over multiple time periods. Against the CAGR of

[8] A subsidiary of EDC Limited

[9] Turnover (Operating Income) of 15 SPSEs as per the latest finalised accounts as on 30 September, excluding one SPSE *i.e.,* Goa Information Technology Development Corporation which was yet to submit its first accounts since inception (2006-07).

[10] Rate of compounded Annual Growth is calculated by using formulae = {(End Value/Start Value) ^ (1/No. of Years)-1} x 100.

9.95 *per cent* of the GSDP, the turnover of SPSEs recorded a growth of 3.30 *per cent* during the last five years.

1.7.2 CAG's oversight – Audit of Accounts and Supplementary Audit of State Public Sector Enterprises

Financial Reporting Framework

Government Companies are required to prepare the financial statements in the format laid down in Schedule III to the Companies Act, 2013 and in adherence to the mandatory Accounting Standards prescribed by the Central Government, in consultation with National Advisory Committee on Accounting Standards. The statutory corporations are required to prepare their accounts in the format prescribed under the rules, framed in consultation with the CAG and any other specific provision relating to accounts in the Act governing such corporations.

Audit of Accounts of Government Companies of Statutory Auditors

The statutory auditors appointed by the CAG under Section 139 of the Companies Act 2013, conduct audit of accounts of the Government Companies and submit their report thereon in accordance with Section 143 of the Companies Act, 2013.

The CAG plays an oversight role by monitoring the performance of the statutory auditors in audit of Government Companies with the overall objective that the statutory auditors discharge the functions assigned to them properly and effectively. This function is discharged by exercising the power:

- to issue directions to the statutory auditors under Section 143 (5) of the Companies Act, 2013; and
- to supplement or comment upon the statutory auditor's report under Section 143 (6) of the Companies Act, 2013.

Supplementary Audit of Accounts of Government Companies

The prime responsibility for preparation of financial statements in accordance with the financial reporting framework prescribed under the Companies Act, 2013 or other relevant Act is of the management of an entity.

The statutory auditors appointed by the CAG under section 139 of the Companies Act, 2013 are responsible for expressing an opinion on the financial statements under section 143 of the Companies Act, 2013 based on independent audit in accordance with the Standard Auditing Practices of Institute of Chartered Accountants of India (ICAI) and directions given by the CAG. The statutory auditors are required to submit the Audit Report to the CAG under Section 143 of the Companies Act, 2013.

The certified accounts of selected Government Companies along with the report of the statutory auditors are reviewed by CAG by carrying out a supplementary audit. Based on such review, significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the Annual General Meeting.