

Contents

Para	Sub Para	Description	Page No.
		Preface	v
		Executive Summary	vii
Chapter 1: Introduction			
1.1		Background	1
1.2		Amendments in FRBM Act	1
1.3		FRBM Review Committee	3
1.4		Review of compliance of provisions of FRBM Act by the Comptroller and Auditor General of India (CAG)	5
1.5		Structure of the Report	5
Chapter 2: Deviation in performance from the Act and Rules			
2.1		Non-adherence to annual reduction targets	7
2.2		Deferment of target without corresponding amendment in the Act	8
2.3		Inconsistent format for disclosing liability on annuity projects	10
		Conclusion	11
Chapter 3: Progress in achievement of FRBM targets			
3.1		Revenue Deficit	12
	3.1.1	Revenue Deficit target	12
	3.1.2	Revenue Deficit in financial year 2015-16	12
	3.1.3	Trend of Revenue Deficit	13
3.2		Fiscal Deficit	14
	3.2.1	Fiscal Deficit target	14
	3.2.2	Fiscal Deficit in financial year 2015-16	14
	3.2.3	Trend of Fiscal Deficit	15
3.3		Revenue Deficit as a component of Fiscal Deficit	15
3.4		Effective Revenue Deficit	16
	3.4.1	Effective Revenue Deficit target	16
	3.4.2	Effective Revenue Deficit in financial year 2015-16	16
	3.4.2.1	Alteration in previous year's Budget provision	17
	3.4.3	Trend of Effective Revenue Deficit	18
	3.4.4	Inconsistency in estimation of effective revenue deficit	18

	3.4.4.1	Computation error in expenditure provision of grants for creation of capital assets	19
	3.4.4.2	Deficiency in estimation of grants for creation of capital assets	19
	3.4.4.3	Incorrect expenditure on grants for creation of capital assets	20
	3.4.5	Expenditure on grants for creation of capital assets	20
3.5		Liability of the Government	21
	3.5.1	Liability target	22
	3.5.2	Understatement of liability	23
	3.5.3	Debt Sustainability	24
3.6		Guarantees	27
	3.6.1	Guarantees target	27
	3.6.2	Trend of additions in Guarantees	27
		Conclusion	28
Chapter 4: Analysis of components of receipts and expenditure			
4.1		Macro-economic indicators	29
4.2		Analysis of receipts and expenditure and their components	30
	4.2.1	Trends of Major Revenue Expenditure	31
	4.2.2	Transfer of surplus from Reserve Bank of India	32
4.3		Transactions affecting the computation of deficit indicators	33
	4.3.1	Understatement of Revenue Deficit due to misclassification of expenditure	34
	4.3.2	Short/non transfer of levies/cess to earmarked funds	34
	4.3.3	Non recognition of losses under NSSF in CFI	35
	4.3.4	Unpaid expenditure on subsidies	36
	4.3.5	Short devolution out of net proceeds to States	37
4.4		Expenditure on procurement/maintenance treated as expenditure on grants for creation of capital assets	38
4.5		Grants for creation of capital assets to Special Purpose Vehicle	40
		Conclusion	41
Chapter 5: Analysis of projections in fiscal policy statements			
5.1		Projections in Mid Term Fiscal Policy Statement	42
	5.1.1	Gross Tax Revenue projection	42
	5.1.2	Total Outstanding Liability projection	43
	5.1.3	Disinvestment projection	43

5.2		Projections in Medium Term Expenditure Framework Statement	44
		Conclusion	46
Chapter 6: Disclosure and Transparency in fiscal operations			
6.1		Transparency in Government Accounts	47
	6.1.1	Variation in deficits figures	47
	6.1.2	Variation in expenditure on grants for creation of capital assets	49
	6.1.3	Variation in the amount of liabilities	50
6.2		Lack of transparency in Direct tax receipt figure	50
6.3		Transparency in disclosure statements mandated under FRBM Act	51
	6.3.1	Inconsistency in disclosure of arrears of Non-Tax Revenue	52
	6.3.2	Incorrect information of coal levy in arrears	52
	6.3.3	Variation in disclosure of details in asset register	53
	6.3.3.1	Inconsistency in figures of loans to Foreign Governments	53
	6.3.3.2	Variation in figures of closing and opening balances of assets	54
		Conclusion	55
		Annexures	57 – 64
		Glossary	65 – 66

