Chapter 4: Analysis of components of receipts and expenditure

Tax and non-tax revenue, receipts from disinvestments, recovery of loans, expenditure in the nature of revenue, capital and loans & advances are critical component of receipts and expenditure affecting the achievement of fiscal targets. This chapter presents the macro-economic position of some selected parameters, besides analysing components of receipts and expenditure having a bearing on the computation of prescribed deficit indicators of the Government.

4.1 Macro-economic indicators

Macro-economic indicators are statistics that indicate the current status of the economy. Position of some of the macro-economic indicators during the period 2011-12 to 2015-16 is presented in **Table-4.1** below:

Table 4.1: Macro-economic indicators: 2011-12 to 2015-16

Indicators	2011-12	2012-13	2013-14	2014-15	2015-16
GDP - at constant prices (₹ in crore)	87,36,329 --	92,13,017 *(5.5)*	98,01,370 *(6.4)*	1,05,36,984 *(7.5)*	1,13,81,002 *(8.0)*
GDP - at current prices (₹ in crore)	87,36,329 --	99,44,013 *(13.8)*	1,12,33,522 *(13.0)*	1,24,45,128 *(10.8)*	1,36,82,035 *(9.9)*
Gross Financial Savings (percentage of GDP)	10.7	10.7	10.6	10.3	11.1
Index of Industrial Production (Base year 2011-12=100)	100.0	103.3	106.8	111.1	114.9
Wholesale Price Index (Base year 2011-12=100)	100.0	106.9	112.5	113.9	109.7
Consumer Price Index (Base year 2012=100)	93.3	102.7	112.3	118.9	124.7
Money Supply (M3) (In billion ₹)	69,688	79,089	89,822	1,00,518	1,11,296
Export (in US $ billion)	305.96	300.40	314.41	310.35	262.00
Import (in US $ billion)	489.32	490.74	450.21	448.03	380.36
Trade Balance (in US $ billion)	-183.36	-190.34	-135.80	-137.68	-118.36
Foreign Exchange Reserve at the end of March (in US $ billion)	294.4	292.0	304.2	341.6	360.2
Current Account Balance (in US $ billion)	-78.2	-88.2	-32.4	-26.9	-22.2
GDP figures are as per Press Note dated 31 May 2017 released by the Central Statistics Office, Ministry of Statistics and Programme Implementation. The new series (2011-12) GDP figures have been revised by using new series of Index of Industrial Production (IIP) and Wholesale Price Index (WPI) with base year 2011-12. The new series of IIP and WPI with base 2011-12 was released on 12 May 2017 by CSO and office of Economic Advisor, Department of Industrial Policy and Promotion, Ministry of Commerce and Industry.					

Source: Reserve Bank of India in respect of Money Supply, Trade Balance, Foreign Exchange Reserve and Current Account Balance; Ministry of Commerce and Industry in respect of Gross Financial Savings.

Note: Figures in parenthesis represents percentage change of GDP over previous year.

As seen from the **Table 4.1**, against the growth rate of 7.5 *per cent* in 2014-15, growth of GDP at constant price was 8.0 *per cent* during 2015-16. However, GDP at current prices declined from 10.8 to 9.9 *per cent* over the same period. The Wholesale Price Index also declined during the same period. Trade deficit improved to US $ 118.36 billion in 2015-16 over the previous year of US $ 137.68 billion. Further, during 2015-16, growth rate of gross financial savings had also shown improvement.

4.2 Analysis of receipts and expenditure and their components

An analysis of some major components of receipts and expenditure during the period 2011-12 to 2015-16 is given in **Table 4.2** below:

Table 4.2: Analysis of receipts and expenditure

(₹ in crore)

Component	2011-12	2012-13	2013-14	2014-15	2015-16
Revenue Receipts (A)	**9,10,277**	**10,55,891**	**12,17,794**	**13,28,909**	**14,36,160**
Tax Revenue	6,33,704 (69.6)	7,44,914 (70.6)	8,20,766 (67.4)	9,07,327 (68.3)	9,49,698 (66.1)
Non-Tax Revenue (including grants in aid)	2,76,573 (30.4)	3,10,977 (29.4)	3,97,028 (32.6)	4,21,582 (31.7)	4,86,462 (33.9)
of which					
Interest Receipt	40,054 (4.4)	38,860 (3.7)	44,027 (3.6)	48,007 (3.6)	46,325 (3.2)
Dividends & Profits	50,609 (5.6)	53,762 (5.1)	90,442 (7.4)	89,861 (6.8)	1,12,136 (7.8)
Capital Account Receipts					
Misc. Capital Receipts	18,088	25,889	29,368	37,740	42,132
Loans and Advances (Recovery)	36,818	26,624	24,549	26,547	41,878
Revenue Expenditure (B)	**13,05,195**	**14,20,473**	**15,75,097**	**16,95,137**	**17,79,529**
of which					
Interest Payment	2,86,982 (22.0)	3,30,171 (23.2)	3,95,200 (25.1)	4,25,098 (25.1)	4,57,270 (25.7)
Pensions	64,665 (5.0)	73,447 (5.2)	79,339 (5.0)	98,645 (5.8)	1,02,179 (5.7)
Subsidy	2,17,902 (16.7)	2,57,179 (18.1)	2,54,745 (16.2)	2,58,299 (15.2)	2,58,471 (14.5)
Capital Account Expenditure					
Capital Expenditure	1,39,465	1,50,382	1,68,844	1,72,085	2,78,866
Loans and Advances (Payment)	38,404	32,063	31,000	41,922	47,272
Revenue Deficit (B-A)	**3,94,918**	**3,64,582**	**3,57,303**	**3,66,228**	**3,43,369**

Source: Union Government Finance Accounts.
Note: 1. Figure in parenthesis in respect of components are as percentage of revenue receipts/expenditure.
2. Expenditure on Pensions includes Civil, Defence and Posts.

Table 4.2 indicates declining share of tax revenue in revenue receipts and increasing share of non-tax revenue. One of the reason for increase in non-tax revenue was jump in receipts from dividends and profits, share of which in revenue receipts increased from 5.6 *per cent* in 2011-12 to 7.8 *per cent* in 2015-16. On revenue expenditure side, the interest payment component has dominance, as its share has increased from 22.0 *per cent* in 2011-12 to 25.7 *per cent* in 2015-16. During 2015-16, expenditure on account of three components, *viz.* interest payments, subsidies and pension alone constituted 45.9 *per cent* of revenue expenditure. Thus any assessment of sustainability relating to balance between revenue receipt and revenue expenditure has to take into account a large part of expenditure, which is of the nature of committed expenditure, only with some scope available for management of expenditure on subsidy.

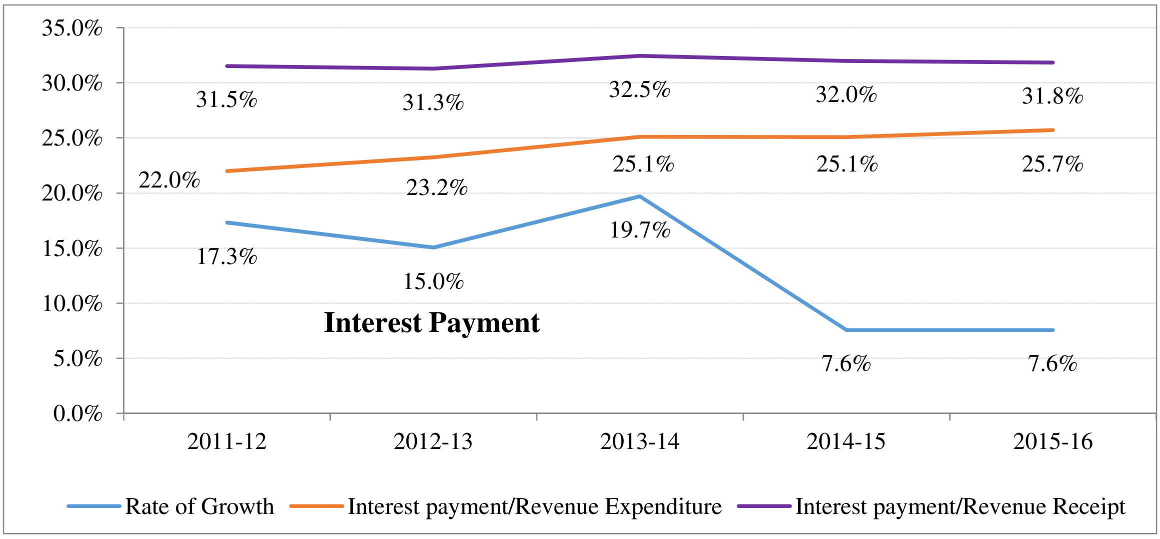
Ministry stated (June 2017) that audit observation is informative and factual in nature. It however added that information in respect of tax, non-tax, expenditure, interest payments etc. does not match with the information in the account at a glance of the CGA for respective years.

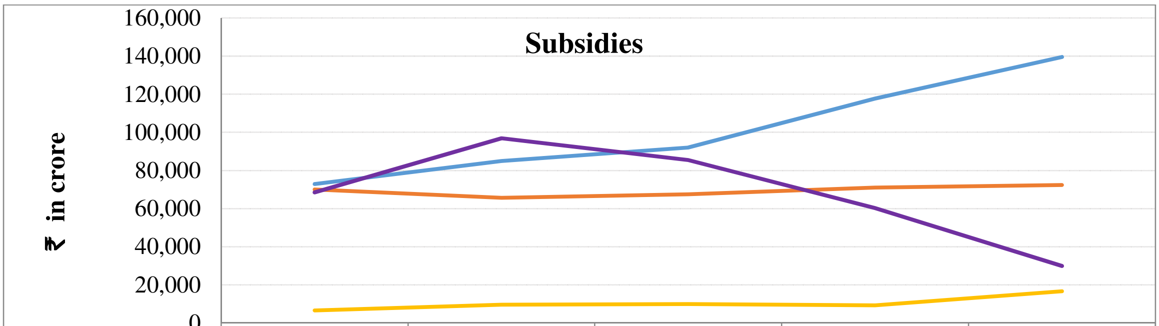
The data of various components included in **Table 4.2** by Audit have been taken from Union Government Finance Accounts of the respective years.

4.2.1 Trends of Major Revenue Expenditure

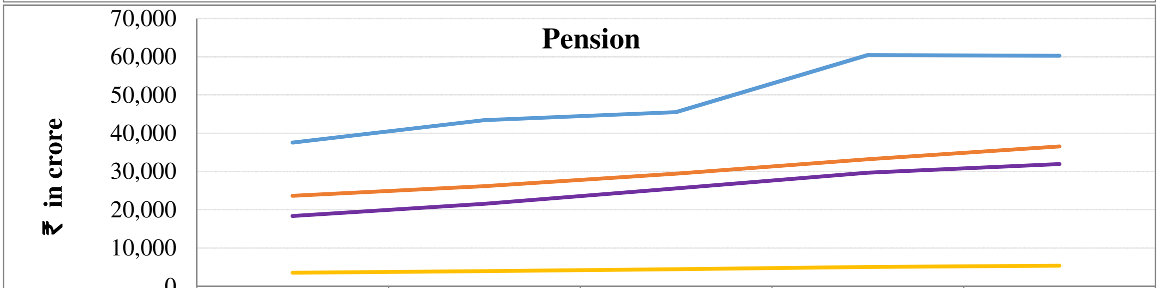
Graph 4.1 presents analysis of trends of interest payments, subsidies and pension expenditure of the Union Government. Graphical presentation of expenditure on pensions include pension expenditure incurred by Civil, Defence, Railways and Posts. The pension expenditure of Railways are financed through Pensions Funds created in Public Account, and not charged to Consolidated Fund of India. The Railway Pensions Funds in Public Account is credited with revenues generated by Railways.

Graph 4.1: Trend analysis of Interest Payments, Subsidies and Pension





	2011-12	2012-13	2013-14	2014-15	2015-16
Food	72,822	85,000	92,000	117,671	139,419
Fertilizers	70,032	65,708	67,465	71,090	72,416
Petroleum	68,481	96,880	85,378	60,269	29,999
Others	6,567	9,591	9,902	9,269	16,637



	2011-12	2012-13	2013-14	2014-15	2015-16
Defence	37,569	43,368	45,499	60,450	60,238
Civil	23,597	26,111	29,397	33,161	36,533
Railway	18,328	21,560	25,531	29,637	31,929
Posts	3,499	3,968	4,443	5,034	5,408

Source: Union Government Finance Accounts and CAG's Report No. 34 of 2016.

In respect of pension payments, the Defence pension witnessed an increase by 32 *per cent* in 2015-16 over 2013-14, while pension payment on account of Civil, Posts and Railways had moderate growth in the five years period.

4.2.2 Transfer of surplus from Reserve Bank of India

Table 4.2 above reveals that in 2015-16 a receipt of ₹ 1,12,136 crore came from Dividends and Profits, which was 7.8 *per cent* of the revenue receipts. Out of total dividends and profits, about 59 *per cent* amounting to ₹ 65,896 crore came in the form of share of surplus profits from the Reserve Bank of India (RBI). **Table 4.3** below presents an analysis of income and expenditure of RBI and amount of surplus transferred during the period 2011-16 to the Government.

Table-4.3: Surplus transferred by Reserve Bank of India

(₹ in crore)

Description		Year ended on 30 June of				
		2012	2013	2014	2015	2016
(A)	Gross Income	53,176	74,358	64,617	79,256	80,870
(B)	Transfer to Contingency Fund and Asset Development Fund	27,025	28,794	-	-	-
(C)	Net Income	26,151	45,564	64,617	79,256	80,870
(D)	Expenditure	10,137	12,549	11,934	13,356	14,990
(E)	Surplus transferred to Government	16,010	33,010	52,679	65,896	65,876
	Financial Year in which receipt of surplus from RBI recorded in Union Government Finance Accounts	2012-13	2013-14	2014-15	2015-16	2016-17
	Surplus transferred to Government as percentage of Gross Income (E/A)	30.1	44.4	81.5	83.1	81.5
(F)	RBI surplus as percentage of actual revenue receipt of Union Government	1.5	2.7	4.0	4.6	---

Source: Annual Reports of RBI.

Note: The Government Accounts recognise receipts of the RBI's surplus transfer only in the next financial year of the Government, which is different from the financial year of the RBI. Thus, RBI surplus of ₹ 65,876 crore declared for the year ended 30 June 2016 will be reflected in government accounts of financial year 2016-17.

Table-4.3 shows that the net income of RBI increased by 209 *per cent* in 2016 over 2012, however, the transfer of surplus profit to Government increased by 311 *per cent* over the same period.

During financial year 2012-13, surplus from RBI constituted 1.5 *per cent* of revenue receipt of the Union Government, which increased to 4.6 *per cent* in financial year 2015-16.

Ministry stated (June 2017) that observation was referred to RBI for its comments/reply. Ministry, however, stated that para had no direct linkage with the FRBM and hence may be removed.

The audit observation needs to be seen in the context that the increased transfer of surplus from RBI had helped to improve the finances of the Government.

4.3 Transactions affecting the computation of deficit indicators

During the course of audit of accounts for financial year 2015-16 of the Union Government, it was noticed that certain transactions and financial eventualities, such as misclassification of expenditure, short transfer of levies/cess to the designated funds, non-recognition of losses in the operation of National Small Savings Fund (NSSF) and unpaid expenditure on subsidies, had affected or had the bearing to affect the computation of prescribed deficit indicators set out in the Act and the Rules made thereunder. These transactions are discussed in succeeding paras.

4.3.1 Understatement of Revenue Deficit due to misclassification of expenditure

During the audit of Union Government Accounts for financial year 2015-16, a number of instances of misclassification of expenditure of revenue nature as capital expenditure and vice versa were noticed. These instances were reported in Para 4.4 of CAG's Report No. 34 of 2016 on the accounts for 2015-16 of the Union Government. Obtaining budget provisions under incorrect head of accounts, and subsequent booking of expenditure there against resulted in instances of misclassifications in the accounts. The capital expenditure of the Union Government in financial year 2015-16 was overstated by ₹ 1,928.24 crore and understated by ₹ 345.46 crore due to misclassification, leading to net overstatement of capital expenditure by ₹ 1,582.78 crore, as detailed in **Annexure-4.1**. Due to overstatement of capital expenditure by ₹ 1,582.78 crore, revenue deficit in financial year 2015-16 was understated by an equivalent amount.

Ministry stated (June 2017) that the matter was taken up with the office of CGA which commented that, the booking by the Ministries is based on the provisioning made under the relevant heads in Detailed Demands for Grants. Ministry further added that the issues pointed out are basically about classification errors which is minimal keeping in view the overall budget size. The observations are, however, noted and instructions in this regard have already been issued.

4.3.2 Short/non transfer of levies/cess to earmarked funds

Cesses are statutory levies whose proceeds are earmarked for utilisation towards specific purposes. A number of cess/levy initially collected in the Consolidated Fund of India are transferred to designated Funds specifically created for the purpose in the Public Account. In Para No. 2.3 of CAG's Report No. 34 of 2016 on the accounts for financial year 2015-16 of the Union Government, non-transfer of ₹ 20,910.61 crore, collected under different categories of levies and cess forming part of tax/non-tax revenue, to the funds earmarked for the purpose had been reported. Details of such cess/levy collected and not transferred to designated funds in the Public Account by the Government is at **Annexure- 4.2**. However, the Government did not transfer the entire levy/cess collected to the designated funds. Further, there is no disclosure in the annual accounts or in the Budget documents with regard to the actual utilisation of cess collected for the intended purpose and unutilised balances. Short transfer of levies/cess of ₹ 20,910.61 crore during financial year 2015-16 led to understatement of revenue/fiscal deficit by equivalent amount.

Ministry accepted (June 2017) that in certain cases there were short transfers of amounts realized through levy of cess to dedicated funds kept in the Public Account. It, however, stated that while rationally applying scarce resources, the capacity of the Ministry/Department or the progress of the Scheme/Programme is also required to be taken into account.

Ministry further added that larger transfers to Public Account (with no corresponding expenditure) would restrict the room for the expenditure on desirable schemes/programmes. Audit's view on short transfers of cess collections to dedicated reserve funds as being an attempt by the Government to achieve its fiscal discipline enumerated under FRBM Act, is incorrect. However, Government is making efforts to provide maximum funds from the tax related cesses for earmarked activities, and the gap is expected to be closed in the coming budget.

Reply of the Ministry does not address the underlying theme for levying the cess. The levy/cess collected by the Government were for specific purpose and to provide the intended service in return of the cess/levy charged. Hence, the Government has a specific responsibility and liability as well for providing the service. Till the cess/levy is not spent on the objectives for which they were levied, the unspent collections of cess/levy need to be transparently reflected in the accounts of the Union Government.

Recommendation *: The Government may transfer specific purpose levies/cess collected to the designated funds.*

4.3.3 Non recognition of losses under NSSF in CFI

NSSF was created in Public Account in April 1999 with the Central Government taking on the responsibility of servicing the small savings deposits. The fund receives money from subscribers of various small saving schemes, and invests the balance available with it in Central and State Government Securities. Before the NSSF was constituted, the small savings receipts mobilised by the Union Government and on-lent to the States were treated as capital expenditure of the Union Government and, accordingly, calculated in its gross fiscal deficit. Shortfall in returns from loans given out of small savings proceeds and the interest paid on small savings were accounted for under CFI and hence calculated under its revenue deficit. After the constitution of the NSSF, however, the income/deficit of NSSF is not being reflected as part of the Union Government's revenue deficit. In this context, the 14th FC had observed that the off-budget nature of NSSF operations renders them outside the regulatory framework of the FRBM Act, raising concerns of fiscal transparency and comprehensiveness.

At the end of financial year 2015-16, total accumulated deficit in the operation of NSSF was ₹ 1,04,217 crore. During the year 2015-16, the operational loss in NSSF was ₹ 13,509 crore. These deficits are in the nature of loss to the Government which will have to be borne on revenue account, whenever the liabilities under NSSF are fully and finally repaid. By keeping the annual loss in the operation of NSSF under Public Account, the deficit figure for the relevant year are not reflected fairly.

Ministry stated (June 2017) that the entire operation of NSSF is operated in Public Account. Revenue and Fiscal Deficit is calculated with reference to CFI. The deficit or loss in NSSF cannot be added to revenue or fiscal deficit of the Government and the observation was selective and in isolation. Ministry also added that the accumulated deficit of NSSF was recognized and shown as part of total liability of Central Government. Ministry further added that following the 'pay as you go' principle, there was no immediate need to provide budgetary allocations to fund the losses under NSSF. NSSF being the Government operations, any shortfall in discharging the liabilities will need to be made by Government.

The reply of the Ministry needs to be seen in view of its reply furnished previously on similar issues reported in previous FRBM Report (27 of 2016). Previously the Ministry accepted (June 2016) that administrative intervention is required for making good the accumulated losses which had occurred in NSSF. At that time Ministry had also admitted that if administrative decision was taken to make good the progressive deficit in operation of NSSF that required to be provided in CFI which would have an adverse impact on revenue and fiscal deficits.

The reply of the Ministry also does not take into account the Cabinet decision of 18 January 2017 wherein States/UTs (with legislature) except Arunachal Pradesh, Kerala, Madhya Pradesh and Delhi have been excluded from investments out of NSSF collections.

***Recommendation** : A mechanism for recognising the result of annual operation of NSSF and its impact on the Government finances may be put in place.*

4.3.4 Unpaid expenditure on Subsidies

In Para 1.3.2.2 of CAG's Report No. 34 of 2016 on the accounts for financial year 2015-16 of the Union Government, a mention was made with regard to unpaid subsidy claims with the Government amounting to ₹ 1,62,530 crore (claims including past years unpaid bills, but excluding last quarter bills for financial year 2015-16 remaining unpaid) pertaining to fertilizer, food and petroleum subsidies[11]. Of the unpaid subsidy claims amounting to ₹ 1,62,530 crore, claims related only to Food Corporation of India amounts to ₹ 1,45,637 crore.

Ministry stated (June 2017) that Government as a going concern makes payment for the arrears of the past and defers payment to next financial year on account of various reasons such as non-finalization of accounts by PSUs etc. Ministry further stated that arrears of food subsidy is made only after audit of accounts is completed or Oil Marketing Companies being paid for last quarter of a financial year after audit of financial results, in the first quarter of next financial year. Ministry also added that accounts of the Governments are prepared on cash basis and under this system, expenditure and deficit get impacted at the time/year of discharge of liabilities. Ministry further added that in the present system, there is no mechanism of adding to expenditure/deficit (in the year liabilities is taken) and reducing the same in the year of discharge.

Though the accounts of the Government are prepared on cash basis, yet the deferment of liabilities to subsequent year cyclically has a bearing on computation of fiscal indicators. The practice of deferring committed liability on the ground that accounts are prepared on cash basis, while serving as an instrument to contain the current level of deficit, may not ensure inter-generational equity in fiscal management as envisaged in the Act.

4.3.5 Short devolution out of net proceeds to States

In terms of Article 279 of the Constitution, the Comptroller and Auditor General of India (CAG) is required to ascertain and certify the 'net proceeds' (any tax or duty the proceeds thereof reduced by the cost of collection), whose certificate shall be final.

In financial year 2015-16, the gross collection of taxes and duties divisible between Union and States ascertained by the CAG was ₹ 14,52,113.43 crore. Out of gross collection, the 'net proceeds' to be divisible between Union and States was ₹ 12,64,607.75 crore. In terms of the accepted recommendation of the 14th Finance Commission, 42 *per cent* of the divisible pool works out at ₹ 5,31,135.26 crore. However, an amount of ₹ 5,06,192.96 crore was shown as devolution to the States in financial year 2015-16 out of divisible pool. Thus, there was short devolution of net proceeds of ₹ 24,942.30 crore, which had the bearing on computation of deficits during the year.

11 Fertilizers and Chemicals Travancore Ltd. (₹ 197.88 crore); National Fertilizers Ltd. (₹ 4,031.85 crore); Rashtriya Chemical & Fertilizers Ltd. (₹ 2,945.78 crore); Food Corporation of India (₹ 1,45,636.75 crore) and Petroleum Subsidies (₹ 9,717.24 crore).

Ministry stated (June 2017) that office of CAG is required to certify the 'net proceeds' for each year and the figures of 'net proceeds' calculated by the CAG are at variance with that of the Budget Division. Ministry further added that accuracy of the figures intimated by the CAG are required to be ascertained/ reconciled with that of Budget Division, Department of Economic Affairs as the calculations for State share of Central Taxes and Duties are based on set practices and norms which have been meticulously followed year after year.

The draft calculation of computation of net proceeds of taxes and duties for the year 2015-16 was made available well in advance to the Department of Economic Affairs, Ministry of Finance in December 2016. Subsequently, the certificate of CAG, which is final in terms of Article 279 of the Constitution was issued to the Ministry in March 2017. Ministry may institute appropriate mechanism in-house to reconcile the figure of net proceeds for a year when the draft computation is made available to them and communicate their acceptance or otherwise timely to the office of the CAG.

4.4 Expenditure on procurement/maintenance treated as expenditure on grants for creation of capital assets

Section 2(bb) of FRBM Act as amended in 2012 stipulates that 'grants for creation of capital assets' means the grants in aid given by the Central Government to the State Governments, constitutional authorities or bodies, autonomous bodies, local bodies and other scheme implementing agencies for creation of capital assets which are owned by the said entities.

In 2015-16, an expenditure of ₹ 1,31,754 crore was incurred on grants for creation of capital assets by Ministries/Departments on various schemes/programmes, as reflected in Annex-6 of Expenditure Budget, Volume-I. The Government has not laid down any criteria/guidelines to decide which expenditure to be incurred by the grantee organisation will fall under the category 'capital creation'. In absence of any guidelines, expenditure incurred on procurement and maintenance under some schemes are also been classified as grants for creation of capital assets. Even in the case of expenditure resulting into creation of assets under some schemes, the ownership of the assets so created rests with the beneficiaries of the scheme and not with the grantee organisation, as required in Section 2(bb) of the FRBM Act.

In succeeding paras, audit observations relating to some expenditure, which do not qualify to be classified as grants for creation of capital assets have been discussed.

a) In two schemes, *viz.* Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) and Members of Parliament Local Area Development (MPLAD), some part of expenditure incurred were either in the nature of maintenance of existing assets or procurement not resulting in creation of capital assets but they were classified as expenditure on grants for creation of capital assets. Details of such components of work are mentioned in **Box-4.1** below:

Box-4.1: Works not resulting in creation of capital assets

Schemes	Components of work not resulting in creation of capital assets
MGNREGS	• Drought proofing, including afforestation and tree plantation • Plantation, horticulture, land development • Renovation of traditional water bodies, including de-silting of tanks • Maintenance of assets created under the Scheme
MPLAD	• Purchase of books for school, college and public library • Purchase of tricycles and wheelchair (manual/battery operated) • Purchase of artificial limbs for differently-abled persons • Expenditure on purchase of software and imparting of training for the purpose • Purchase of mobile library and furniture

Since expenditure on above categories relates to maintenance of existing assets or procurement not resulting in creation of capital assets, their classification as grants for creation of capital assets was not in order. In the absence of itemised expenditure incurred on above mentioned components of work in the schemes, Audit could not quantify the amount of overstatement of expenditure on grants for creation of capital assets[12].

b) Indira Awas Yojana[13] (IAY), is a scheme implemented by Ministry of Rural Development, providing assistance to Below Poverty Line families for constructing a safe and durable shelter, who are either houseless or having inadequate housing facilities. During financial year 2015-16, expenditure of ₹ 10,110.23 crore was incurred by the Ministry on the IAY scheme and categorised as grants for creation of capital assets. Under this scheme, the grants are released by the Ministry to State Governments, which in turn release grants/assistance to the beneficiaries under the scheme.

As the funds under the scheme were utilised for providing housing facilities which are owned by the beneficiaries and not owned by the grantee entities/organisations, categorising expenditure on IAY as grant for creation of capital assets was incorrect.

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[12] Total expenditure incurred as grants for creation of capital assets under MGNREGS and MPLAD was ₹ 36,644.81 crore and ₹ 3,502 crore respectively.

[13] IAY was subsumed in the Scheme Pradhan Mantri Awas Yojana from financial year 2016-17.

4.5 Grants for creation of capital assets to Special Purpose Vehicle

Goods and Services Tax Network (GSTN), a Special Purpose Vehicle (SPV), was created by the Government in April 2012 to create enabling environment for smooth introduction of Goods and Services Tax and to provide IT infrastructure and services to various stakeholders including the Centre and the States. GSTN was registered as a non-government, not-for-profit, private limited company under Companies Act having Central and State Government combined holding on 49 *per cent* of equity and 51 *per cent* of equity with private institutions[14]. During financial year 2015-16, Union Government provided grants amounting to ₹ 110.93 crore to GSTN and classified the same as grants for creation of capital assets.

Section 2(bb) of FRBM Act as amended from time to time provides that the capital assets so created from the grants for creation of capital assets should be owned by the entities. Since Union Government's ownership in the GSTN is only 24.5 *per cent,* assets created from the grants were not wholly owned by the Government. As such, grants amounting to ₹ 110.93 crore given during financial year 2015-16 was inconsistent with the definition of ownership of assets provided under the Act.

In respect of Paras 4.4 and 4.5, Ministry stated (June 2017) that definition of grants for capital assets is provided under Section 2(bb) of FRBM Act as amended in 2012. Ministry further added that information provided in the Budget Statement on grants-in-aid for creation of capital assets was based on the inputs/information provided by various Ministries/Departments and Budget Division has no means to verify the authenticity of the information provided by the Ministries/Departments independently. Ministry intimated that efforts were being made to rectify the errors/ inconsistency.

The Ministry's reply does not address the audit concern on the ownership of assets and nature of expenditure to be classified as grants for creation of capital assets. Due to absence of defined criteria for classification of expenditure in respect of 'grants for creation of capital assets' there exists inconsistent and varying practices in the treatment of such expenditure.

***Recommendation** : Criteria for classification of expenditure as grants for creation of capital assets may be prescribed for appropriate compliance by the Ministry/Department. Assets created out of such grants but not owned by the grantee organization may be excluded from categorizing as grants for creation of capital assets.*

[14] 51 *per cent* of the equity holding of GSTN was with HDFC (10 *per cent*), HDFC Bank (10 *per cent*), ICICI Bank (10 *per cent*), NSE Strategic Investment Co. (10 *per cent*) and LIC Housing Finance Ltd. (11 *per cent*).

Conclusion

In financial year 2015-16, certain illustrative transactions relating to misclassification of expenditure, short transfer of levies/cess to the designated funds, non-recognition of losses in the operation of NSSF, short assignment of net proceeds of taxes to States and unpaid expenditure on subsidies were noticed. These transactions had affected or had the bearing to affect the computation of prescribed deficit indicators set out in the Act and the Rules made thereunder. Certain expenditure of the Government was incorrectly classified as grants for creation of capital assets.