

OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

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CAG Audit Report ON Accounts of the Union Government Tabled in the Parliament**Overview of Union Finances**

Financial year (FY) 2023-24 was a year of sustainable growth. Economy has reflected positive growth in terms of GDP. GDP at constant price (Real GDP) increased by 9.19 *per cent* and at current price (Nominal GDP) grew by 12.02 *per cent*. Revenue receipts of Central Government increased by 13.82 *per cent* with respect to last year, led by robust growth of 23.81 *per cent* in non-tax revenue. Gross Tax Receipts has been on a rising trend since FY 2019-20 with continuous positive growth in both direct tax and indirect tax from FY 2020-21. The share of direct tax rose to 55.46 *per cent* during FY 2023-24 and contribution of direct tax in term of GDP rose to 6.38 *per cent*. This reflects a progressive tax system.

Among Direct Taxes, revenue from income tax grew by 25 *per cent* on a year on year (YoY) basis and its contribution to GTR and GDP rose to 29.17 *per cent* and 3.36 *per cent* respectively. However, Corporation Tax both as a percentage of GDP (from 3.07 *per cent* to 3.02 *per cent*) and contribution to GTR (from 27.04 *per cent* to 26.29 *per cent*) in FY 2023-24 has slightly decreased compared to FY 2022-23. GST collection has been on a rising trend from FY 2021-22 along with an increasing trend in contributions as a percentage of GDP.

Non-Tax Revenue saw a substantial growth of 23.81 *per cent* as compared with FY 2022-23 resulting in upward trend in terms of contributions to gross revenue receipt (16.59 *per cent* to 17.83 *per cent*). This growth in non-tax revenue led by a 71 *per cent* increase in dividend and profits over the last year.

Although the Government spending increased from ₹39,07,647 crore in FY 2020-21 to ₹48,52,572 crore in FY 2023-24, it has been on a decreasing trend as a percentage of GDP during the same period from 19.68 *per cent* to 16.11 *per cent* respectively. Capital expenditure as a proportion of GDP has been on an increasing trend (1.73 *per cent* in FY 2020-21 to 2.68 *per cent* in FY 2023-24), which is a positive sign. Repayment of debt has been the biggest draw from Consolidated Fund of India, contributing 60.60 *per cent* of the total outgo during FY 2023-24.

It is observed that the fixed component of revenue expenditure on salary, pension and interest payments, as a share of total revenue expenditure has increased from 38.93 *per cent* in FY 2022-23 to 42.37 *per cent* in FY 2023-24. The YoY increase on fixed commitments of revenue expenditure was majorly contributed by payment of interest, which grew by 15 *per cent*.

Capital expenditure increased by 29 *per cent* as compared to last FY along with marginal increase as percentage of GDP. Compared to FY 2019-20, capital expenditure on transport sector has increased by 269.29 *per cent*.

Overall liabilities of the Union Government increased led by increase in public debt. Internal debt increased by 12.43 *per cent* in FY 2023-24 with reference to FY 2022-23. Fiscal parameters improved during FY 2023-24 led by higher rate of growth in revenue receipts as compared to revenue expenses. Revenue receipt increased by 13.82 *per cent* while revenue expenses increased by 1.86 *per cent* on YoY basis. Both revenue and fiscal deficits were lower than previous year indicating prudent fiscal management. Revenue deficits decreased by 28.45 *per cent* as compared with FY 2022-23 reflecting control over revenue expenditure and positive growth in revenue receipts.

Quality of Accounts and Financial Reporting Practices

Reserve Funds form part of the Public Account of India. These funds are set aside for specific purposes and are generally financed through cess or levy which on collection, is credited into the Consolidated Fund of India and transferred to the specified Reserve Fund with Parliament's approval. Test check of records revealed aggregate impact of short transfer of ₹3,69,307 crore till 31 March 2024, to the designated reserve funds in the Public Accounts. Also, continuance of dormant Reserve Funds and Deposits with an accumulated net credit balance of ₹834.37 crore implies that they have outlived their purpose and need to be reviewed.

(Para 3.3.1 & 3.3.2)

User charges for compensatory afforestation were to be collected by the State CAMPA authority and deposited in 90:10 ratio between the State and Central authorities into their relevant Reserve Funds. However, the money was transferred to the Public Account of India for further distribution to the National/ State Compensatory Afforestation Funds. At the end of FY 2023-24, ₹15,103 crore was pending for disbursement to the funds of respective States/UTs. The balance reflected in the Public Account was lower than corresponding figures in the books of accounts of the National Authority, leading to a potential understatement of Public Account by ₹866.41 crore.

(Para 3.1.2)

Statement 13 of the Union Government Finance Accounts shows only the net balances under Suspense Heads, thus understating the actual balances pending for clearance. The understatement being 68.01 *per cent* in Suspense Account (Civil) and 54.89 *per cent* in Reserve Bank Suspense Central Accounts Office. Similarly, netting of cash balances resulted in understatement of cash balance pending reconciliation with RBI, the total cash balance to be reconciled being ₹3,793.74 crore. Under 'Departmental Cheques' an increase was observed from ₹441.02 crore (Debit) in FY 2022-23 to ₹3,796.87 crore (Credit) in FY 2023-24.

(Para 3.2.1 c, 3.4.3 & 3.2.1 b)

There were instances of misclassification in accounting amounting to ₹4,214.07 crore. Of these, ₹3,283.50 crore related to receipts, the remaining misclassifications aggregating to ₹930.57 crore related to expenditure and occurred largely related to misclassification of capital expenditure as revenue expenditure and vice versa (₹654.88 crore). Test check of records revealed short recovery of guarantee fee of ₹178.81 crore and non-accounting of equity shares in the UGFA of ₹16,133 crore (M/s Vodafone India Limited).

(Para 3.5, 3.4.2 & 3.4.1.1)

Incorrect accounting for discharge of 1.44% Inflation Index G.S. 2023, resulted in the understatement of Internal Debt of Central Government by ₹372.64 crore. At the end of FY 2023-24, loans and advances of ₹9,41,560 crore were outstanding for recovery from State/UT Governments and other entities, out of which arrears in recovery (principal and interest) were of ₹86,174 crore. There were 53 cases of adverse balances in various funds and deposits of which 43 remained unresolved for over five years.

(Para 3.1.1, 3.2.3 & 3.2.2)

Surplus balance of ₹5,573 crore was retained outside Government Account under 'SEBI General Fund', at the end of March 2024. Income from investment of Postal Life Insurance Fund (PLIF) and Rural Postal Life Insurance Fund (RPLIF) in Dated Securities amounting to ₹941.91 crore (PLIF- ₹502.05 crore and RPLIF- ₹439.86 crore) was booked in excess in the UGFA. DoT misclassified ₹3,443.08 crore of regular pension payments as "Incremental Pension Payment".

(Para 3.3.4, 3.3.5 & 3.5.2.1)

Budgetary Management

Union Government Appropriation Accounts consist of 102 Grants/Appropriations for FY 2023-24. The Parliament approved appropriations of ₹1,47,56,796.55 crore, against which Government spent ₹1,29,74,923.11 crore leading to overall savings of ₹17,81,873.44 crore. Total charged provision from the Consolidated Fund of India in FY 2023-24 was ₹1,02,66,792.77 crore against which the expenditure incurred was ₹87,53,015.54 crore. The total voted provision was ₹44,90,003.78 crore and actual expenditure was ₹42,21,907.57 crore with savings of ₹2,68,096.21 crore.

(Para 4.1.1 & 4.1.2)

In respect of 'Transfers to States (Capital Charged)', there was excess expenditure of ₹31,308.41 crore during FY 2023-24. The excess over the grant is required to be regularised under Article 115(1)(b) of the Constitution. At minor/sub-heads level, excess expenditure of ₹25 crore or more occurred under nine Grants/Appropriations due to inadequate provisioning of funds. Further, there were savings of ₹5,000 crore or more in 14 Grants/Appropriations during FY 2023-24 against which six Grants/Appropriations had persistent savings in FY 2021-22 and FY 2022-23 as well. Further, savings of ₹100 crore or more occurred in 95 segments of 70 Grants/Appropriations.

(Para 4.2.1.1, 4.2.1.2, 4.2.2.1 & 4.2.2.2)

Supplementary provisions obtained in respect of 28 minor/sub-heads under 16 Grants during FY 2023-24, in anticipation of higher expenditure, were found unnecessary as the final expenditure were less than the original provisions under the corresponding minor/sub-heads. Further, re-appropriations in 20 cases, exceeding ₹10 crore each, across 14 Grants/Appropriations, were injudicious as the sanctioned provision under the minor/sub-heads to which augmentation was made by way of re-appropriation were adequate and re-appropriations were not required. Similarly, re-appropriations were injudiciously made from 12 minor/sub-heads across four Grants, resulting in avoidable excess expenditure in these minor/sub-heads.

(Para 4.3.1 & 4.4.1)
