EXECUTIVE SUMMARY

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About the Report

This Report of the CAG of India is on the Finances of the Government of National Capital Territory of Delhi for the year 2023-24. It provides an overview of the finances, budgetary management and quality of accounts, financial reporting practices and other matters relevant to State Finances.

This executive summary highlights the contents of this report and through snapshots of the important figures and aspects, provides insight into fiscal sustainability, performance against the budget intent, revenue and expenditure projection, the reasons for variations and its impact.

Overview:

- Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 8.79 *per cent* during last five years from ₹ 7.93 lakh crore in 2019-20 to ₹ 11.08 lakh crore in 2023-24. There was 9.17 *per cent* growth in GSDP in 2023-24 from the previous year 2022-23. Budget Outlay of the State grew at an average growth rate of 7.14 *per cent* from ₹ 64,180.68 crore in 2019-20 to ₹ 81,918.23 crore in 2023-24.
- The revenue receipts decreased by 9.42 *per cent* and so the percentage of revenue receipts over GSDP decreased from 6.18 *per cent* in 2022-23 to 5.13 *per cent* in 2023-24.
- State's own tax revenue increased by 13.34 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of Government of National Capital Territory of Delhi (GNCTD) increased from ₹ 59,395 crore in 2022-23 to ₹ 60,830 crore in 2023-24 by 2.42 *per cent*. Of this, revenue expenditure showed 4.33 *per cent* increase from 2022-23.
- Revenue surplus decreased from ₹ 14,457 crore to ₹ 6,462 crore registering 55.30 *per cent* decrease over 2022-23, while there was a fiscal deficit of ₹ 3,934 crore in 2023-24 against a fiscal surplus of ₹ 4,566 crore in 2022-23 thereby registering a decrease by 186.16 *per cent*.

Receipt-Expenditure Mismatch

- The continuous mismatch between receipts and expenditure indicates rising fiscal stress. The State has different sources of receipts such as State Own Tax Revenue, Non-tax Revenue, Grants-in-aid and non-debt capital receipts. The State Government's expenditure includes expenditure on revenue account as well as capital expenditure (assets creation, loans and advances, investments, etc.).

  From 2019-20 to 2023-24, revenue receipts grew from ₹ 47,136 crore to ₹ 56,798 crore, while capital receipts decreased from ₹ 5,588 crore to ₹ 98 crore.

The share of Grants-in-aid in revenue receipts decreased from 20.10 *per cent* in 2019-20 to 3.68 *per cent* in 2023-24. The State Government received ₹ 955.34 crore as Central share for the Centrally Sponsored Schemes (CSSs) in the year.

- Revenue expenditure is incurred to maintain the current level of services and payment for the past obligation. As such, it does not result in any addition to the State's infrastructure and service network.
- Between 2019-20 and 2023-24, revenue expenditure increased from ₹ 39,637 crore (5.00 *per cent* of GSDP) to ₹ 50,336 crore (4.54 *per cent* of GSDP). It consistently made up a significant portion ranging from 81 *per cent* (2021-22) to 83 *per cent* (2023-24) of the total expenditure during this period, growing at an average annual rate of 6.51 *per cent*.

Result of expenditure beyond means

- The gap between the revenue receipt and revenue expenditure results in revenue surplus/ deficit. The revenue surplus of GNCT of Delhi decreased from ₹ 14,457 crore in 2022-23 to ₹ 6,462 crore in 2023-24 i.e. decrease of 55.30 *per cent* over the previous year as detailed in Paragraph 1.4 and Chapter 2 of this report.
- Due to pensionary liabilities of ₹ 2,023 crore and the expenditure on account of the Delhi Police amounting to ₹ 11,123 crore being borne by the Union Government, the Government of NCT of Delhi could register a revenue surplus of ₹ 6,462 crore in 2023-24, which would have turned to revenue deficit of ₹ 6,684 crore if the above two liabilities were to be borne by the state government.
- During 2019-20 to 2023-24, the capital expenditure has consistently fallen short of the capital budget and it always remained less than 1 *per cent* of GSDP. During current year, capital expenditure decreased by overall 15 *per cent* over the previous year. The decrease was sharp under important heads such as 49.87 *per cent* in Medical and Public Health, 42.19 *per cent* in Education, Sports, Art & Culture, 39.70 *per cent* in Public Works and 36.36 *per cent* in Urban Development.
- The gap between the total expenditure and total non-debt receipt of the State results in fiscal surplus/deficit. The fiscal deficit of the State increased to ₹ 3,934 crore ((-) 0.36 *per cent* of GSDP) in 2023-24 from ₹ 416 crore ((-) 0.05 *per cent* of GSDP) in 2019-20.
- Under the revenue expenditure, the quantum of committed expenditure constitutes the largest share. Committed expenditure has the first charge on the resources and consists of interest payments, expenditure on salaries and wages and pensions. Committed expenditure on interest payments, salaries and pensions constituted around 36 *per cent* of revenue expenditure during 2019-20 to 2023-24. The Committed expenditure increased at an average rate of 6.57 *per cent* i.e. from ₹ 13,825.47 crore in 2019-20 to ₹ 18,116.50 crore in 2023-24.
- The average growth of inflexible expenditure during the period from 2019-20 (₹ 11,904.80 crore) to 2023-24 (₹13,997.20 crore) was 4.43 pe*r cent*. However, the

inflexible expenditure decreased from ₹ 14,667.45 crore in 2022-23 to ₹ 13,997.20 crore in 2023-24 registering a decrease of 4.57 *per cent*.

- Taken together, the committed and inflexible expenditure in 2023-24 was ₹ 32,113.70 crore; 63.80 *per cent* of the revenue expenditure. Upward trend on committed and inflexible expenditure leaves the Government with lesser flexibility for other priority sectors and capital creation.

Subsidies constitute major portion of the non-committed expenditure

- In the non-committed expenditure, there is an increasing trend of subsidies, which increased from ₹ 3,593 crore in 2019-2020 to ₹ 4,840 crore in 2023-24 i.e., from 9.06 *per cent* of the total revenue expenditure in 2019-20 to 9.62 *per cent* in 2023-24. Power subsidies constituted a significant portion, ranging from 66.96 *per cent* (2019-20) to 70.39 *per cent* (2020-21) of the total subsidies during this period.

Fiscal sustainability

- Fiscal sustainability is examined in terms of macro-fiscal parameters such as deficits, level of debt and liabilities, commitments on account of off-budget borrowings, guarantees, subsidies, etc. So far as revenue and expenditure mismatch is concerned, one of the important constraints is committed and inflexible expenditure, which includes salaries and wages, pension payments, interests, etc. and also other inflexible expenditure such as those arising out of commitment for centrally sponsored schemes, transfer to reserve funds, transfer to local bodies, etc.

Compliance with fiscal parameters

As per the debt stabilisation analysis, the outstanding public debt of GNCTD has grown on an average rate of 1.98 *per cent* annually between 2019-20 to 2023-24. Public debt-GSDP ratio of GNCTD has decreased from 4.38 *per cent* in 2019-20 to 3.19 *per cent* in 2023-24, which indicates that debt stabilisation may be possible in near future. During the years 2021-22, 2022-23 and 2023-24, though the Domar gap (expressed as g-r) was positive, the primary balance was in deficit during this period with exception of 2022-23. Further, the entire proportion of public debt receipts was used for repayment for borrowings in the year 2022-23 whereas during 2019-20 to 2021-22, repayment ranged from 34 *per cent* to 84 *per cent*. The said proportion is undefined during 2023-24 due to nil debt receipts.

Budget performance

- Scrutiny of Appropriation Accounts for the year 2023-24 revealed that supplementary grants amounting to ₹ 1,625.43 crore in eight cases, as detailed in **Appendix 3.4**, were obtained in anticipation of higher/additional expenditure. However, the final expenditure was even less than the original grant, thereby defeating the intended purpose of the supplementary grant.

- Scrutiny of Appropriation Accounts for the year 2023-24 revealed that unnecessary re-appropriations of ₹ 612.16 crore were made to 23 sub heads spread across six grants, as the departments were not able to fully utilize even their existing grants

(Original+ Supplementary) and there was a cumulative savings (more than ₹ 15 crore in each case) of ₹ 1,227.53 crore, which was indicative of deficient budgeting exercise, as detailed in **Appendix 3.5**.

- Audit further noted that in nine grants there were total savings of ₹ 12,969.72 crore in which an amount of ₹ 6,763.76 crore was surrendered and ₹ 6,205.96 crore (more than ₹ 10 crore in each case) of total savings lapsed at the end of March 2024, as detailed in **Appendix 3.7**. Excessive savings in some departments deprive other departments of the funds which they could have utilized.
- During the five-year period (2019-24), savings of more than ₹ 10 crore lapsed at the end of the financial year concerned under 10 out of the 15 grants administered by GNCTD. It was further noticed that eight of these 10 grants were reporting such cases persistently in all the five years **(Appendix 3.8)**. Savings of the entire provision was indicative of the fact that the estimates were not prepared after adequate scrutiny of the projects/schemes.

Aggregate expenditure outturn

- Budget performance in terms of budgetary intent and budget implementation is examined to assess extent to which the aggregate expenditure outturn reflects the amount originally approved both in terms of excess and saving. In the Revenue section, deviation in outturn compared with Original Approved Budget (BE) was (-) 10.54 *per cent*. This was due to deviation up to 25 *per cent* in nine grants, ranging from +25 *per cent* to 50 *per cent* in three grants; and ranging from +50 *per cent* to 100 *per cent* in one grant.
- In the Capital section, deviation in outturn compared with BE was (-) 28.97 *per cent*. This was due to deviation up to 25 *per cent* in one grant, ranging from +25 *per cent* to 50 *per cent* in three grants; and ranging from +50 *per cent* to 100 *per cent* in nine grants. No provision was made in respect of two grants in the Capital section.

Expenditure composition outturn

- Budget performance also looks at the extent to which the re-allocation between the main budget categories during the execution have contributed to variance in expenditure composition. This measure indicates the extent of variation between the sanctioned budget and the actual expenditure. In the Revenue section, deviation in outturn compared with Sanctioned Budget (SB) was (-) 13.04 *per cent*. In the Capital section, deviation in outturn compared with SB was (-) 33.10 *per cent*.
- *Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and the sanctioned budget was 18.71 per cent, there were deviations up to 25 per cent and even above in different grants. Moreover, it was also noticed that in several cases, there were supplementary grants where expenditure was not even up to the original grant. A reliable budget practice should be in vogue to deal with such deviations and to ensure optimum use of the limited resources.*

Quality of Accounts and Financial Reporting

- Quality of accounts and financial reporting covers items, transactions and events which relate to gaps in compliance, regularity weaknesses and issues relating to delay in receipt of those accounting records or adjustment records which evidence the actual expenditure. It also highlights issues pertaining to the accounts and financial reporting such as parking of funds outside the Government accounts, non-or short – discharging of liabilities and misclassification of transactions and data gaps.

Operation of PD Accounts

- There was a closing balance of ₹ 66.21 crore in 11 Personal Deposit Accounts as of 31 March 2024.

Funds to Single Nodal Agency

- The Government of India and the State Government have introduced system of Single Nodal Agency (SNA) for implementation and fund flow for each Centrally Sponsored Scheme (CSS). The share of the Government of India and the State Government is transferred to the Bank Account of the SNA lying outside the Government Account.
- As per information available on the PFMS portal, ₹ 2,009.81 crore (₹ 947.20 crore share of the Government of India and ₹ 1,062.61 crore share of the State Government) was transferred to the SNAs during 2023-24. As per data available on PFMS Portal, ₹ 842.21 crore was lying unspent in the bank accounts of SNAs as on 31 March 2024.

Utilisation Certificates against conditional grants

- Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 1,313 outstanding UCs of ₹ 3,760.84 crore were pending as on 31st March 2024.
- Lack of submission of the UCs means that although expenditure is incurred but the grantees have not explained as to how the funds were spent. There is also no assurance that the intended objectives of providing these funds have been achieved.

DC bills against AC bills

- Similarly, despite the requirement of submitting Detailed Contingent (DC) Bills against the advance money withdrawn through Abstract Contingent (AC) Bills, DC Bills against 4,466 AC bills of ₹ 346.82 crore were pending for submission as on 31st March 2024, out of which 3,988 AC Bills amounting to ₹ 266.43 crore pertained to the period upto 2022-23.
- Advances drawn and not accounted for increases the possibility of wastage/misappropriation/malfeasance, etc. Owing to non-submission of DC bills by different Departments within prescribed time after drawal of AC Bills, it could not be ensured in audit that funds had been utilised for the purpose for which these were drawn. This, therefore, needs to be monitored closely.

Compliance with prevailing rules and codal provisions are meant to ensure control and accountability in accounting and financial reporting. Non-compliance and deviations impact the quality of accounting and financial reporting adversely. Non-timely submission of UCs against conditional grants; non-submission of DC bills against AC bills; have impacted the quality of accounts adversely.

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