

EXECUTIVE SUMMARY

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Background

This State Finances Audit Report of the Government of Goa is being brought out with a view to objectively assess the financial performance of the State Government during 2019-20 and to provide the State Government and State Legislature with inputs, based on analysis of the financial data. In order to give a perspective to the analysis, an effort has been made to compare the achievements with the targets envisaged in the Goa Fiscal Responsibility and Budget Management (First Amendment) Act, 2014 (Goa FRBM Act), Finance Commission recommendations and the Budget Estimates of 2019-20 and other financial data obtained from various Government Departments.

The Report

Based on the audited Accounts of the Government of Goa for the year ending March 2020, this Report provides an analytical review of the Annual Accounts of the State Government. The Report is structured in four Chapters.

Chapter 1 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 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 last five years, debt profile of the State and key Public Account transactions, based mainly on the Finance Accounts of the State.

Chapter 3 is based on the Appropriation Accounts and gives a Grant-wise description of Appropriations and the manner in which the allocated resources were managed by the service delivery Departments.

Chapter 4 is an inventory of the Government's compliance with various reporting requirements and financial rules.

The Report also has additional data collated from several other sources in support of the findings.

Achievements of the State Government: A Brief Summary

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 State achieved one of the three targets of major fiscal variables set under Goa FRBM Act. 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.

Outstanding guarantees of the State at ₹ 882.85 crore during 2019-20 was much lower than the ceiling of ₹ 1,500 crore prescribed under the Goa State Guarantees Act, 2005.

The State has taken initiatives for better fiscal management by setting up of the Consolidated Sinking Fund to provide a cushion for repaying market loans as well as the Guarantee Redemption Fund to provide a cushion for servicing contingent liabilities.

The State Government has given higher fiscal priority to health and family welfare during 2015-16 and 2019-20, as their ratios to Aggregate Expenditure were significantly higher than that of General Category States in 2019-20.

The State Government, however, needs to improve its outstanding Debt-GSDP ratio (28.03 per cent) which was higher than the ceiling of 25 per cent prescribed under the Goa FRBM Act. Also, the State needs to become a revenue surplus State as per the target given in the Goa FRBM Act.

Contents of the Report

Chapter 1

Overview

Fiscal Position

During 2019-20, the State could not achieve two key fiscal parameters. First, the State posted a revenue deficit of ₹ 325 crore in 2019-20 against revenue surplus of ₹ 355 crore in the previous year. Second, due to increase in fiscal deficit by 11.27 per cent and interest payments by nine per cent, primary deficit increased to ₹ 529 crore in 2019-20 from ₹ 448 crore in 2018-19.

However, the State Government managed to keep its fiscal deficit relative to GSDP (2.47 per cent) within the limit of three per cent fixed by Goa FRBM Act and projection made by the Fourteenth Finance Commission (FC XIV).

The 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 Act and 24.92 per cent set forth by FC XIV.

(Paragraph 1.5.1)

The State Government short-transferred ₹ 138.49 crore of employees and Government contribution to NSDL under Defined Contribution Pension Scheme during 2019-20, thus, understating the revenue deficit and fiscal deficit to that extent.

(Paragraph 1.6.1)

The off-budget fiscal operations amounting to ₹ 919 crore during the financial year 2019-20 resulted in understating of the overall debt by 1.14 *per cent* of GSDP. Further, taking into account the off-budget borrowings of the State, the total outstanding debt at the end of March 2020 worked out to ₹ 23,473 crore against ₹ 22,554 crore shown in the Finance accounts.

(Paragraph 1.6.2)

Chapter 2

Finances of the State Government

State's Own Resources

During 2019-20, revenue receipts decreased by ₹ 141 crore (1.23 *per cent*) over the previous year. The State's own tax revenue decreased by ₹ 171 crore (3.51 *per cent*), non-tax revenue by ₹ 137 crore (4.77 *per cent*) and State's share of Union taxes by ₹ 398 crore (13.83 *per cent*), offset by increase in grants from GoI by ₹ 565 crore (69.33 *per cent*).

Around 66 *per cent* of the State's revenue receipts during 2019-20 came from its own resources¹. GoI released a compensation of ₹ 819 crore to the State Government to compensate for loss of revenue post-GST implementation, against the entitlement of ₹ 1,246 crore during the year.

(Paragraph 2.3.2.2)

Share of Union Taxes and Duties and Grants-in-aid

Over the five-year period (2015-20), central tax transfers increased by 29 *per cent* from ₹ 1,924 crore in 2015-16 to ₹ 2,480 crore in 2019-20. The State Government's share of Union taxes and duties in 2019-20 decreased by ₹ 398 crore over the previous year and constituted 22 *per cent* of revenue receipts.

The grants-in-aid from GoI increased by ₹ 565 crore (69 *per cent*) during the year compared to the previous year. Grants-in-aid constituted 12 *per cent* of revenue receipts during 2019-20.

(Paragraphs 2.3.2.3)

Revenue Expenditure

During 2019-20, the revenue expenditure increased by 4.86 *per cent* (₹ 539 crore) over the previous year, and constituted 87.42 *per cent* of total expenditure. Revenue expenditure stood at 14.45 *per cent* of GSDP during 2019-20.

(Paragraph 2.4.2)

¹ Own tax revenue and non-tax revenue

Capital Expenditure

During 2019-20, capital expenditure decreased by 23 *per cent* (₹ 489 crore) over the previous year. The share of capital expenditure in the total expenditure declined from 16.53 *per cent* in 2017-18 to 12.49 *per cent* in 2019-20. During 2019-20, capital expenditure (₹ 1,660 crore) was less than total public debt receipts (₹ 2,700 crore) by ₹ 1,040 crore.

(Paragraph 2.4.3)

Investment and Returns

As on 31 March 2020, total Government investment in State Public Sector Enterprises (SPSEs) and other Bodies was ₹ 640.71 crore. The average return on this investment was 0.15 to 0.32 *per cent* during 2015-20 while the Government paid an average interest of 6.82 to 7.30 *per cent* on its borrowings, indicating that the return on investment of the State Government was very low.

As on 31 March 2020, five SPSEs registered accumulated losses of ₹ 260.77 crore. Of the five SPSEs, two SPSEs incurred losses of ₹ 138.27 crore during 2019-20 while three SPSEs, though did not incur any loss in 2019-20, had accumulated losses of ₹ 30.19 crore at the end of March 2020.

The net worth of four out of five SPSEs had been completely eroded by accumulated losses and stood at (-) ₹ 88.83 crore against an equity investment of ₹ 170.11 crore as on 31 March 2020.

(Paragraph 2.4.3.2)

Debt Profile: Components

The overall debt (₹ 22,554 crore) of the State Government at the end of financial year 2019-20 comprised internal debt of ₹ 15,746 crore (70 *per cent*), public account liability of ₹ 5,660 crore (25 *per cent*) and loans and advances from GoI of ₹ 1,148 crore (five *per cent*). The internal debt comprised of market loans (₹ 13,010 crore), special securities issued to NSSF (₹ 2,138 crore), NABARD (₹ 546 crore) and loans from financial institutions (₹ 52 crore).

(Paragraph 2.6.1)

Debt profile: Maturity and Repayment

The maturity profile of the State debt indicates that the liability of the State to repay the debt during the periods 2020-21, 2021-23 and 2023-25 would be ₹ 694 crore, ₹ 2,182 crore and ₹ 2,475 crore respectively, which may put a strain on the Government budget during that period. Further, ₹ 8,667 crore *i.e.*, 51 *per cent* of the total public debt would be repayable within the next seven

years. Therefore, the State Government would have to work out a well-thought-out borrowing-repayment strategy to avoid falling into a debt trap.

(Paragraph 2.6.2)

Chapter 3

Budgetary Management

Supplementary provisions (₹ five crore or more in each case) aggregating ₹ 1,121.87 crore obtained in 28 cases during the year proved unnecessary. The expenditure incurred (₹ 6,007.82 crore) did not reach the levels of original provision of ₹ 8,632.17 crore.

(Paragraph 3.3.2)

In 25 cases pertaining to 20 grants with aggregate savings of ₹ 2,818.60 crore, an amount of ₹ 527.61 crore was not surrendered (₹ one crore and above in each case). Early surrender could have ensured more productive use of resources in other areas having shortfall.

(Paragraph 3.3.3)

Excess expenditure of ₹ 9,181.04 crore pertaining to the period from 2008-09 to 2019-20 had escaped legislative oversight, as it was pending regularisation as per Article 205 of the Constitution of India.

(Paragraph 3.3.4.2)

Against total budgetary provision of ₹ 21,557.26 crore during 2019-20, an expenditure of ₹ 15,525.88 crore was incurred. This resulted in net savings of ₹ 6,031.38 crore (savings of ₹ 6,988.23 crore offset by an excess of ₹ 956.85 crore).

(Paragraph 3.4.1)

Chapter 4

Quality of Accounts and Financial Reporting Practices

As on March 2020, 14,539 utilization certificates aggregating ₹ 2,882.08 crore was outstanding against grants disbursed up to 2018-19, indicating lack of proper monitoring by the Departments in utilization of grants given for specific purposes.

As on March 2020, there was pendency in submission of 482 Detailed Contingent Bills amounting to ₹ 108.36 crore drawn on Abstract Contingent Bills by various Departmental authorities.

Pendency of utilisation certificates and Detailed Contingent Bills for long periods was fraught with the risk of fraud and misappropriation.

(Paragraphs 4.3 and 4.4)

There were 117 Personal Deposit Accounts in operation in district treasuries with a closing balance of ₹ 122.60 crore as of 31 March 2020.

(Paragraph 4.5)

During 2019-20, expenditure aggregating ₹ 4,117.84 crore constituting 30.97 *per cent* of the total expenditure of the State was classified under Minor Head '800 Other Expenditure'. Similarly, revenue receipts aggregating ₹ 386.46 crore constituting 3.42 *per cent* of total revenue receipts were classified under Omnibus Minor Head '800 Other Receipts'.

Accounting of large items of expenditure and receipts under the Omnibus Minor Head - 800 affects transparency in financial reporting, as it fails to indicate disaggregated information on specific activities of the Government separately in the accounts.

(Paragraph 4.6)