

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 2022-23. 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.

Gross State Domestic Product (GSDP) (at current prices) grew at an average growth rate of 9.29 *per cent* from ₹ 7,38,389 crore in 2018-19 to ₹ 10,43,759 crore in 2022-23. Budget Outlay of the State grew at an average growth rate of 10.08 *per cent* from ₹ 58,177.14 crore in 2018-19 to ₹ 79,128.28 crore in 2022-23.

There was 15.38 *per cent* growth in GSDP over 2021-22. The revenue receipts grew at 27.15 *per cent* and the percentage of revenue receipts over GSDP improved from 5.45 *per cent* in 2021-22 to 6.01 *per cent* in 2022-23. State's own tax revenue increased by 18.35 *per cent*. The total expenditure (revenue expenditure, capital expenditure and loans and advances) of Government of National Capital Territory of Delhi (GNCTD) increased from ₹ 56,957 crore in 2021-22 to ₹ 59,395 crore in 2022-23 increasing by 4.28 *per cent*. Of this, revenue expenditure showed 4.78 *per cent* increase from 2021-22. Revenue surplus increased from ₹ 3,270 crore to ₹ 14,457 crore registering 342.11 *per cent* increase over 2021-22, while there was a fiscal surplus of ₹ 4,566 crore in 2022-23 against a fiscal deficit of ₹ 7,021 crore in 2021-22 thereby registering an increase by 165.03 *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 2018-19 to 2022-23, revenue receipts grew from ₹ 43,113 crore to ₹ 62,703 crore, with an average annual growth rate of 11 *per cent*. Capital receipts decreased from ₹ 4,524 crore to ₹ 4,509 crore during this period. The share of Grants-in-aid in revenue receipts rose from 13.56 *per cent* in 2018-19 to 23.54 *per cent* in 2022-23, indicating increased reliance on support from the Government of India. The State Government received ₹ 981.79 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 2018-19 and 2022-23, revenue expenditure increased from ₹ 36,852 crore (4.99 *per cent* of GSDP) to ₹ 48,246 crore (4.62 *per cent* of GSDP). It consistently made up a significant portion 81 *per cent* (2022-23) to 87 *per cent* (2018-19) of the total expenditure during this period, growing at an average annual rate of 7.48 *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 the State increased to ₹ 14,457 crore (1.39 *per cent* of GSDP) in the current year from ₹ 6,261 crore (0.85 *per cent* of GSDP) in the year 2018-19. Revenue surplus has to be seen keeping in view of the fact that, unlike other States, pension liability of ₹ 1,867 crore of GNCTD employees was borne by the Government of India during 2022-23. In addition, expenditure of ₹ 11,240 crore of Delhi Police was also borne by Ministry of Home Affairs, Government of India.

The State Government spent ₹ 8,065 crore only on capital account. This was 13.58 *per cent* of the total expenditure in the year 2022-23.

The gap between the total expenditure and total non-debt receipt of the State results in fiscal surplus/deficit. The fiscal surplus of the State increased to ₹ 4,566 crore (0.44 *per cent* of GSDP) in 2022-23 from ₹ 2,237 crore (0.30 *per cent* of GSDP) in 2018-19.

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 2018-19 to 2022-23. The Committed expenditure increased at an average rate of 7.90 *per cent* i.e. from ₹ 13,195.08 crore in 2018-19 to ₹ 17,484.05 crore in 2022-23 {an increase of 8.22 *per cent* over 2021-22 (₹ 16,155.86 crore)}.

In addition to the committed expenditure, inflexible expenditure decreased from 31.22 *per cent* to 30.4 *per cent* of revenue expenditure during 2018-19 to 2022-23, indicating a declining trend. The inflexible expenditure increased from ₹ 12,056.84 crore in 2021-22 to ₹ 14,667.45 crore in 2022-23 registering an increase of 21.65 *per cent*. The average growth of inflexible expenditure during

the period from 2018-19 (₹ 11,505.71 crore) to 2022-23 (₹ 14,667.45 crore) was 5.50 per cent.

Taken together, the committed and inflexible expenditure in 2022-23 was ₹ 32,151.50 crore; 67 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

Within the non-committed expenditure, there is an increasing trend of subsidies, which increased from ₹ 2,533 crore in 2018 -2019 to ₹ 4,633 crore in 2022-23 i.e., from 6.87 per cent of the total revenue expenditure in 2018-19 to 9.60 per cent in 2022-23. Power subsidies constituted a significant portion, ranging from 66.95 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 4.01 per cent annually from 2018-19 to 2022-23. Public debt-GSDP ratio of GNCTD has decreased from 4.44 per cent in 2018-19 to 3.86 per cent in 2022-23, which indicates that debt stabilisation may be possible in near future.

During the years 2021-22 and 2022-23, though the Domar gap (expressed as $g-r$) was positive and its value also increased from the preceding years, the primary balance was not stable displaying inter-year fluctuations till 2022-23. Therefore, the trends of strong economic growth (expressed as $g-r>0$) by only observing the Domar gap in 2021-22 and 2022-23 cannot be conclusively generalised. However, the real growth rate of GSDP (g) and Domar gap ($g-r$) during post Covid-19 year (i.e., 2021-22 and 2022-23) should be read with negative GSDP growth rate during 2020-21 resulting in low base for computation of GSDP growth rates during subsequent years. The entire proportion of public debt receipts was used for repayment for borrowings in the years 2018-19 and 2022-23 whereas during 2019-20 to 2021-22, repayment ranged from 34 per cent to 84 per cent. Thus, it becomes evident that depending solely on economic growth (expressed as $g-r>0$ from 2021-2023) would not suffice to cover the debt obligations of the State.

Budget performance

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 (-) 9.41 per cent. This was due to deviation up to +25 per cent in nine grants, between +25 per cent and +50 per cent in three grants; and between +50 per cent and +100 per cent in one grant. In the Capital section, deviation in outturn compared with BE was (-) 26.07 per cent. This was due to deviation up to +25 per cent in two grants, between +25 per cent and +50 per cent in five grants; and between +50 per cent and + 100 per cent in four grants. No provision was made in respect of four grants of 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 (-) 12.71 per cent. This was due to deviation up to + 25 per cent in nine grants, between + 25 per cent and +50 per cent in three grants and between + 50 per cent and + 100 per cent in one grant. In the Capital section, deviation in outturn compared with SB was (-) 30.08 per cent. This was due to deviation up to + 25 per cent in two grants, between + 25 per cent and + 50 per cent in three grants, between + 50 per cent to + 100 per cent in six grants.

It was noticed that supplementary provisions of ₹ 1,999.30 crore during the year 2022-23 in eight cases (more than ₹ one crore in each case) proved unnecessary, as the expenditure did not come up even to the level of original provisions.

Overall Budget reliability assessment indicates that though the deviations between the actual expenditure and the sanctioned budget was nearly 17.84 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.

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 ₹ 28.80 crore in 11 Personal Deposit Accounts as of 31 March 2023.

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, ₹ 2,673.03 crore (₹ 1,335.36 crore share of the Government of India and ₹ 1,337.67 crore share of the State Government) was transferred to the SNAs during 2022-23. As per data available on PFMS Portal, ₹ 902.89 crore¹ was lying unspent in the bank accounts of SNAs as on 31 March 2023.

Utilisation Certificates against conditional grants

Despite the requirement of submitting Utilisation Certificates (UCs) against conditional grants within a stipulated time period, 1,339 outstanding UCs of ₹ 9,314.85 crore were pending as on 31st March 2023.

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, 4,818 AC bills of ₹ 574.89 crore were pending for submission of DC bills as on 31st March 2023, out of which 4,068 AC Bills amounting to ₹ 283.63 crore pertained to the period upto 2021-22.

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; non-compliance with IGAS-3; have impacted the quality of accounts adversely.

Working of State Public Sector Enterprises

As on 31 March 2023, there were 18 State Public Sector Enterprises (SPSEs) in Delhi, including two Statutory Corporations and 15 Government Companies (including four inactive Government Companies) and one Government Controlled Other Companies under the audit jurisdiction of the Comptroller and Auditor General of India (CAG). Audit noticed that the prescribed timelines

¹ The unspent balance as on 31 March 2023 updated to ₹ 822.93 crore on PFMS portal (29 February 2024).

regarding submission of Financial Statements were not adhered to by 16 SPSEs whose 23 accounts were in arrears. Out of the total profit of ₹ 1,873.65 crore earned by eight working SPSEs, 98.46 *per cent* was contributed by five SPSEs only. Out of total loss of ₹ 8,531.24 crore incurred by nine SPSEs, loss of ₹ 8,498.35 crore (99.61 *per cent*) was contributed by Delhi Transport Corporation alone. During 2022-23, the impact of CAG's comments on the financial statements of the SPSEs amounted to ₹ 180.76 crore on profitability as well as on assets/liabilities.

The State Government may impress upon the managements of SPSEs to ensure timely submission of their financial statements. In the absence of finalised accounts, Government investments in such SPSEs remain outside the oversight of the State Legislature. State Government may analyse the reasons for losses in those SPSEs whose net worth had been fully eroded and take decision about continuance of operation of these SPSEs.
