

Executive Summary

Background

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.

The decadal population growth of the State was 8.17 *per cent* (0.13 crore in 2001 to 0.15 crore in 2011). The density of population in the State increased from 258 persons per sq. km. to 394 persons per sq. km. in the last decade (2001-2011) 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 2017-18 at current prices was ₹ 70,267 crore.

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 2017-18 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's Fiscal Responsibilities and Budget Management (First Amendment) Act, 2014 and budget and revised estimates of 2017-18.

The Report

Based on the audited accounts of the Government of Goa for the year ended March 2018, 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 2018. It provides an insight into trends of different components of the Government's receipts, expenditure and borrowing pattern, besides giving a brief account of fiscal imbalances.

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.

Achievements of the State Government: A Brief Summary

The per capita income of Goa at ₹ 4,60,467 during 2017-18 was the highest in the country, exceeding the all India average of ₹ 1,29,800 by ₹ 3,30,667.

During 2017-18, the State achieved two of the three major fiscal targets set under the Goa Fiscal Responsibility Act, 2014 (Goa FRBM Act) *i.e.* (i) it is a revenue surplus State from 2014-15 onwards, and (ii) the ratio of fiscal deficit to Gross State Domestic Product (GSDP) at 2.29 *per cent* was below the ceiling of three *per cent*. In respect of Debt-GSDP ratio fixed at 25 *per cent* by the Goa FRBM Act, 2014, the current ratio stands marginally higher at 26.40 *per cent*.

Revenue realisation increased by 26 *per cent* during 2017-18 largely on account of implementation of Goods and Services Tax in the State.

The State Government spent more on capital expenditure than the total public debt receipts, indicating not only better utilisation of borrowed funds but also use of revenue surplus for capital formation in creating productive assets. Similarly, there is an overall improvement in the ratio of revenue expenditure to capital expenditure, indicating improvement in the quality of expenditure during 2013-18.

The ratio of interest payments to revenue receipts at 11.25 *per cent* was less than the Fourteenth Finance Commission (FC XIV) norm of 12.04 *per cent*. The State Government needs to improve its Tax-GSDP ratio (6.73 *per cent*), which was lower than the normative assessment of FC XIV (8.31 *per cent*).

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Chapter I

Finances of the State Government

Fiscal correction

The growth rate of GSDP was 12.72 *per cent* against the Fourteenth Finance Commission (FC XIV) projection of 14.52 *per cent* during the year.

During 2017-18, the State achieved two of the three major parameters specified by the FC XIV *viz.* (i) the ratio of fiscal deficit to GSDP at 2.29 *per cent* was lower than the norm of three *per cent*, and (ii) the ratio of interest payment to revenue receipt at 11.25 *per cent* was lower than the projected ratio of 12.04 *per cent*.

The third parameter of fiscal liabilities to GSDP ratio decreased from 35.34 *per cent* in 2013-14 to 26.40 *per cent* in 2017-18. This ratio of 26.40 *per cent* in 2017-18 was higher than the target fixed (25 *per cent*) in the Goa FRBM (First Amendment) Act, 2014 and 25.31 *per cent* projected by FC XIV.

The State continued to maintain revenue surplus during the period 2014-18. Revenue surplus during 2017-18 stood at ₹ 511 crore and was lower than the previous year's surplus by ₹ 188 crore.

(Paragraphs 1.1, 1.1.3, 1.10.1 and 1.11.1)

Resource mobilisation

Revenue receipts at ₹ 11,054 crore during 2017-18 increased by ₹ 1,489 crore (15.56 per cent) over the previous year. Though State's own taxes increased by ₹ 471 crore, the tax-GSDP ratio (6.73 per cent) was less than the normative assessment of 8.31 per cent made by FC XIV.

The growth rate of non-tax revenue (11.84 per cent) in 2017-18 over 2016-17 was almost twice the General Category States(GCS) (5.90 per cent). The share of State's own resources comprising tax and non-tax revenue to total revenue receipts was 70 per cent while the tax devolution from GoI including grants-in-aid contributed 30 per cent.

(Paragraphs 1.3, 1.3.1, 1.3.4 and 1.3.5)

Expenditure management

Revenue expenditure increased from ₹ 6,803 crore in 2013-14 to ₹ 10,543 crore in 2017-18. The year-wise growth of revenue expenditure fluctuated widely during the last five years and recorded its lowest growth rate of 5.30 per cent in 2016-17 and the highest of 18.91 per cent in 2017-18. The share of revenue expenditure in total expenditure decreased from 87.05 per cent in 2013-14 to 83.20 per cent in 2017-18, whereas, the share of capital expenditure in total expenditure increased from 12.90 per cent in 2013-14 to 16.53 per cent in 2017-18.

Financial assistance to local bodies and other institutions increased from ₹ 1,327 crore in 2016-17 to ₹ 1,639 crore in 2017-18. Expenditure on Subsidies (₹ 263 crore) constituted 2.38 per cent of revenue receipts.

As of 31 March 2018, the State Government invested ₹ 613 crore in Statutory Corporations, Joint Stock Companies and Co-operative Banks and Societies. The average return on investments in these Companies/Corporations was 0.27 per cent during 2013-18 while the Government paid an average interest ranging from 7.03 per cent to 7.59 per cent on its borrowings during the same period.

(Paragraphs 1.6.1, 1.6.2, 1.6.3 and 1.8.3)

Quality of expenditure

The overall development expenditure to total expenditure decreased from 70.91 per cent in 2013-14 to 69.00 per cent in 2017-18. During 2013-14 and 2017-18, the State's share of expenditure to total expenditure in Economic Services and Health and Family Welfare was better than GCS while it was lower than GCS in Education, Sports, Art and Culture.

(Paragraphs 1.7.1 and 1.7.2)

Transactions under reserve funds

There were eight reserve funds earmarked for specific purposes during 2017-18 of which, four funds were inoperative with a balance of ₹ 24.68 crore. The total accumulated balance in these funds as on 31 March 2018 was ₹ 1,719.77 crore of which, ₹ 847.34 crore was invested.

(Paragraph 1.9.3)

Debt sustainability

The outstanding fiscal liabilities of the State increased from ₹ 12,695 crore in 2013-14 to ₹ 18,552 crore in 2017-18. The outstanding liabilities at the end of 2017-18 comprised of internal debt (₹ 12,388 crore), loans and advances from the Central Government (₹ 1,223 crore) and other liabilities (₹ 4,941 crore).

The net availability of borrowed funds for current operations after debt redemption (principal and interest payments) increased from ₹ 101 crore in 2016-17 to ₹ 484 crore in 2017-18.

(Paragraphs 1.9.2 and 1.10.1)

Chapter II

Financial Management and Budgetary Control

During 2017-18, expenditure of ₹ 14,719.23 crore was incurred against the total grants and appropriations of ₹ 18,244.66 crore resulting in savings of ₹ 3,525.43 crore. The overall savings were the net result of savings of ₹ 4,037.39 crore, offset by an excess of ₹ 511.96 crore in three grants and one appropriation. The excess expenditure of ₹ 511.96 crore requires regularisation under Article 205 of the Constitution of India. Further, excess over provisions relating to previous years (2008-09 to 2016-17) amounting to ₹ 5,353.69 crore had not been regularised.

(Paragraphs 2.2 and 2.3.1)

Of the total savings of ₹ 4,037.40 crore during 2017-18, savings of ₹ 100 crore or more amounting to ₹ 1,779.77 crore (44 *per cent*) had occurred in five grants pertaining to Municipal Administration (₹ 114.80 crore), Transport (₹ 105.42 crore), Public Works Department (₹ 837.61 crore), Finance (₹ 428.55 crore) and Electricity (₹ 293.39 crore).

(Paragraph 2.3.2)

Chapter III

Financial Reporting

As on 31 March 2018, 12,236 Utilisation Certificates (UCs) aggregating ₹ 1,914.70 crore for grants disbursed up to 2016-17 remained outstanding. Of 12,236 cases, 34 *per cent* (4,169 UCs) pertained to the Directorate of Art and Culture while 23 *per cent* (2,824 UCs) pertained to the Directorate of Panchayats, North Goa.

As of March 2018, 349 Detailed Contingent (DC) bills amounting to ₹ 93.22 crore drawn by various Departmental authorities on Abstract Contingent (AC) bills were pending settlement.

Pendency of UCs and DC bills for long periods was fraught with the risk of fraud and misappropriation.

(Paragraphs 3.1 and 3.6)

During 2017-18, expenditure aggregating ₹ 3,820.68 crore constituting 30 *per cent* of the total expenditure was classified under Minor Head '800-Other Expenditure'. Similarly, revenue receipts aggregating ₹ 352.80 crore constituting 3.19 *per cent* of total receipts were classified under Minor Head '800 – Other Receipts'. Accounting of large items of expenditure and receipts under omnibus Minor Head –800 affects transparency in financial reporting as disaggregated information on different activities of the State Government is not displayed separately in the accounts.

(Paragraph 3.5)