# Chapter 1

## Overview

# Chapter 1: Overview

## 1.1 Profile of Goa

Goa is situated in the western coastal region of India, known as Konkan, bound by the Arabian Sea in the west, Maharashtra in the north and Karnataka on the east and south. Goa is the country's smallest State in terms of geographical area (3,702 sq. km.) and has a coastline of about 131 km. Administratively, Goa is divided into two districts namely, North Goa and South Goa, which are further divided into 12 talukas.

Goa's population increased from 0.15 crore in 2011 to 0.16 crore in 2021, recording a decadal growth of 6.66 *per cent.* The State has a population density of 394 persons per sq. km. as against the all-India average of 382. Population below poverty line was 5.09 *per cent* as compared to 21.92 *per cent* in the country. The State's Gross State Domestic Product (GSDP) in 2020-21 at current prices was ₹ 81,502 crore. During 2020-21, the per capita income of the State stood at ₹ 5,23,390 which was significantly higher than the all-India per capita income of ₹ 1,45,680. Goa performed better on social indicators *viz.,* literacy rate and infant mortality rate (except life expectancy) than the all-India average. Basic statistics pertaining to the State are given in **Appendix 1.1**.

## 1.2 Basis and approach to the 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 State Legislature. The State Finances Audit Report (SFAR) of Goa for the year ending 31 March 2021 is prepared and submitted to Governor of Goa under Article 151 (2) of the Constitution of India.

The 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 2020-21 constitute the core data for this report. Other sources include the following:

- Budget of the State for the year 2020-21, 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 2016-20.

This analysis also takes into account the recommendations of the Fifteenth Finance Commission (FC XV), the Goa Fiscal Responsibility and Budget Management (GFRBM) Act, best practices and guidelines of the Government of India (GoI).

## 1.3 Report structure

The SFAR is structured as follows:

| | |
|---|---|
| **Chapter 1** | **Overview**<br>This chapter describes the basis and approach to the Report and the underlying data, provides an overview of the structure of Government accounts, budgetary processes, macro-fiscal analysis of key indices and the State's fiscal position. |
| **Chapter 2** | **Finances of the State**<br>This chapter provides a broad perspective of the finances of the State, analyses the key changes in major fiscal aggregates relative to the previous year, overall trends during the period from 2016-17 to 2020-21, debt profile of the State and key Public Account transactions, based on the Finance Accounts of the State. |
| **Chapter 3** | **Budgetary management**<br>This chapter is based on the Appropriation Accounts of the State and reviews the appropriations and allocative priorities of the State Government and reports deviations from Constitutional provisions relating to budget. |
| **Chapter 4** | **Quality of accounts and financial reporting practices**<br>This chapter comments on the quality of accounts rendered by various authorities of the State Government and compliance with prescribed financial rules and regulations by various departmental officials of the State Government. |

## 1.4 Overview of structure of Government accounts 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)

This fund is in the nature of an imprest 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 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 Account 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.

Article 202 of the Constitution requires that a statement of estimated receipts and expenditures of the Government in respect of every financial year are presented before the House or Houses of the Legislature of the State. 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 expenses incurred on the functioning of Government departments and providing various services, interest payments on public debt and grants given to various institutions (even though some of the grants may be meant for creation of assets).

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;

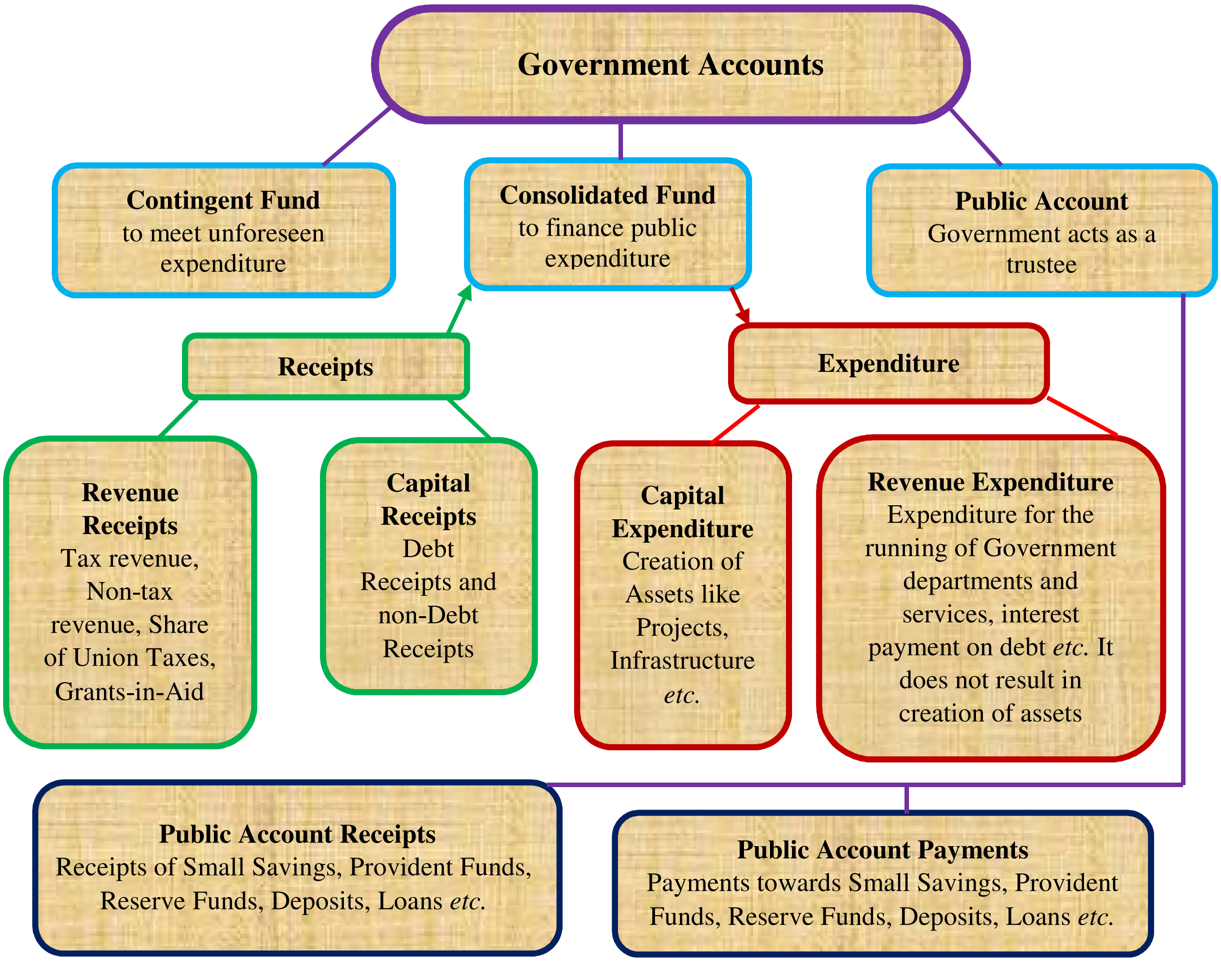
**Capital expenditure** includes expenditure on the acquisition of land, building, machinery, equipment, investment in shares and loans and advances by the Government to State Public Sector Enterprises (SPSEs) and other parties.

Government accounts of Goa follow a five-tier classification structure that is both functional and economic in nature.

| | **Attribute of transaction** | **Classification** |
|---|---|---|
| Standardised in LMMH by CGA | Function: Education, Health *etc.* | 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 indicates the department, function, scheme or programme and object of expenditure. Economic classification helps organize receipts and payments as revenue, capital *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 the 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, the Governor 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 Demand for Grants/Appropriations. After their approval, the Appropriation Bill is 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 including various inter-Governmental and other adjustments carried out by the RBI during the year. Considering that these receipts and expenditure are estimated in the budget and the expenditure has been approved by the State Legislature, it is necessary to study the annual budget of the State 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 their budgetary estimates. Further, the Directorate of Planning, Statistics and Evaluation, Government of Goa monitors departmental expenditure during the course of the year. 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 is the market value of all officially recognised final goods and services produced within the State in a given period of time. GSDP growth is an important indicator of the health of a State's economy. 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 | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| India's GDP (*₹ in crore*)[1] | 15391669 | 17090042 | 18886957 | 20351013 | 19745670 |
| Growth rate of GDP (*in per cent*) | 11.76 | 11.03 | 10.51 | 7.75 | (-) 2.97 |
| State GSDP (*₹ in crore*)[2] (base year 2011-12) | 62976 | 69352 | 73170 (P) | 80449 (Q) | 81502 (A) |
| Growth rate of GSDP (in *per cent*) | 14.39 | 10.12 | 5.51 | 9.95 | 1.31 |

*(P) Provisional Estimates; (Q) Quick estimates; (A) Advanced Estimates*

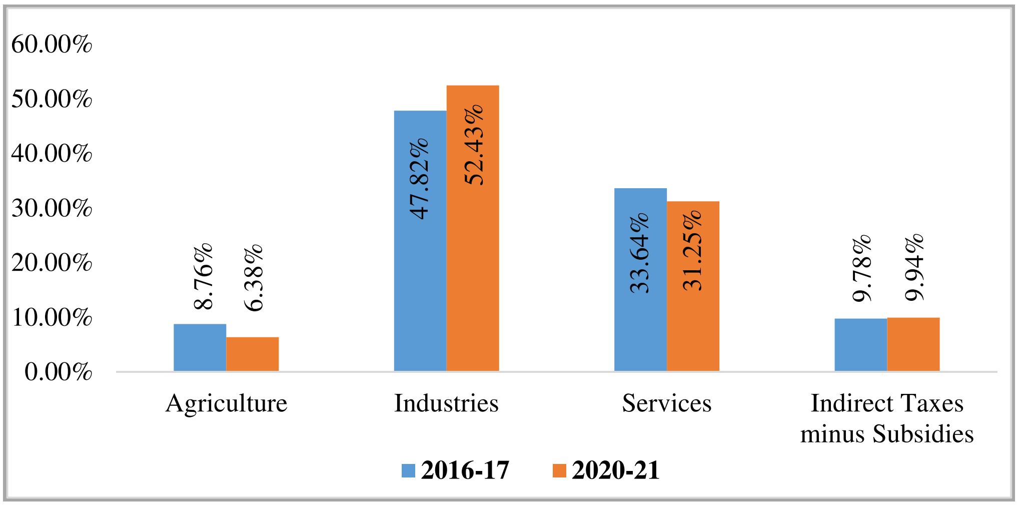
It can be seen from above that the State's GDP growth rate declined from 14.39 *per cent* in 2016-17 to 1.31 *per cent* in 2020-21. The State's current year's growth rate of 1.31 *per cent* was significantly lower than its growth rate of 9.95 *per cent* (2019-20) and FC XV estimates of 10.90 *per cent* (2020-21), due to Covid-19 pandemic. However, the State's growth rate during 2020-21 was higher than the national GDP (-2.97 *per cent*).

[1] Central Statistical Office (CSO), Ministry of Statistics & Programme Implementation
[2] Directorate of Planning, Statistics and Evaluation, Government of Goa

### *Change in sectoral contribution to GSDP at current prices during 2016-17 and 2020-21*

The sectoral contribution to GSDP at current prices for the period 2016-17 and 2020-21 was as under:

**Chart 1.2: Change in sectoral contribution to GSDP at current prices (2016-17 and 2020-21)**




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

Chart 1.2 reveals that the Industries sector is the primary driver of the State's economy and its contribution to GSDP has increased by more than four *per cent* in the last five years. On the other hand, the contribution of Agriculture and Services sector showed a decline during the same period by 2.38 *per cent* and 2.39 *per cent* respectively.

## 1.4.2 Snapshot of finances

The following table provides the details of Budget Estimates (BE) for the year 2020-21 *vis-à-vis* actuals of 2019-20 and 2020-21.

**Table 1.2: Budget estimates for the year 2020-21 *vis-à-vis* actuals of 2019-20 and 2020-21**

***(₹ in crore)***

| Sr. No. | Components | 2019-20 Actuals | 2020-21 BE | 2020-21 Actuals | Percentage of Actuals to BE | Percentage of Actuals to GSDP |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 1 | Tax Revenue | 4700 | 5845 | 4151 | 71.02 | 5.09 |
| 2 | Non-Tax Revenue | 2737 | 3836 | 2903 | 75.68 | 3.56 |
| 3 | Share of Union Taxes/duties | 2480 | 3027 | 2296 | 75.85 | 2.82 |
| 4 | Grants-in-aid and Contributions | 1380 | 2373 | 1090 | 45.93 | 1.34 |
| 5 | **Revenue Receipts (1+2+3+4)** | **11297** | **15081** | **10440** | **69.23** | **12.81** |
| 6 | Recovery of Loans and Advances | 4 | 10 | 3 | 30.00 | 0.00 |
| 7 | Miscellaneous Capital Receipts | - | - | - | - | - |

| Sr. No. | Components | 2019-20 Actuals | 2020-21 BE | 2020-21 Actuals | Percentage of Actuals to BE | Percentage of Actuals to GSDP |
|---|---|---|---|---|---|---|
| (1) | (2) | (3) | (4) | (5) | (6) | (7) |
| 8 | Borrowings and other Liabilities ***(a)*** | 1994 | 1856 | 2808 | 151.29 | 3.45 |
| **9** | **Capital Receipts (6+7+8)** | **1998** | **1866** | **2811** | **150.64** | **3.45** |
| **10** | **Total Receipts (5+9)** | **13295** | **16947** | **13251** | **78.19** | **16.26** |
| **11** | **Revenue Expenditure** *of which* | **11622** | **14727** | **12093** | **82.11** | **14.84** |
| 12 | Interest payments | 1465 | 1756 | 1590 | 90.55 | 1.95 |
| 13 | Grants-in-Aid for creation of capital assets | 0.65 | - | - | - | - |
| **14** | **Capital Expenditure** *of which (b)* | **1673** | **5012** | **1998** | **39.86** | **2.45** |
| 15 | Capital Outlay | 1660 | 4941 | 1997 | 40.42 | 2.45 |
| 16 | Loan and Advances disbursed | 13 | 71 | 01 | 1.41 | 0.00 |
| **17** | **Total Expenditure (11+14)** | **13295** | **19739** | **14091** | **71.39** | **17.29** |
| **18** | **Revenue Deficit (-)/Revenue surplus (+) (5-11)** | **(-)325** | **(+)354** | **(-)1653** | **(-)466.95** | **2.03** |
| **19** | **Effective Revenue Deficit (18-13)** | **(-)324** | **(+)354** | **(-)1653** | **(-)466.95** | **2.03** |
| **20** | **Fiscal Deficit {(5+6+7)-17}** | **(-)1994** | **(-)4648** | **(-)3648** | **78.49** | **4.48** |
| **21** | **Primary Deficit (20-12)** | **(-)529** | **(-)2892** | **(-)2058** | **71.16** | **2.53** |

*(Source: Annual Financial Statements 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 Account 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 while 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)***

| Liabilities | | | | | Assets | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **2019-20** | **2020-21** | ***Per cent* increase** | | | **2019-20** | **2020-21** | ***Per cent* increase** |
| **Consolidated Fund** | | | | | | | | | |
| A | Internal Debt | 15745.70 | 18697.19 | 18.74 | A | Gross Capital Outlay | 21713.18 | 23709.85 | 9.19 |
| B | Loans and Advances from GoI | 1148.40 | 2032.75* | 77.01 | B | Loans and Advances | 105.61 | 104.21 | (-)1.33 |
| **Contingency Fund** | | **98.11** | **99.92** | **1.84** | **Contingency fund** | | **(-)1.81** | **(-)0.08** | **95.58** |
| **Public Account** | | | | | | | | | |
| A | Small Savings, Provident Funds, *etc.* | 2495.65 | 2533.93 | 1.53 | A | Advances | 0.53 | 0.53 | - |
| B | Deposits | 2059.19 | 2110.42 | 2.49 | B | Remittance | 331.17 | 221.72 | (-)33.05 |
| C | Reserve Funds | 2136.79 | 2115.04 | (-)1.02 | C | Suspense and Miscellaneous | 1134.57 | 1059.35 | (-)6.63 |
| D | Remitt-ances | - | - | - | **Cash balance (including investment in Earmarked Fund)** | | **1485.12** | **1925.83** | **29.67** |
| | **Total** | **23683.84** | **27589.25** | **16.49** | **Total** | | **24768.37** | **27021.41** | **9.10** |
| | **Cumula-tive excess of receipts over expendi-ture** | **1084.53** | **-** | - | **Deficit in Revenue Account** | | **-** | **567.84** | - |
| **Total** | | **24768.37** | **27589.25** | **11.39** | **Total** | | **24768.37** | **27589.25** | **11.39** |

*(Source: Finance Accounts of the State)*

**Effective loans and advances would be ₹ 1,193 crore as the Department of Expenditure had decided that GST compensation of ₹ 840 crore given to the State as back-to-back loans under debt receipts would not be treated as debt of the State for any norms which may be prescribed by Finance Commission.*

During 2020-21, the assets increased by 9.10 *per cent* and liabilities increased by 16.49 *per cent* over the previous year.

## 1.5 Fiscal balance: Achievement of targets for deficits and total debt

Budgetary surplus/deficit is an indicator of prudent fiscal management by the Government. Further, the ways in which deficits are financed and the application of the resources raised have important implications for the fiscal health of the State.

This section assesses the actual levels of revenue and fiscal deficits *vis-à-vis* targets set under the GFRBM (First Amendment) Act, 2014 and GFRBM (Second Amendment) Act, 2021 for the financial year 2020-21 and subsequently presents the trends, nature, magnitude and the manner of financing of deficits.

### 1.5.1 Review of fiscal situation

In pursuance of the recommendations of the Twelfth Finance Commission (FC XII), Government of Goa enacted the GFRBM 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 and greater transparency in fiscal operations of the Government in a medium-term fiscal framework. In compliance with the Act, GFRBM Rules, 2007 were made by the Government in November 2007. The Act was amended by passing the GFRBM (First Amendment) Act, 2014 and later by passing the GFRBM (Second Amendment) Act, 2021.

As per the GFRBM 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-year rolling targets in respect of the following fiscal indicators:

a) Revenue deficit as a percentage of total revenue receipts;
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 receipts.

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

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

- As per provision of Section 5(a) of the GFRBM (First Amendment) Act, 2014, the State Government was to eliminate revenue deficit[3] from the financial year 2014-15 and maintain that level or generate revenue surplus thereafter. The State Government achieved this target in 2014-15 and maintained a revenue surplus till 2018-19. However, the same could not be sustained and the State had a revenue deficit of ₹ 325 crore and ₹ 1,653 crore during 2019-20 and 2020-21 respectively. The Budget Estimates (BE), Revised Estimates (RE) and actual figures in respect of revenue deficit/surplus during the last three years are summarised below.

**Table 1.4: Revenue deficit/surplus in last three years**

*(₹in crore)*

| Revenue deficit(-)/surplus(+)as per | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Budget estimates | 145 | 455 | 422 |
| Revised estimates | 145 | 270 | (-)133 |
| Actuals | 355 | (-)325 | (-)1653 |

*(Source: Finance Accounts and Budget documents of the State)*

As can be seen from the above table, the actual revenue deficit/surplus of 2019-20 and 2020-21 deviated significantly from the BE and RE. The reason for the estimated budget surplus of ₹ 422 crore turning into an actual deficit of ₹ 1,653 crore was lower collection of revenue receipts

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

*vis-a-vis* the BE by ₹ 4,641 crore, partially offset by reduced revenue expenditure (₹ 2,634 crore) (**Table 1.2**).

- The GFRBM (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 till 2019-20. However, the GFRBM (Second Amendment) Act, 2021 increased the target for fiscal deficit/GSDP ratio to five *per cent* effective from June 2020.

  The fiscal deficit to GSDP ratio during the period 2018-19 to 2020-21 is summarised below:

**Table 1.5: Fiscal deficit/GSDP**

***(in per cent)***

| | Budget estimates | Revised estimates | Actuals |
|---|---|---|---|
| **2018-19** | 5.33 | 5.33 | 2.32 |
| **2019-20** | 5.79 | 5.21 | 2.47 |
| **2020-21** | 5.60 | 5.20 | 4.48 |

*(Source: Finance Accounts and Budget documents of the State)*

Above table shows that the ratio of fiscal deficit to GSDP during 2020-21 stood at 4.48 *per cent* which was within the target of five *per cent* prescribed under the GFRBM (Second Amendment) Act, 2021. The fiscal deficit during 2020-21 stood at ₹ 3,648 crore which was lower than the projections made in BE (₹ 4,648 crore) (**Table 1.2**).

- The provisions of section 5(d) of the GFRBM (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 of 4.80 *per cent* during the last five years from 26.71 *per cent* in 2016-17 to 31.51[6] *per cent* in 2020-21.

- **Table 1.6** below shows the extent of compliance by the State Government during 2016-21, against the targets set-forth in the GFRBM Act.

[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 liabilities includes liabilities under small saving funds, GPF, reserve funds *etc.*

[6] As per Department of Expenditure, GoI letter dated 10 December 2021, borrowings under the special window shall not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. Hence, the back-to-back loans of ₹ 840 crore *in-lieu* of shortfall in GST compensation has not been considered as public debt/total outstanding liabilities of the State Government.

**Table 1.6: Compliance with provisions of GFRBM Act**

| Fiscal Parameters | Fiscal targets set in the GFRBM Act | Achievement | | | | |
|---|---|---|---|---|---|---|
| | | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
| **Revenue Deficit(-)/ Surplus (+) (*₹ in crore*)** | Revenue Surplus | 699 | 511 | 355 | (-)325 | (-)1653 |
| | | ✓ | ✓ | ✓ | ✗ | ✗ |
| **Fiscal Deficit (-)/ Surplus (+) (as *percentage* of GSDP)** | Three *per cent* (up to 2019-20) | (-)934 (-1.48) | (-)1610 (-2.32) | (-)1792 (-2.44) | (-)1994 (-2.47) | (-)3648 (-4.48) |
| | Five *per cent* (for 2020-21) | ✓ | ✓ | ✓ | ✓ | ✓ |
| **Ratio of total outstanding debt to GSDP (*per cent*)** | Target | 25 | 25 | 25 | 25 | 25 |
| | Achievement | 26.71 | 26.75 | 27.90 | 28.03 | 31.51[7] |
| | | ✗ | ✗ | ✗ | ✗ | ✗ |

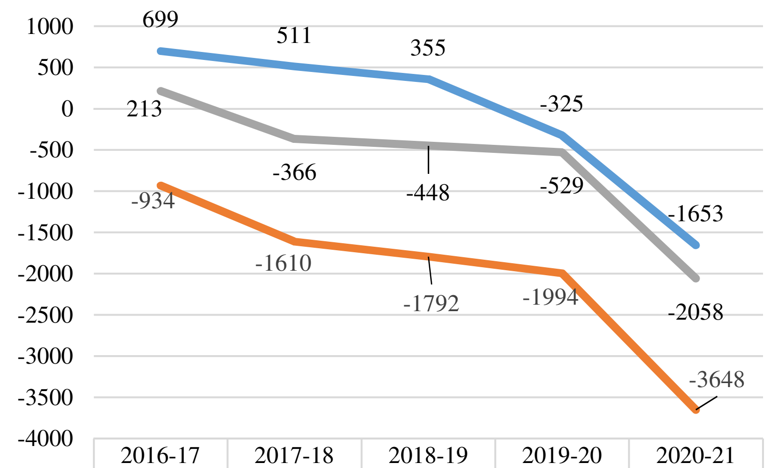
*(Source: Finance Accounts of the State)*

It may be seen that the State could not achieve the targets with regard to two of the three key parameters during 2019-20 and 2020-21.

Further, revenue, fiscal and primary deficits indicate the overall health of State Government finances during a specified period. Chart 1.3 presents the trends in these three key fiscal indicators over the period 2016-21.

**Chart 1.3: Trends in key fiscal indicators**

***(₹ in crore)***




| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| Revenue surplus(+)/revenue deficit(-) | 699 | 511 | 355 | -325 | -1653 |
| Fiscal deficit | -934 | -1610 | -1792 | -1994 | -3648 |
| Primary surplus(+)/primary deficit(-) | 213 | -366 | -448 | -529 | -2058 |

*(Source: Finance Accounts of the State)*

The State's revenue and fiscal deficit increased from ₹ 325 crore and ₹ 1,994 crore during 2019-20 to ₹ 1,653 crore and ₹ 3,648 crore respectively during

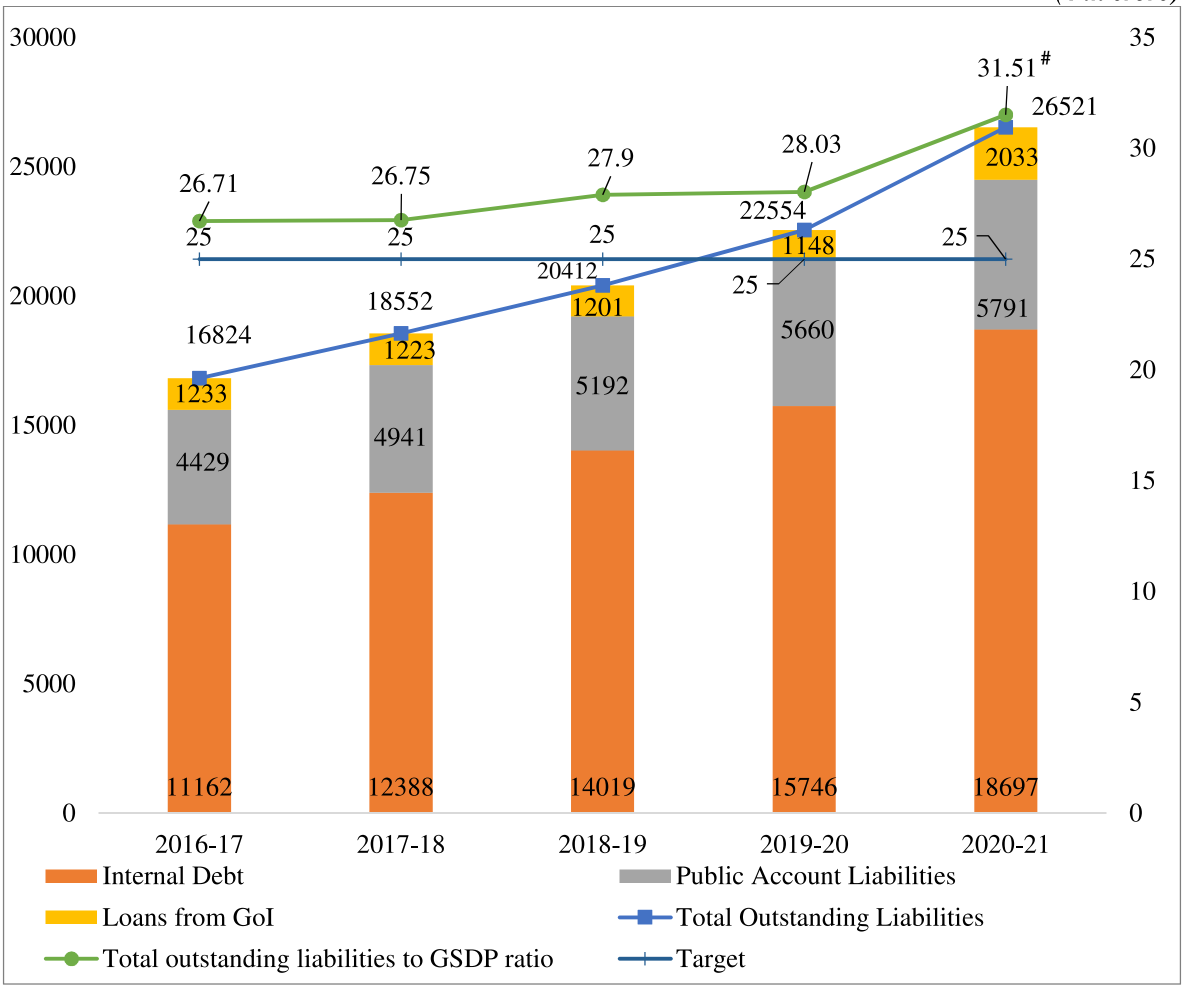
[7] As per Department of Expenditure, GoI letter dated 10 December 2021, borrowings under the special window shall not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. Hence, the back-to-back loans of ₹ 840 crore *in-lieu* of shortfall in GST compensation has not been considered as public debt/total outstanding liabilities of the State Government.

2020-21. Due to increase in fiscal deficit by 83 *per cent* and interest payments by nine *per cent*, the primary deficit[8] increased from ₹ 529 crore in 2019-20 to ₹ 2,058 crore in 2020-21.

Chart 1.4 below shows the trends in fiscal liabilities of the State Government *vis-a-vis* GSDP during the last five years (2016-21).

**Chart 1.4: Trends in fiscal liabilities *vis-à-vis* GSDP**

***(₹ in crore)***




*(Source: Finance Accounts of the State)*

*# As per Department of Expenditure, GoI letter dated 10 December 2021, borrowings under the special window shall not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. Hence, the back-to-back loans of ₹ 840 crore in-lieu of shortfall in GST compensation has not been considered as public debt/total outstanding liabilities of the State Government.*

As may be seen from the above chart, the total outstanding debt of the State Government during 2020-21 increased by ₹ 3,967 crore (17.59 *per cent*) over the previous year, due to increase in internal debt by ₹ 2,951 crore (18.74 *per cent*), Public Account liabilities by ₹ 131 crore (2.31 *per cent*) and loans and advances from GoI by ₹ 885 crore (77.09 *per cent*).

[8] Fiscal deficit minus interest payments

## 1.6 Deficits and total debt after examination in audit

Audit examined/verified the classification of receipts and expenditure as well as the accounting of material amounts relating to debt *etc.*

### 1.6.1 Post-audit: Deficits

Off budget fiscal operations, deferment of clear-cut liabilities, non-deposit of cess/royalty to Consolidated Fund, short contribution to New Contributory Pension Scheme (NPS), Sinking and Redemption funds, *etc*. impact the State's revenue and fiscal deficit. Scrutiny of certain major transactions during 2020-21 revealed that revenue deficit and fiscal deficit were affected by certain transactions as brought in **paragraph 2 (x)**, **4(i)** and **4C (vii)** of *Notes to Accounts* of the Finance Accounts as detailed below.

**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 National Securities Depositories Limited (NSDL) under Defined Contribution Pension Scheme | 52.78 | 52.78 |
| State CAMPA | 19.48 | 19.48 |
| Cesses collected but not transferred to respective Reserve Funds. | 47.15 | 47.15 |
| **Total** | **119.41** | **119.41** |

*(Source: Finance Accounts and audit analysis)*

It is seen that the revenue deficit and fiscal deficit were understated by ₹ 119.41 crore. The details are as under:

- The State Government collected ₹ 156.41 crore from its employees as contribution towards New Pension Scheme (NPS) and also contributed ₹ 156.43 crore as the Government's share. The State Government transferred ₹ 410.25 crore (including previous year balance of ₹ 150.19 crore) to the designated fund manager through NSDL. Thus, the State Government's liability as on 31 March 2021 was ₹ 52.78 crore (the amount due for transfer to the NSDL).

- The State Government was required to pay interest on un-invested balances lying in reserve funds and deposits bearing interest. The un-invested balances at the beginning of the year was ₹ 238.16 crore under State Compensatory Afforestation Fund (SCAF). The interest liability on SCAF was fixed at 5.10 *per cent*[9] and the interest to be allowed on the fund for 2019-20 and 2020-21 worked out to ₹ 19.48 crore. Budget provision for crediting the interest amount was not made, resulting in understatement of revenue deficit and fiscal deficit to that extent.

[9] *Vide* Finance Department, Government of Goa, U.O. No.261/F dated 21 April 2021.

- The Government collected ₹ 47.15 crore as cess (other than Labour Cess) during 2020-21. However, this amount was not transferred to the Reserve Fund by the State Government thus underestimating the revenue deficit to that extent. Details of the types of cess collected is given in **Table 1.8**.

**Table 1.8: Cesses collected but not transferred to Reserve Fund**

*(₹in crore)*

| Sl. No. | Head of Account | Description of Cess | Amount |
|---|---|---|---|
| 1 | 00290010301 | Rates and Cessess on Land | 0.19 |
| 2 | 00390010401 | Library Cess in the form of Surcharge on Excise Duty. | 12.18 |
| 3 | 00450011202 | Receipts under the Goa Rural Improvement and Welfare Cess Act, 2000 (Goa Act of 2000). | 13.24 |
| 4 | 00706080002 | Cess on Biodegradable | 0.61 |
| 5 | 00706080003 | Green Cess | 20.93 |
| | | **Total** | **47.15** |

*(Source: Finance Accounts of the State)*

### 1.6.2 Post-audit: Total Public Debt

According to the GFRBM 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 1.9: Total outstanding debt: post-examination by Audit**

| **1.** | | **Total outstanding debt as per Finance Accounts 2020-21 (₹ 26,521.12 crore) *(₹in crore)*** | **As percentage of GSDP (31.51 *per cent*)[10] *(per cent)*** |
|---|---|---|---|
| **2.** | Total outstanding Debt (understated) due to:<br>(i) Off-budget borrowings by (i) Goa State Infrastructure Development Corporation Limited (₹ 605.12 crore) and (ii) Sewerage and Infrastructural Development Corporation of Goa Limited (₹ 183.43 crore) on behalf of the State Government where the principal and/or interest were to be serviced out of the State budget. | 788.55 | 0.97 |
| | **Total of (1 + 2)** | **27309.67** | **32.48** |

*(Source: Information provided by SPSEs)*

Considering the off-budget fiscal operations amounting to ₹ 789 crore during 2020-21, the total outstanding debt of the State Government at the end of March 2021 worked out to ₹ 27,310 crore, instead of ₹ 26,521 crore depicted in the Finance Accounts. Consequently, the ratio of total outstanding debt to GSDP (31.51 *per cent*) at the end of the year was understated by 0.97 *per cent.* The post-audit total outstanding debt of the State Government at 32.48 *per cent* was also higher than the target of 25 *per cent* fixed in the GFRBM (First Amendment Act), 2014.

## 1.7 Summary of financial performance of State Public Sector Enterprises

There were 16[11] SPSEs in the State as on 31 March 2021 under various sectors other than power[12]. These SPSEs were incorporated between 1965 and 2016 and include 14 Government companies and two statutory corporations. The Government companies further included one active subsidiary company (Goa Electronics Limited or GEL[13]). 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 in 15 SPSEs (excluding GEL). Details of 16 SPSEs and a brief on their activities is given in **Appendix 1.2**.

[10] As per Department of Expenditure, GoI letter dated 10 December 2021, borrowings under the special window shall not be treated as debt of the State for any norms which may be prescribed by the Finance Commission. Hence, the back-to-back loans of ₹ 840 crore *in-lieu* of shortfall in GST compensation has not been considered as public debt/total outstanding liabilities of the State Government.

[11] Excluding Goa Auto Accessories limited (GAAL) which was under liquidation.

[12] The State Government electricity department executes the functions of power purchase, distribution, and maintenance.

[13] A subsidiary of Economic Development Corporation (EDC) Limited

### 1.7.1 Contribution of SPSEs to the economy of the State

The ratio of turnover of the SPSEs to GSDP is an indicator of the contribution of the SPSEs to the State's economy. **Table 1.10** provides the details of turnover of 15 SPSEs *vis-à-vis* GSDP of Goa for the five-year period (2016-21).

**Table 1.10: Turnover of SPSEs *vis-à-vis* GSDP of Goa**

*(₹in crore)*

| Particulars | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|---|---|
| **Turnover**[14] | 909.08 | 934.44 | 1103.42 | 934.37 | 959.87 |
| **Percentage change in turnover as compared to turnover of preceding year** | 10.79 | 2.79 | 18.08 | (-)15.32 | 2.73 |
| **GSDP of Goa (Base year 2011-12)** | 62976 | 69352 | 73170 | 80449 | 81502 |
| **Percentage change in GSDP as compared to GSDP of preceding year** | 14.39 | 10.12 | 5.51 | 9.95 | 1.31 |
| **Percentage of Turnover to GSDP** | 1.44 | 1.35 | 1.51 | 1.16 | 1.18 |

*(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 ₹ 909.08 crore in 2016-17 to ₹ 1,103.42 crore in 2018-19 but declined to ₹ 934.37 crore in 2019-20. However, it increased to ₹ 959.87 crore in 2020-21, registering a growth of 2.73 *per cent* over the previous year. The ratio of turnover of SPSEs to GSDP of the State increased marginally by 0.02 *per cent* over the previous year.

The Compound Annual Growth Rate or CAGR[15] is a useful method to measure growth rate over multiple time periods. Against a CAGR of 6.66 *per cent* of GSDP, the turnover of SPSEs recorded a growth of 1.37 *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,

[14] Turnover (Operating Income) of 15 SPSEs as per the latest finalised accounts as on 30 September 2021, excluding one SPSE *i.e.,* Goa Information Technology Development Corporation which was yet to submit its first accounts since inception (2006-07).

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

in consultation with the National Advisory Committee on Accounting Standards. 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 them.

### *Audit of accounts of Government companies by statutory auditors*

Audit of Government companies is conducted by the CAG under the provisions of Section 143(5) to 143(7) of the Companies Act, 2013 read with Section 19 of the CAG's (Duties, Powers and Conditions of Service) Act, 1971. Under the Companies Act, 2013, the CAG appoints Chartered Accountants as statutory auditors and gives directions on the manner in which the accounts are to be audited. In addition, the CAG has a right to conduct a supplementary audit and issue comments upon or supplement the Audit Report of the statutory auditor.

### *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 an independent audit in accordance with the standard auditing practices of the Institute of Chartered Accountants of India 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.

Certified accounts of selected Government companies along with the report of the statutory auditors are reviewed by the CAG by carrying out a supplementary audit. Based on such review, the significant audit observations, if any, are reported under Section 143 (6) of the Companies Act, 2013 to be placed before the annual general meeting of the company.