

**HUNDRED AND FIFTH REPORT
PUBLIC ACCOUNTS COMMITTEE
(1995-96)**

(TENTH LOK SABHA)

FOLLOW UP ON AUDIT REPORTS

**MINISTRY OF FINANCE
(DEPARTMENT OF EXPENDITURE)**



सत्यमेव जयते

*Presented to Lok Sabha on 17.8.1995
Laid in Rajya Sabha on 17.8.1995*

**LOK SABHA SECRETARIAT
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Corrigenda to the 106th Report of PAC (10th Lok Sabha)

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PART II *

Minutes of the sittings of Public Accounts Committee (1995-96) held on 20.6.1995 and 2.8.1995.

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**COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE
(1995-96)**

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Shri Ram Naik

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Rajya Sabha

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2. **Shri G.C. Malhotra** — *Joint Secretary*
3. **Smt. P.K. Sandhu** — *Director*
4. **Shri P. Sreedharan** — *Under Secretary*
5. **Shri Rajeev Sharma** — *Assistant Director*

INTRODUCTION

1. the Chairman of the Public Accounts Committee, as authorised by the Committee, do present on their behalf this Hundred and Fifth Report on Paragraph 11.3 of the Report of the C&AG of India for the year ended 31 March, 1994, No. 1 of 1995, Union Government (Civil) (clubbed with other similar paragraphs contained in C&AG's Report Nos. 5, 7 and 10 of 1995) relating to Follow up on Audit Reports.

2. The Report of the C&AG of India for the year ended 31 March, 1994, No. 1 of 1995, Union Government (Civil) was laid on the Table of the House on 3 May, 1995.

3. This Report reveals that there had been inordinate delays and persisting failures on the part of a large number of Ministries in reporting to the Committee the remedial/corrective action taken on audit paragraphs in accordance with the directions of the Committee issued in April 1982. Keeping in view the fact that the mechanism for obtaining remedial/corrective Action Taken Notes on all the paragraphs included in various Audit Reports was evolved by the Committee for ensuring accountability of the Executive towards Parliament, the Committee have considered it unfortunate that the several Ministries failed to furnish the remedial/corrective Action Taken Notes to the Committee on a large number of paragraphs even 6-7 years after the relevant audit reports were laid on the Table of the House. The Committee have concluded that this poor spectacle of state of affairs has not only exposed inadequacies in the existing institutional arrangements in the Ministries for watching progress of finalisation of notes indicating remedial/corrective action taken on audit paragraphs relating to them but also negated the very object of ensuring timely and effective Parliamentary control over the Government's financial activities and all executive actions relating thereto.

4. Expressing their concern over the manner in which the Ministry of Finance (Department of Expenditure) acting as the nodal agency had not only failed to discharge the functions assigned to them for coordination and collection of remedial/corrective Action Taken Notes but also allowed themselves to be reduced to a mere post office transmitting the Action Taken Notes received in the Monitoring Cell to them, the Committee have observed that the results of Audit of Government's financial transactions would be largely in vain and the enforcement of accountability of the executive in respect of all the issues dealt with in audit reports would remain a distant goal unless the Ministry of Finance (Department of Expenditure) devised an adequate machinery in the Monitoring Cell to ensure timely submission of the Action Taken Notes. The Committee have therefore, desired the Department of Expenditure to take urgent steps to

revamp the system in the Monitoring Cell so that this Cell could play an effective and purposeful role atleast in the future. They have also desired the Monitoring Cell to make special efforts to ensure that conclusive remedial/corrective Action Taken Notes duly vetted by Audit on all the outstanding Audit paragraphs included in the Audit Report upto the period ended 31 March, 1993 are obtained from the Ministries concerned and made available to the Committee within three months from the date of presentation of this Report.

5. Based on their examination of the illustrative cases of heavy pendency of remedial/corrective Action Taken Notes in the Ministries of Commerce, Information and Broadcasting, Urban Development and Railways, the Committee have concluded that the state of affairs prevailing in those Ministries indicated nothing but the callous attitude of the Ministries in evolving a sound system to review the position of the audit paragraphs on which remedial/corrective Action Taken Notes were to be finalised and submitted by them to the Committee within a prescribed time frame. The Committee have, therefore, emphasised the need for thorough overhaul of the systems prevalent in the various Ministries/Departments for monitoring progress of finalisation of remedial/corrective Action Taken Notes and their timely submission to the Committee. They have desired all Ministries/Departments to tone up their administration and evolve effective machinery with a view to ensuring timely submission of the remedial/corrective Action Taken Notes to the Committee. They have further, desired that in future the vetted remedial/corrective action taken on all Audit Paragraphs included in various reports of the C&AG laid on the Table of the House be furnished to them through Monitoring Cell within a period of three months from the date when the selection of subjects by the Committee for a particular year is communicated to the Ministries/Departments.

6. The Audit Paragraphs were examined by the Public Accounts Committee (1995-96) at their sitting held on 20 June, 1995. The Committee considered and finalised this Report at their sitting held on 2 August, 1995. Minutes of the sittings form Part II* of the Report.

7. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix IV to the Report.

8. The Committee would like to express their thanks to the Officers of the Ministries of Finance (Department of Expenditure); Commerce; Information & Broadcasting; Urban Affairs & Employment and Railways for the cooperation extended to them in giving information to the Committee.

* Not printed. One cyclostyled copy laid on the Table of the House and 5 copies placed in Parliament Library.

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9. The Committee also place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

NEW DELHI;
7 August, 1995

16 Sravana, 1917 (Saka)

RAM NAIK,
Chairman,
Public Accounts Committee.

REPORT

FOLLOW UP ON AUDIT REPORTS

I. *Introductory*

The Finance Accounts and the Appropriation Accounts of the Union Government for a particular financial year as well as various transactions in those accounts are audited by the Comptroller and Auditor General of India (C&AG) in accordance with the C&AG's (Duties, Powers and Conditions of Service) Act, 1971. C&AG certifies these accounts and also submits separate Audit Reports thereon to the President in terms of Article 151 of Constitution of India.

2. These Audit Reports containing observations on the activities of the various Ministries/Departments of Union Government, other than on the working of Public Enterprises, stand referred to the Public Accounts Committee for their scrutiny. On an average, over 400 paragraphs are included in all such Reports of the C&AG. Since it is not possible for the Public Accounts Committee to go into every issue dealt with in the various Reports of the C&AG, it becomes incumbent for the Committee to be selective in approach. Accordingly, at the beginning of their term every year, the Public Accounts Committee, generally, select for in-depth examination only 30—35 most important paragraphs from the various Reports of the C&AG.

3. Till 1981, there was no practice of ascertaining the action taken by the Ministries/Departments on the Audit Paragraphs not selected by the Committee for detailed examination. However, at the sitting of 30 June, 1981, the Committee (1981-82) decided that the Ministries concerned be asked to furnish notes indicating the remedial/corrective action taken by them on the points raised by Audit in respect of all such paragraphs in the Reports of the C&AG for the year 1979-80 as had not been selected by the Committee for detailed examination. The Ministry of Finance (Department of Expenditure) was to coordinate and collect all the notes duly vetted by the Audit from the various Ministries and forward the same to the Lok Sabha Secretariat in consolidated form.

4. Subsequently, the Public Accounts Committee at their sitting held on 7 April, 1982 decided that the various Audit Reports for the year 1980-81 be referred to the Ministries concerned for furnishing notes duly vetted by Audit showing remedial/corrective action taken on all the paragraphs contained thereon. The Monitoring Cell in the Ministry of Finance (Department of Expenditure) was required to coordinate the work. The Committee also decided on 16 April, 1982 that these instructions were to

be treated as 'standing instructions' for future also. Accordingly, the Lok Sabha Secretariat informed the Ministry of Finance (Department of Expenditure) on 19 April, 1982 that the Ministries concerned be asked to furnish in future notes indicating the remedial/corrective action taken by them on the various audit paragraphs contained in Audit Reports for the year 1980-81 as soon as the same were laid on the Table of the House. It was also specified that the Ministry of Finance (Department of Expenditure) was to coordinate and collect the notes from the various Ministries and forward the same to the Lok Sabha Secretariat.

5. In reply to a reference from the Ministry of Finance (Department of Expenditure) it was clarified in July 1982 by the Lok Sabha Secretariat that action taken notes on audit paragraphs which had specifically been selected for detailed examination by the Public Accounts Committee need not be furnished to this Secretariat. It was also clarified in September, 1982 that the decision of the Public Accounts Committee to call for notes showing remedial/corrective action taken on the Reports of the C&AG would continue to hold good so long as it was not revised by the Committee themselves in future and that suitable arrangements were to be made for coordination and collection of those notes by the Monitoring Cell of the Department of Expenditure on a continuing basis. Since then the Lok Sabha Secretariat has been issuing instructions every year to the Ministries concerned requesting them to furnish to the Secretariat notes indicating remedial/corrective action taken by them on the various paragraphs contained in the relevant Audit Reports through the Ministry of Finance (Department of Expenditure—Monitoring Cell) by a specified date.

6. The decision to obtain remedial corrective action taken notes particularly on paragraphs not selected by the Public Accounts Committee for detailed examination was taken with a view to ensuring enforcement of accountability of the Executive in respect of all the issues dealt with in various Audit Reports. The need for ensuring that such notes are furnished in time is imperative as the Public Accounts Committee have been examining and reporting on a very small percentage of the total number of Audit paragraphs in a year.

II. *Audit Observations*

7. Paragraph 11.3 of Audit Report No. 1 of 1995 (Civil) brings out that a review of the position regarding receipt of remedial/corrective Action Taken Notes on the paragraphs included in the various Audit Reports (*viz.* Civil, Other Autonomous Bodies, Scientific Departments) upto the period ended 31st March 1993, revealed that certain Ministries had not submitted remedial/corrective Action Taken Notes on paragraphs relating to them. Out of 498 paragraphs on which Action Taken Notes were required to be sent, remedial/corrective Action Taken Notes on as many as 302 paragraphs (61 per cent) were still awaited (as on 30th September 1994). Of the 302 paragraphs, 101 (33 per cent) pertain to the Reports for the

period 1986-87 to 1990-91. Specific details of cases of pendency of the relevant notes in some Ministries have also been highlighted separately in Audit Report Nos. 1, 2 and 6 of 1995.

8. Similarly, cases of pendency of remedial/corrective Action Taken Notes have also been brought out in other Audit Reports viz. No. 5 of 1995 on Revenue Receipts—Direct Taxes; No. 7 of 1995 on Posts and Telecommunications; and No. 10 of 1995 on Railways.

9. The copies of Audit Paragraph 11.3 of Audit Report No. 1 of 1995 (Civil); Paragraph 1.6 of Audit Report No. 5 of 1995 (Revenue Receipts—Direct Taxes); Paragraph 1.12 and 5.12 of Audit Report No. 7 of 1995 (Posts and Telecommunications); and Paragraph 1.12 of Audit Report No. 10 of 1995 (Railways) are reproduced at Appendix—I to this Report.

10. The scrutiny of this subject from the various Audit Reports for 1995 has revealed that about 28 Ministries/Departments have defaulted on this account.

III. *Position of Pendency*

11. At the instance of the Committee, the Ministry of Finance (Department of Expenditure) furnished a consolidated statement indicating the summarised position of Ministry/Department-wise pendency of statement of corrective/remedial Action Taken Notes as in June, 1995. This statement is reproduced at Appendix—II to this Report. An analysis of this statement reveals the following position in regard to the pendency of corrective/remedial action taken notes relating to 28 Ministries/Departments.

Years of Report	No. of action taken notes pending
1985-86	9
1986-87	17
1987-88	30
1988-89	30
1989-90	73
1990-91	116
1991-92	104
1992-93	140
Total	519

It was also seen that the statement furnished by the Ministry of Finance (Department of Expenditure) did not indicate the position in respect of several other Ministries/Departments including Defence, Defence Production, Posts, Telecommunications, Revenue etc.

12. In addition to the above, the relevant audit reports on Revenue Receipts—Direct Taxes and Posts and Telecommunications also reveal that the following Departments had not submitted corrective/remedial Action Taken Notes in several cases as shown below:—

Audit Report for the year pending	No. of Action Taken Notes		
	Department of Revenue (Direct Taxes)	Posts	Telecommunications (as on Sept. 1994)
1987-88	—	—	3
1988-89	—	1	11
1989-90	—	1	6
1990-91	63	1	9
1991-92	49	1	18
1992-93	31	7	35
Total	143	11	82

13. Although the Committee select about 30-35 Paragraphs every year, they are often unable to examine all those Paragraphs during the same year. In the event of those unexamined paragraphs getting not selected for detailed examination in the subsequent years they also assume the position of non-selected paragraphs and thus qualify for reporting of remedial/corrective action. For example, the following table indicates the number of paragraphs selected by the Committee initially for detailed examination and which were actually examined and reported upon during the last two years.

Year	No. of Paragraphs initially selected by the Committee	No. of Paragraphs on which examination was completed and reported
1993-94	32	7
1994-95	29	10

It was however, seen that many of the Ministries/Departments had not reported the remedial/corrective action taken by them on such Paragraphs which were left unexamined by the Committee.

IV. Arrangements for coordination and collection of remedial/corrective Action Taken Notes in Monitoring Cell

14. As brought out earlier in this Report, the Monitoring Cell under the Department of Expenditure in the Ministry of Finance have been entrusted with the task of coordination and collection of the remedial/corrective

Action Taken Notes on the various paragraphs contained in different Audit Reports. Explaining the organisational set up of the Monitoring Cell, the Secretary, Department of Expenditure stated during evidence:—

“The Monitoring Cell is with the Controller General of Civil Accounts. He has a small Cell which watches the replies which are coming and being sent. He is more like a conduit.....”

15. Elaborating further, the Controller General of Civil Accounts stated during evidence:

“The situation is that, in fact, we function only as a conduit. We have only some small staff of five to six people headed by an Under Secretary who monitors the factual data flowing from the CAG reports, i.e. when the reply came and so on. When we find that the replies have not been sent on time we actually remind the Ministry that the reply is overdue and ask them to send it to CAG. We do it quite meticulously pointing out the details of the delay which has taken place. If the delay persists and if the Ministry is not able to reply to the CAG then the onus of responsibility for sending the reply rests directly with the Ministry.”

16. In the light of the fact that the Monitoring Cell in the Department of Expenditure was made the nodal agency by the Public Accounts Committee for coordinating and collecting the remedial/corrective action taken notes on the paragraphs contained in various Audit Reports, the Committee enquired as to why did the Monitoring Cell confine their role to a mere Post office work. In their reply, the Secretary (Expenditure) stated during evidence:

“I feel that in a system where each Secretary is responsible for the Department he is running, he is the accounting officer for the department and the role assigned to the Finance (Expenditure) to monitor can be only a role of watching the things....”

Elaborating further, the witness stated:—

“The fact remains that one Secretary cannot decide how another Secretary should respond.”

17. Asked whether the matter could not have been resorted through the mechanism of Committee of Secretaries, the witness replied:—

“The point about taking it up at the level of Committee of Secretaries is well taken.”

18. As regards the procedure evolved in the Monitoring Cell to coordinate and watch timely submission of relevant remedial/corrective action taken notes to the PAC, the Ministry of Finance in their subsequent note informed that the records pertaining to Action Taken Notes are kept separately for each Ministry and a written reminder is sent whenever it is noticed that a Ministry is defaulting or delaying replies to the PAC. However, no procedure is stated to have been evolved for having periodical meetings with the Ministries regarding delayed replies to the Audit Reports which have been laid on the Table of the House.

19. In reply to a specific query of the Committee whether any mechanism is in existence in Monitoring Cell to regularly review the pendency position especially where the remedial/corrective Action Taken Notes remained outstanding for a considerably longer period of 4-5 years, the Ministry of Finance (Department of Expenditure) in their post-evidence note stated that no specific procedure has been evolved for looking into pendencies which are over 4-5 years old. However, Secretary (Expenditure) is stated to have recently reminded to Secretaries concerned to take up replies to the Audit Reports on a priority basis.

20. The Committee have also been informed by the Ministry of Finance (Department of Expenditure) that in future the matter would be discussed between Secretary (Expenditure) and the concerned Secretary whenever replies were not sent within four months. In case of further delay, the matter would be placed before the Committee of Secretaries to drive home the importance and urgency of expediting action.

V. Study of Pendency position and Institutional arrangements in specific Ministries for submission of remedial/corrective action taken notes

21. The reviews of the position regarding receipt of Action Taken Notes as brought out in various Audit Reports for the year 1995 have revealed that a large number of Ministries/Departments have not submitted remedial/corrective Action Taken Notes on paragraphs relating to them. Some of these outstanding audit paragraph pertained to the Audit Reports for the period 1986-87 to 1990-91. Since it was not considered possible to examine a large number of Ministries, the Committee took up for examination only the illustrative cases relating to Ministries of Commerce, Information & Broadcasting, Urban Development and Railways and the same are dealt with in the succeeding paragraphs:

(a) Ministry of Commerce

22. According to Paragraph 11.3 of Audit Report No. 1 of 1995 (Civil), remedial/corrective Action Taken Notes on 19 paragraphs were awaited from the Ministry of Commerce as on 30th September, 1994. Of these, 15 paragraphs pertained to the Audit Reports for the period 1986-87 to 1991-92.

23. During evidence, the Committee desired to know the precise reasons for persisting delays in furnishing the remedial/corrective action taken by the Ministry in respect of the paragraphs shown outstanding by Audit. In his reply, the Secretary (Commerce) stated:

“On the question of paragraphs which are shown pending in the report which is under discussion today against the Ministry of Commerce, the overall position which we have been reviewing regularly shows that almost all the paragraphs are related to the

so-called excess payment of cash assistance against the export of various products, whether it was marine products or engineering products or textiles or carpets. That is the nature of the objection that some excess cash assistance has been paid. On this, the situation is that in certain cases we have gone into the detailed policy prescriptions of the Commerce Ministry, the notifications, circulars and their interpretation. In some cases, where there were excessive payments made due to wrong classification or wrong interpretation, recovery actions have been taken up. Some of these actions have not been actually reported in the form of final action taken notes because only 90 per cent recoveries have been made and the total recoveries have not yet been effected in certain cases. These are matters which are being pursued through the various regional offices of the DGFT. But in a number of cases, we have found that the audit objection is not sustainable from our reading of the policy and its best interpretation. We feel that what has been paid to the exporter is genuine and correct. In some cases, action taken notes have been sent for further vetting to our audit cell; they are under transmission to the Ministry of Finance."

24. In reply to a question as to why the specific cases pertaining to the years 1986 and 1987 had not so far been reported to the Committee, the Secretary (Commerce) clarified:

"We are of the view that until... the action has been completed in all respects and we have reached the goal, we are not sending the Action Taken Report. Now, we should have a system whereby whatever may be the stage reached in the set of objections concerning the Ministry, we should just send a report every quarter of the beginning of October or January to both the Finance Division in the Expenditure Department with a copy to the PAC Secretariat so that there is concurrent information which is being furnished. We would certainly like to do that as a remedial step hereafter."

25. In their post-evidence note on the failure of the Ministry in reporting to the Committee the remedial/corrective action taken on audit paragraphs pertaining to the preceding 5-6 years, the Ministry, *inter-alia* stated as follows:

"...soon after receipt of audit objections, recovery proceedings were initiated in cases where it was found that excess payments had been made. In a few cases, recovery has been fully effected while in others substantial amounts have been recovered and the balances are being vigorously pursued by the Regional Offices of the DGFT. Since the recoveries have not been fully realised in some cases, the action taken notes were not sent under the belief that the report would be sent after completing recovery. In some

cases, the DGFT/MOC have differed with the findings of Audit. It would have been appropriate to send interim action taken notes in all these cases. It is regretted that this was not done. However, officers concerned have now been directed to complete the action taken notes in respect of all outstanding paras within a month's time."

26. At the instance of the Committee, the Ministry of Commerce submitted a status report on outstanding Action Taken Notes. A scrutiny of this status report has revealed that the Ministry have submitted the Action Taken Notes to the Audit for vetting on most of the paragraphs and ATNs on the remaining paragraphs are under the process of being submitted for further vetting. The vetting comments of the Audit on this status Report also indicate that the Ministry have to furnish revised Action Taken Notes only in respect of three paragraphs pertaining to the Audit Report for 1988-89.

27. As regards the steps now proposed to be taken by the Ministry to streamline their procedures so as to ensure timely submission of relevant remedial/corrective Action Taken Notes, the Ministry of Commerce in their note stated that they have renewed focus on this vital matter and issued instructions making each Head of Division responsible for ensuring timely submission of Action Taken Notes. According to these instructions, the Chief Controller of Accounts has been designated as the nodal officer in the Ministry in respect of Audit Paragraphs. He will review the pending paragraphs every month and submit a report to Additional Secretary and Financial Advisor who would submit the status of audit paragraphs by the 15th of every month to the Commerce Secretary and would also raise the matter in the weekly meetings of Senior Officers presided over by Commerce Secretary.

(b) Ministry of Information and Broadcasting

28. The summarised position of the Action Taken Notes awaited from the Ministry of Information and Broadcasting as on 30 September, 1994 as brought out in Audit Paragraph 11.3 of Audit Report No. 1 of 1995 (Civil) reveals that 16 paragraphs were outstanding in this Ministry pertaining to the Audit Reports for the year 1989-90 to 1992-93.

29. Explaining the position in regard to this pendency of submission of remedial/corrective Action Taken Notes, the Secretary (Information & Broadcasting) stated during evidence as follows:

"As far as Information and Broadcasting Ministry is concerned, I will have to place before the Committee that the situation is not very satisfactory. About forty per cent of the replies have been finally sent to the Audit. The rest is still due. The system that exists in our Ministry is that there is an officer at each level to monitor it. We completed the review of this a little while ago. We

discovered the system is not working well. It is quite unsatisfactory. It would have to be replaced. Only yesterday orders have been issued to replace the system. A clear-cut system has been put in position where officers have been identified in each of the attached officers in the Ministry and a schedule has been laid down that every month, the Chief Controller of Accounts should take a meeting. If he is not satisfied, he will bring it to the notice of the Financial Advisor. If he too is not satisfied, the Secretary shall have to take a meeting. Therefore, monthly, bi-monthly and quarterly meetings would take place. This matter would be subjected to scrutiny. Our intention is to ensure that the answers go within the time-limit prescribed. My only plea to the Committee is that judging by the kind of work that is done at present, we cannot overnight change the work culture of the Government in many respects. I would plead that the period of six months be relaxed. Ours is a big ministry with a number of attached offices comprising a large number of officers spread all over the country. We collect information from them. Sometimes, there is delay."

He also added:

"If a little more time is given, it would be helpful. Now, we have put in position a new system. We expect that we will be able to show results. So far as the existing number of pending replies is concerned, we have sent our final replies to the Audit...."

30. In their subsequent notes to the Committee, the Ministry of Information & Broadcasting stated that the main reasons for delay in finalising the Action Taken Notes were on account of certain system deficiencies which mainly related to diffusal and lack of preassigned specificity of responsibility in the Ministry and the media units. The Ministry have further stated that in view of the deficiencies noted in the earlier system, a new system has been introduced with effect from 19.6.1995 to monitor the finalisation of the Action Taken Notes and furnishing them, as vetted by the Audit, to Monitoring Cell of Ministry of Finance and Lok Sabha Secretariat. According to the Ministry of Information and Broadcasting, the newly introduced system not only specifies the responsibility for action at different stages of finalisation of the Action Taken Notes but also prescribes specific time-limits to ensure timely completion of action on all audit paragraphs contained in various Audit Reports.

31. At the instance of the Committee, the Ministry of Information & Broadcasting have also furnished a status report indicating the latest position in respect of submission of remedial/corrective Action Taken Notes on 16 outstanding paragraphs as pointed out by Audit. A perusal of this status report has revealed that Action Taken Notes on as many as 10 outstanding audit paragraphs were sent by the Ministry to Audit for vetting

between 15 and 23 June, 1995. It is also seen from this status report that submission of Action Taken Notes in respect of only one paragraph pertaining to Audit Report for the year 1992-93 was pending finalisation in the Ministry as at the end of June, 1995.

(c) Ministry of Urban Development

32. Paragraph 11.3 of Audit Report No. 1 of 1995 (Civil) brings out that remedial/corrective Action Taken Notes on 76 paragraphs were awaited from the Ministry of Urban Development as on 30 September, 1994. Of these, 55 paragraphs pertained to the Audit Reports for the years 1987-88 to 1991-92.

33. After giving the detailed break up of the cases relating to various offices under the Ministry in respect of which remedial/corrective Action Taken Notes were yet to be finalised, the representative of the Department of Urban Development informed the Committee during evidence:—

“.....We have received a large number of these replies from the field officers in respect of these organisations. These replies are being scrutinised by the Ministry in consultation with the Finance Division. We hope that within a period of two months, we shall be in a position to furnish all the replies to the Monitoring Cell to the satisfaction of the C&AG.

With regard to the system of review, I must admit that although this item was taken up for discussion in the monthly staff meetings, yet we have not reviewed these matters in great detail. I appreciate the point that was made by the Secretary, Information and Broadcasting. We would try to emulate that system which has been put in place in the Information and Broadcasting Ministry. Initially, the Chief Controller has to take a review of it and then the Financial Advisor can take a review meeting on a bi-monthly or quarterly basis. We shall certainly like to see that these pending matters are also reviewed in the Secretary's staff meetings on a quarterly basis. Unfortunately, the tendency is that unless the highest authority in the Ministry reviews it, matters are delayed. It will be expedited.”

34. Asked to intimate the reasons for inordinate delay in reporting to the Committee the remedial/corrective action taken by the Ministry on paragraphs contained in Audit Reports pertaining to the preceding 5-6 years, the Ministry in their post-evidence note stated as under:

“Since in most of the cases, the concerned Divisions have to obtain necessary feed-back from their Attached/Subordinate Offices which are scattered all over the country, it takes time to get the requisite information. While remedial or corrective measures are taken, there have been delays in reporting the status to the PAC.”

35. The status Report furnished by the Ministry indicating the position as on 28.6.1995 on the paragraphs shown outstanding in the Audit paragraph 11.3, however, reveals that while draft ATNs on 28 such paragraphs were sent to Audit for vetting in the month of June, 1995 itself, there were as many as 34 cases in respect of which ATNs were yet to be finalised due to one reason or the other. The yearwise break up of these 34 cases is given below:

Year of Audit Report	No. of paragraphs on which ATNs are yet to be prepared
1987-88	5
1988-89	2
1989-90	1
1990-91	8
1991-92	18
	34

36. As regards the steps now being contemplated to ensure timely submission of remedial/corrective ATNs, the Ministry of Urban Development in their post-evidence note stated that in order to make the monitoring system more effective, it has been decided that besides sensitising all the senior officers concerned with the gravity of the matter, the Chief Controller of Accounts will take a monthly meeting to discuss the status of Action Taken Notes. The Financial Adviser of the Ministry will also take meetings once in a quarter to review the cases where persistent delays have occurred. The Ministry have also decided that a status report on Action Taken Notes will be submitted to the Secretary for review based on which he will also take quarterly meetings.

(d) Ministry of Railways

37. Paragraph 1.12 of Audit Report No. 10 of 1995 (Railways) reveals the following position about the outstanding Action Taken Notes as on 31.12.1994 in respect of paragraphs included in Railway Audit Reports for the years 1989-90 to 1992-93.

Audit Report	No. of Action Taken Notes outstanding
1. No. 10 of 1988-90	11
2. No. 10 of 1990-91	18
3. No. 10 of 1991-92	19
4. No. 10 of 1992-93	23
	(Sub Paras 81)

38. Reacting to the audit observations on pendency of remedial/corrective Action Taken Notes, the Chairman, Railway Board deposed during evidence:

“Now we have become a little more alive and more prompt in the early disposal of the outstanding paragraphs. I may submit that in the last report of the CAG they had given 71 paragraphs and action has been taken on 19 paragraphs in the last two and a half months.”

He also added:

“...Our effort shall be to make the system more effective. I would submit to the hon. Committee to appreciate that the Railways have to work under tremendous pressure of the day-to-day operation.”

39. In reply to a question about the reasons for delay in submission of remedial/corrective Action Taken Notes, the Ministry of Railways in a post-evidence note stated as follows:

“Action on the various paragraphs, including sub-paragraphs, included in the various Reports of the C&AG for the Indian Railways is being taken promptly, attaching the due importance for their prompt disposal. However, some of the Paragraphs take a little longer time in their disposal for sending Action Taken Notes because of the following reasons:

- (i) Effecting of the complete recovery pointed out by the Audit;
- (ii) Taking to logical conclusion, disciplinary action initiated against the delinquent employees, held responsible in such cases, DAR action in such cases is followed under Statutory Rules and takes quite sometimes for completion;
- (iii) Pendency of certain matters before the Arbitrators or in the Courts;
- (iv) Action on Review Paras, which contain voluminous data, which is collected by Audit over a long period;
- (v) In some case there are also delays on the part of the Administration.”

40. At the instance of the Committee, the Ministry of Railways have also furnished a statement indicating the position of the pending paras

(including sub-paras) and an analysis of the same reveals the following position:

Year of Audit Report	No. of Paras pending as on 31.12.94	Paras referred to Audit for vetting		Paras still pending with Railway Board
		between 31.12.94 to 20.6.95	between 20.6.95 to 30.6.95	
1989-90	11	6	5	—
1990-91	18	6	5	7
1991-92	19	7	6	6
1992-93	81(Sub-paras)	38	27	16
		57	43	29

41. The table given above would indicate that while ATNs on 57 paragraphs were sent to Audit for vetting between 31.12.1994 and 20.6.1995, ATNs in respect of 43 paragraphs were furnished to Audit for vetting between 20.6.1995 and 30.6.1995 i.e. the date on which the Committee recorded evidence on this subject and the date on which the statement showing the latest position was furnished.

42. The Ministry of Railways in their note on system of review of ATNs have stated that the thrust in the existing arrangement is mainly on sending timely replies to Draft Paras/Provisional Paras and the same amount of attention is not given to follow-up Action Taken on the various paras included in the C&AG's Report. According to the Ministry, it has, therefore, been decided to lay greater stress on Action-Taken Notes also so that timely action is taken in future on the outstanding paras. The Ministry are also stated to have streamlined their procedure and prescribed a schedule for undertaking reviews at various levels.

VI. Latest Position of the Action Taken Notes awaited from various Ministries

43. Subsequent to recording of oral evidence on the subject of follow-up Audit Reports by the Public Accounts Committee at their sitting held on 20 June, 1995, the Secretary (Expenditure) is stated to have issued a D.O. letter on 22 June, 1995 to the Secretaries of various Ministries asking them to send a status report on the remedial action taken by them on the audit paragraphs pertaining to their Ministries within a period of eight days to the Secretariat of the Committee.

44. However, status report in respect of only 10 Ministries/Departments were received till the finalisation of this Report. A scrutiny of these status reports revealed that action taken notes in a majority of cases were pending finalisation because of one reason or the other and such pendency was noticeable in the Ministries of Home Affairs, Human Resource Development (Department of Education), Health and Family Welfare and Surface Transport.

45. The manifold increase in the Governmental expenditure on multifarious activities in the recent times has widened the scope of audit scrutiny with the result that more and more cases of waste, loss, extravagant or nugatory expenditure as well as comprehensive review of various developmental schemes are being included in the various reports of the C&AG laid on the Table of the House in successive years. Similarly, the scope of Audit on revenue receipts has also widened considerably. Since it is not possible for the Public Accounts Committee to go into every issue dealt with in the various reports of the C&AG, it has made it incumbent for the Committee to be selective in approach. Accordingly, the Committee at the beginning of their term every year, generally, select for in-depth examination only 30-35 most important paragraphs according to their relative importance out of an average of over 400 paragraphs included in various reports of the C&AG laid on the Table of the House every year. Till 1981, there was no practice of ascertaining the action taken by the Ministries/Departments on the audit paragraphs not selected by the committee for detailed examination. However, with a view to ensuring enforcement of accountability of the Executive in respect of all the issues dealt with in various audit reports, the Public Accounts Committee (1981-82) decided that the various Audit Reports for the year 1980-81 be referred to the Ministries concerned for furnishing notes duly vetted by audit showing remedial/corrective action taken on all the paragraphs contained therein. Subsequently, the Committee also decided that these instructions were to be treated as 'Standing Instructions' for future also. The Monitoring Cell in the Ministry of Finance (Department of Expenditure) was entrusted with the task of coordination and collection of the notes from the various Ministries and forwarding the same to the Lok Sabha Secretariat. It was also clarified to the Monitoring Cell in September, 1982 that the decision of the Committee to call for notes showing remedial/corrective action taken on the reports of the C&AG would continue to hold good so long as it was not revised by the Committee themselves and that suitable arrangements were to be made for coordination and collection of notes by them on a continuing basis. Since then the Lok Sabha Secretariat has been issuing instructions every year to the Ministries concerned requesting them to furnish to the Secretariat notes indicating remedial/corrective action taken by them on the various audit paragraphs pertaining to them duly vetted by Audit through Monitoring Cell in the Department of Expenditure by a specified date.

46. The review of the position regarding receipt of remedial action taken Notes undertaken by Audit and subsequent examination of this subject by the Committee has, however, revealed that there had been inordinate delays and persisting failures on the part of a large number of Ministries in reporting to the Committee the remedial/corrective action taken on Audit paragraphs relating to them. According to the information furnished by the Ministry of Finance (Department of Expenditure) in June, 1995, the remedial/corrective Action Taken Notes on as many as 519 paragraphs included in the various Audit Reports relating to 28 Ministries/Departments upto the period ending 31 March, 1993 were awaited. Distressingly, 275 of these 519 paragraphs which constituted 53 per cent of the pendency, pertained to the Audit Report relating to the years 1985-86 to 1990-91. Pertinently, the information made available by the Ministry of Finance was inexplicably incomplete insofar as it excluded several important Ministries/Departments like Defence, Defence Production, Posts, Telecommunications, Revenue etc. However, the available data in some of the relevant Audit Reports for the year 1995 revealed heavy pendencies in some of those Ministries/Departments also. For example, remedial/corrective Action Taken Notes on 143 paragraphs in respect of Department of Revenue (Direct Taxes) and 93 paragraphs in respect of Posts and Telecommunications included in the relevant Audit Reports upto the period ending March, 1993 were pending finalisation with the respective Departments. In the opinion of the Committee, this huge pendency of remedial/corrective Action Taken Notes in a large number of Ministries/Departments clearly reveals that this issue was handled in a most unsatisfactory manner and also not given the attention it deserved. Keeping in view the fact that the mechanism for obtaining remedial/corrective Action Taken Notes on all the paragraphs included in various Audit Reports was evolved by the Committee for ensuring accountability of the Executive towards Parliament, the Committee consider it unfortunate that the several Ministries failed to furnish the remedial/corrective Action Taken Notes to the Committee on a large number of paragraphs even 6-7 years after the relevant Audit Reports were laid on the Table of the House. This poor spectacle of state of affairs has not only exposed inadequacies in the existing institutional arrangements in the Ministries for watching progress of finalisation of notes indicating remedial/corrective action taken on Audit paragraphs relating to them but also negated the very object of ensuring timely and effective Parliamentary control over the Government's financial activities and all executive actions relating thereto.

47. The Committee note that even though the Monitoring Cell in the Department of Expenditure (Ministry of Finance) was entrusted with the task of coordination and collection of the remedial/corrective Action Taken Notes from Ministries concerned on the paragraphs contained in different Audit Reports way back in 1982, that Cell has not devised any procedure to ensure timely submission of relevant Action Taken Notes to the Committee

even in those cases where such notes are awaited for over 5 years or so. The Ministry of Finance stated that the Monitoring Cell had confined their role only to maintaining records separately for each Ministry and sending a written reminder whenever a Ministry defaulted or delayed replies to the Committee. To their utter dismay, the Committee during the course of their examination, however, found that even the manner in which pendency data maintained was grossly inadequate. As pointed out earlier, the Ministry of Finance are yet to furnish a consolidated data indicating the pendency position of submission of corrective/remedial Action Taken Notes relating to all the Ministries/Departments of Government of India. During evidence, the Committee were informed by none other than Secretary (Expenditure) that the Monitoring Cell functions more like a 'conduit'. He also maintained that in the existing system the Secretary of the Ministry concerned is responsible for furnishing Action Taken Notes and the role assigned to the Department of Expenditure to monitor could be "only a role of watching the things." While agreeing with the assertions made by the Secretary (Expenditure) that the discharge of primary responsibility of furnishing Action Taken Notes is that of the Secretary of the Ministry concerned, the Committee are unable to comprehend as to how the Ministry of Finance (Department of Expenditure) acting as the nodal agency failed to discharge the functions assigned to them for coordination and collection of remedial/corrective Action Taken Notes and allowed themselves to be reduced to a mere Post Office transmitting the Action Taken Notes received in the Monitoring Cell to the Committee. The Committee are in no doubt that unless Ministry of Finance (Department of Expenditure) devise an adequate machinery in the Monitoring Cell to ensure timely submission of the Action Taken Notes, the results of Audit of Government's financial transactions would be largely in vain and the enforcement of accountability of the Executive in respect of all the issues dealt with in Audit Reports would remain a distant goal. The Committee would, therefore, like the Department of Expenditure to take urgent steps to revamp the system in the Monitoring Cell so that this Cell could play an effective and purposeful role atleast in the future.

48. Another disquieting aspect noticed by the Committee during evidence was that despite the heavy pendency observed, the Department of Expenditure did not choose to take up the matter at appropriate forums like Committee of Secretaries. Subsequent to the recording of evidence on this subject, the Committee have however, been informed by the Department of Expenditure that in future the Secretary (Expenditure) would be discussing the matter with the concerned Secretary whenever replies were not sent within four months and the cases involving further delays would be played before the Committee of Secretaries to drive home the importance and urgency in expediting action. While welcoming these steps proposed to be taken by Department of Expenditure though belated, the Committee would like to know the precise steps now being contemplated in the Department to

clear the huge backlog of remedial corrective Action Taken Notes presently pending in various Ministries for an unduly long period. They would also like the Monitoring Cell to make special efforts to ensure that conclusive remedial/corrective Action Taken Notes duly vetted by Audit on all these outstanding paragraphs included in the Audit Reports upto the period ended 31 March, 1993 are obtained from the Ministries concerned and made available to the Committee within three months from the date of presentation of this Report.

49. As has already been brought out earlier in this Report, the Committee's examination of the pendency of finalisation of remedial/corrective Action Taken Notes has revealed that such notes on about 755 paragraphs included in the various Audit Reports upto the period 31 March, 1993 are still awaited from over 30 Ministries/Departments. Since it was not possible to examine all these Ministries, the Committee took up for examination only the illustrative cases relating to the Ministries of Commerce, Information and Broadcasting, Urban Development and Railways. The fact that subsequent to the selection of this subject for detailed examination by the Committee, all these four Ministries have introduced new systems specifying responsibilities at various levels for timely finalisation of remedial/corrective Action Taken Notes clearly brings to the forefront the inadequacy in institutional arrangements which were hitherto in existence in these Ministries to watch progress of finalisation of notes indicating remedial/corrective action taken on the Audit paragraphs relating to them. Surprisingly, the Ministry of Railways have gone on record to state that the thrust in the existing arrangement was mainly on sending timely replies to Draft Paras/Provisional Paras and the same amount of attention was not given to follow-up action taken on the various paragraphs included in the C&AG's Report. In the opinion of the Committee, this state of affairs indicates nothing but the callous attitude of the Ministries in evolving a sound system to review the position of the Audit paragraphs on which remedial/corrective Action Taken Notes are to be finalised and submitted by them to the Committee within the prescribed time schedule. The net result is that remedial/corrective Action Taken Notes in a large number of cases continue to remain outstanding in different Ministries for considerably longer periods of time thus rendering virtually negatory the entire purpose of parliamentary scrutiny of the various issues brought out in different Reports of the C&AG laid on the Table of the House. The Committee would therefore, like to emphasise the need for thorough overhaul of the systems prevalent in the various Ministries/Departments for monitoring progress of finalisation of remedial/corrective Action Taken Notes and their timely submission to the Committee. The Committee desire that all Ministries/Departments should tone-up their administration and evolve effective machinery with a view to ensuring timely submission of the remedial/corrective Action Taken Notes to the Committee. They would like the Department of Expenditure to furnish a

consolidated position indicating the concrete steps taken by the various Ministries/Departments in this regard.

50. At the instance of the Committee, certain Ministries have furnished status reports indicating the latest position in respect of submission of remedial/corrective Action Taken Notes on the outstanding Audit paragraphs relating to them. A scrutiny of the status reports received from the Ministries of Information and Broadcasting, Urban Development and Railways has revealed that these Ministries had submitted remedial/corrective Action Taken Notes to the Audit for vetting on as many as 10, 28 and 43 outstanding Audit paragraphs respectively during the month of June 1995 itself. Undoubtedly, this action in these Ministries was a sequel to the Committee's communication to them about examination of this subject. This is clearly indicative of the lack of seriousness on the part of the Ministries/Departments in attending to such a vital area of governmental functioning and accountability. The deposition made by the representative of the Ministry of Urban Development before the Committee, "Unfortunately, the tendency is that unless the highest authority in the Ministry reviews it, matters are delayed" typifies this tendency. The Committee have no doubt that if those Ministries could clear the pendency at such a rapid pace, the other defaulting Ministries especially the Home Affairs, Human Resource Development, Health and Family Welfare and Surface Transport where the pendency is very alarming should not have any plausible difficulty in clearing their backlog.

51. One of the main contributory causes for heavy pendency of remedial/corrective Action Taken Notes in different Ministries is reported to be the time factor involved in obtaining necessary details from the field formations for finalisation of the relevant notes. The Committee have considered this aspect and they realise that it may sometimes not be possible for Ministries to furnish conclusive information duly vetted by Audit within a short period. They therefore, desire that in future the vetted remedial/corrective Action Taken Notes on Audit paragraphs included in various Reports of the C&AG laid on the Table of the House be furnished to the Committee through Monitoring Cell within a period of three months from the date when the selection of subjects by the Committee for a particular year is communicated to the Ministries/Departments.

52. Although the Committee select about 30-35 paragraphs every year, they are often unable to examine all those paragraphs during the same year. In the event of those unexamined paragraphs getting not selected for detailed examination in the subsequent years, they assume the position of non-selected paragraphs and thus qualify for reporting of remedial/corrective action, as per the existing directions of the Committee. For example, out of the total of 32 and 29 Audit paragraphs initially selected for examination by them during the years 1993-94 and 1994-95, the Committee could not examine 25 and 19 Audit paragraphs in the respective years.

Unfortunately, such unexamined paragraphs have largely been unattended to hitherto by the Ministries/Departments concerned presumably on their being incorrectly interpreted as selected paragraphs. Undoubtedly, this vitiates the principle of accountability on all Audit paragraphs and requires to be remedied forthwith. The Committee, therefore, recommend that in future, the Ministry of Finance should ensure that the requisite Action Taken Notes are furnished by the Ministries/Departments concerned on all the Audit paragraphs irrespective of whether they have been selected by the Committee for detailed examination or otherwise. Furnishing of corrective/remedial Action Taken Notes outstanding in respect of all such paragraphs relating to the past years from the various Reports of the C&AG should also be got expedited by the Ministry of Finance by the time stipulated by the Committee in paragraph 48 of this Report.

53. In order to make the reporting of remedial/corrective action meaningful and purposive, the Committee desire that the notes indicating remedial/corrective action taken by the Ministries/Departments on the paragraphs contained in various Audit Reports should be hereafter furnished in the format appended at Appendix-III to this Report. The Committee would like the Ministry of Finance (Department of Expenditure) to bring this format to the notice of all Ministries/Departments for appropriate action.

NEW DELHI;

7 August, 1995

16 Shavana, 1917 (Saka)

RAM NAIK

Chairman,

Public Accounts Committee.

APPENDIX I

(Vide Para 9)

Paragraph 11.3 of Audit Report No. 1 (Civil) of 1995

11.3 Follow up on Audit Reports—Summarised position

The Lok Sabha Secretariat issued instructions (April 1982) to all the Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance (Department of Expenditure) on the various paragraphs contained in the Audit Reports, as soon as they were laid down on the Table of the House, duly vetted by Audit.

A review of the position regarding receipt of Action Taken Notes on the paragraphs included in the various Audit Reports (*viz.* Civil, Other Autonomous Bodies, Scientific Departments) upto the period ended 31st March, 1993, revealed that the Ministries have not submitted remedial/corrective Action Taken Notes on paragraphs relating to them and out of 498 paragraphs on which Action Taken Notes were required to be sent, remedial/corrective Action Taken Notes on as many as 302 paragraphs (61 per cent) were still awaited (30th September 1994). Of the 302 paragraphs, 101 (33 per cent) pertain to the Reports for the period 1986-87 to 1990-91. A summarised position of the Action Taken Notes awaited from various Ministries is shown in Appendix XIII* to the Report.

* Annexure-I

ANNEXRUE-I

(Refers to paragraph 11.3)

Summarised position of the Action Taken Notes awaited from various Ministries/Departments as on 30 September, 1994

Sl. No.	Name of Ministry/ Department	Year of Report	Number of paragraphs on which Action Taken Notes awaited	
			Due	Awaited
1	2	3	4	5
1.	Agriculture	1991-92	5	1
		1992-93	2	2
2.	Civil Aviation	1992-93	1	1
3.	Commerce (Department of Commerce)	1986-87	6	2
		1987-88	10	1
		1988-89	7	5
		1991-92	8	7
	(Department of Supply)	1992-93	6	4
		1991-92	2	1
		1992-93	4	3
4.	Electronics	1992-93	1	1
5.	Environment & Forests	1989-90	1	1
		1992-93	2	2
6.	External Affairs	1992-93	11	2
		1993-94	13	8
7.	Finance	1990-91	8	2
		1992-93	3	1
8.	Health & Family Welfare	1986-87	7	1
		1988-89	8	3
		1989-90	5	2
		1990-91	12	5
		1991-92	7	3
		1992-93	4	4

1	2	3	4	5
9.	Home Affairs	1987-88	1	1
		1988-89	5	1
		1990-91	26	10
		1991-92	25	19
		1992-93	15	12
10.	Human Resource Development (Department of Culture)	1989-90	6	1
		1991-92	1	1
		1992-93	5	4
	(Department of Education)	1990-91	14	2
		1991-92	15	6
		1992-93	15	15
	(Department of Women and Child Development)	1992-93	1	1
11.	Industry	1986-87	2	1
12.	Information and Broadcasting	1989-90	4	3
		1990-91	5	3
		1991-92	4	2
		1992-93	8	8
13.	Mines	1989-90	2	2
		1991-92	1	1
		1992-93	1	1
14.	Non-conventional Energy Sources	1990-91	5	3
		1991-92	1	1
		1992-93	2	2
15.	Planning	1992-93	2	2
16.	Science and Technology	1988-89	1	1
		1989-90	2	2
		1990-91	2	1
		1991-92	9	3
		1992-93	7	7
17.	Space	1992-93	5	4

1	2	3	4	5
18.	Surface Transport	1990-91	10	5
		1991-92	28	5
		1992-93	24	23
19.	Urban Development	1987-88	10	6
		1988-89	14	8
		1989-90	13	6
		1990-91	25	18
		1991-92	18	17
		1992-93	21	21
20.	Water Resources	1990-91	4	4
		1991-92	4	3
		1992-93	1	1
21.	Welfare	1992-93	1	1

Paragraph 1.6 of Audit Report No. 5 of 1995 (Direct Taxes)

Non-receipt of Action Taken Notes from the Government

1.6 The Lok Sabha Secretariat issued instructions (April 1982) to all the Ministries requesting them to furnish notes indicating remedial/corrective action taken by them on the various paragraphs contained in the Audit Reports as soon as they are laid on the table of the House duly vetted by Audit. Such notes are required to be submitted even for paragraphs which are not selected by the Public Accounts Committee for detailed examination.

A review of the Audit Reports for the years 1990-91 to 1992-93 revealed that the Ministry had not submitted remedial/corrective action taken notes in several cases as shown below:

Audit Report for the year	No. of paras included	No. of Action Taken Notes not received
1990-91	457	63
1991-92	362	49
1992-93	200	31

Paragraph 1.12 of Audit Report No. 7 of 1995 (Posts and Telecommunications)

1.12 Follow up on Audit Reports

The Lok Sabha Secretariat issued instructions in April 1982 to all the Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance (Department of Expenditure) on the various paragraphs contained in the Reports of the Comptroller and Auditor General of India. Such notes are required to be

submitted specially for paragraphs which are not selected by the Public Accounts Committee for detailed examination.

A mention regarding non-submission of Action Taken Notes' (ATN) on the paragraphs which appeared in the audit Reports of the Comptroller and Auditor General of India, Union Government (Posts and Telecommunications) for the years ended March 1987 to March 1992 was made in the Report of the Comptroller and Auditor General of India for the year ended March 1993 and subsequently followed up. However, a review of the ATNs on the observations contained in the Audit Reports for the year ending March 1989 to March 1993 revealed that the Ministry has not submitted (November 1994) such notes in respect of 11 paragraphs for final vetting as shown below.

Audit Report Number and Year	Paragraph No.	Subject
9 of 1990	2	Philatelic Services
7 of 1991	5	Fraudulent payment of higher rent for office accommodation
7 of 1992	4.4	Procurement of medicines
7 of 1993	3.2	Unused staff quarters
7 of 1994	1	Organisational set-up and financial management
	2	Appropriation Audit and Control over expenditure
	3.1	Postal staff college and postal training centres
	3.2	Internal check organisation
"	4.1	Non-implementation of plan for de-dusting plants
"	4.2	Vacant staff quarters at Nagpur
"	4.3	Delay in procurement of a machine for converting left-over paper

The matter was referred to the Ministry in December 1994; their reply was awaited.

Paragraph 5.12 of Audit Report No. 7 of 1995 (Posts and Telecommunications)

5.12 Follow up on Audit Reports

The Lok Sabha Secretariat issued instructions (April 1982) to all the Ministries requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance, (Department of Expenditure) on the various paragraphs contained in the reports of the Comptroller and Auditor General of India.

A review of the "Action Taken Notes" (ATN) on the observations contained in the Audit Reports for the year ending March 1988 to March 1993 revealed that Ministry have not submitted (September 1994) ATNs in respect of 82 no. of paras for final vetting by Audit as shown in Annexure II*

A mention in this regard was also made in the Reports of the Comptroller and Auditor General of India, for the years ended March 1992 and March 1993, Union Government (Posts and Telecommunications) and subsequently followed up. The progress in submission of ATNs on pending audit paras of Audit is, however, not encouraging.

The matter was referred to the Ministry in November 1994; their reply was awaited as of December 1994.

ANNEXURE-II

(Referred to in Paragraph 5.12)

Position of outstanding 'ATN' in respect of Department of Telecommunications

Audit Report Number and Year	Paragraph No.	Subject
4 of 1989	18*	Major cases of under assessment of revenue
	21(b)	Delay in fixation of tariff rates
	23	Delay in providing telecommunication facilities and consequential loss of potential revenue
9 of 1990	11*	Short/Non-billing of circuits due to omission to issue bills at revised rates
	12(ii)	Non-posting of subscribers record cards
	18	Short recovery of revenue due to excess provision of cable
	20	Incorrect computation of radial distance in respect of rented circuits
	32	Non-recovery of rentals and installation charges from Indian Air Force
	33	Rural Communication
	34	Indore-Ahmedabad microwave system
	43	Loss of stores
	45	Infructuous expenditure on procurement of panels
	56	Delay in providing telecommunication facilities to defence authorities
59	Delay in communication of rent and guarantee terms.	
7 of 1991	14*	Short billing due to omission to issue bills at revised rates
	15*	Non-billing due to non-receipt of advice notes
	16(3)*	Non-revision of rent

Audit Report Number and Year	Paragraph No.	Subject
	24*	Short/Non-recovery of rental charges due to various omissions
	26	In-house computers in four metropolitan telephone districts
	51	Idle exchange equipment
7 of 1992	7.2*	Non-billing or short billing of costumers
	7.3*	Other losses of revenue
	8.3	Cost and time overrun in Bijapur Sholapur Ultra High Frequency Project
	8.13(ii)	Staff quarters
	8.16	Cost and time overrun in Vijaywada — Tenali digital microwave system
	9	Inventory management — audit observations
	10.1	Extra contractual payments
	10.2	Excess payment of customs duty
	10.3	Avoidable expenditure due to negligence in clearing equipment imported through DGS&D
7 of 1993	6.2*	Non-billing or short billing of customers
	6.3*	Other losses of revenue
	7.1	Durgapur-Bankura narrowband microwave scheme
	7.2	Optical fibre cable projects
	7.3	Taloga-Kalamboli-Panvel coaxial cable system
	7.4	Installation of auto exchange at Bankura
	7.5	Installation of a 2000 lines containerised exchange at Port Blair
	8.1	Deficiencies in accounting of recovered stores
	8.5	Infructuous expenditure due to negligence in clearing imported equipment
	8.7	Irregular payment
	8.8	Hiring of hostel accommodation
	8.9	Disposal of unserviceable stores

* These are clubbed revenue paragraphs containing a number of cases. 'Action Taken Notes' on some of the cases received and vetted, but ATN's on several cases are awaited.

Audit Report Number and Year	Paragraph No.	Subject
7 of 1994	8.10	Procurement of teakwood poles
	8.11	Revenue foregone
	8.12	Unfruitful investment on land
	8.14	Excess payment of customs duty
	8.15	Overpayment of railway freight due to misclassification of stores
	8.19	Delay in preferring claims for damages to departmental property
	5	Organisational set-up and financial management
	6	Appropriation Audit and Control over Expenditure Grant No 15
	7.2	Non-billing or short billing of customers
	7.3	Other losses of revenue
	8.2	Installation of a MAX at Satara
	8.3	Guntur-Chirala microwave system
	8.4	Bellary-Gangavathy UHF System
	9.1	Purchase of defective jelly filled cables
	9.2	Avoidable expenditure on procurement of GI drop wire
	9.3	Unfruitful investment on imported ELCs
	9.4	Excess expenditure on laying of cables
	9.5	Excess payment of customs duty
9.6	Cross bar exchange equipment lying idle	
9.7	Avoidable expenditure on local insulation of GI wire	
9.8	Irregular purchase of cable protection devices	
9.9	Excess expenditure on purchase of switch board cables	
9.10	Excess expenditure on procurement of telephone instruments	
9.11	Redundant expenditure on Tiptur-Tumkur UHF link	
9.12	Pune-Loni UHF system	
9.13	Idle investment on purchase of pipes	
9.14	Excess payment of central excise duty	
9.15	Delays in laying underground cable	
9.16	Blocking of capital on purchase of land	
9.18	Unfruitful investment on purchase of land for a telephone exchange	

Audit Report Number and Year	Paragraph No.	Subject
	9.19	Collapse of a telecom tower
	9.20	Non-recovery of compensation for damages to departmental property
	9.21	Improper assessment of cables and accessories
	9.22	Loss of cable due to poor planning
	9.23	Incorrect calculation of rent for hired accommodation at Lucknow
	9.24	Extra expenditure on local purchase
	9.25	Extra expenditure due to incorrect evaluation of tenders
	9.26	Loss of stores
	9.27	Unpossessed land at Sahibabad
	9.28	Irregular sanction of honorarium to staff
	9.29	Loss due to non-recovery of cost of rejected exhaust fans

Paragraph 1.12 of Audit Report No. 10 of 1995 (Railways)

1.12 Follow up on Audit Reports

The Lok Sabha Secretariat issued instructions (April 1982) to all the Ministers requesting them to furnish notes indicating remedial/corrective action taken by them to the Ministry of Finance (Department of Expenditure) on the various paragraphs contained in the Audit Report as soon as they were laid on the Table of the House duly vetted by Audit.

The position as on 31 December, 1994 of outstanding Action Taken Notes on the paragraphs included in the Railway Audit Report upto the period ending 31st March, 1993 is indicated below:

Audit Report	No of Action Taken Notes Outstanding	Percentage outstanding
1. No 10 of 1989-90	11	12.80
2. No 10 of 1990-91	18	21.42
3. No 10 of 1991-92	19	29.23
4. No 10 of 1992-93	23	60.52
	(Sub Paras Sl)	

APPENDIX II

(Vide Para 11)

Summarised position of pending Audit paras relating to Civil Ministries

Name of Ministry	85-86	86-87	87-88	88-89	89-90	90-91	91-92	92-93
Agriculture & Cooperation	—	—	—	—	—	1	1	2
ICAR	—	—	3	2	1	4	2	2
Civil Aviation	—	—	—	—	—	1	—	1
Commerce	—	1	1	6	—	1	3	—
Supply	—	—	—	—	—	2	1	2
Electronics	—	1	—	—	—	1	—	1
Environment & Forest	—	—	—	—	2	1	—	4
External Affairs	—	—	7	4	4	2	—	—
Finance	—	—	—	—	—	—	—	4
Health & Family Welfare	1	3	4	3	2	8	7	4
Home Affairs	—	—	1	3	7	5	25	14
HRD-Culture	—	1	1	—	3	1	1	2
Education	—	—	—	—	4	11	12	14
Women & Child Welfare	—	—	1	—	—	1	—	1
Industry	—	1	1	—	RNO (15/ 90)	—	(SSI) 1	1
Information & Broadcasting	—	—	—	—	4	5	2	7
N.C.E. Sources	—	—	—	—	—	4	2	3
Mines	—	—	—	1	2	—	1	1
Planning	—	—	—	—	—	1	—	2
Rural Development	—	—	—	1	—	—	—	—
Science & Technology CSIR	—	—	1	2	3	6	1	4
Surface Transport	—	—	—	—	7	10	11	18
Space	—	—	—	—	—	—	—	4
Urban Development	7	9	10	5	7	17	6	20
Water Resources	1	1	—	3	1	6	4	1
Welfare	—	—	—	—	—	—	—	1
Railways	—	—	—	—	25	28	24	27

APPENDIX III

(Vide Para 53)

Format of Action Taken Note

I.

- (a) **Ministry/Department**
- (b) **Subject/title of the Review/Paragraph**
- (c) **Paragraph No.**
- (d) **Report No. and year**

II.

- (a) **Date of receipt of the Draft Paragraph/Review in the Ministry**
- (b) **Date of Ministry's reply**

III.

Gist of Paragraph/Review

IV.

- (a) **Do the Ministry agree with the facts and figures included in the Paragraph?**
- (b) **If not, please indicate the areas of disagreement and also attach documents in support.**

V.

- (A) *Main Audit conclusions:*
 - 1. **Deficiency in the existing system including system of internal control.**
 - 2. **Failure to follow the systems and procedure.**
 - 3. **Failure of individuals.**
 - 4. **Amount of loss/short assessment/short levy.**
- (B) **Do the Ministry agree with the Audit conclusions? If not, please indicate specific areas of disagreement, reasons for disagreement and also attach copies of relevant documents, where necessary.**

VI.

Remedial actions taken:

- (i) **Improvement in system and procedures including internal controls**
- (ii) **Recovery of overpayment pointed out by Audit**
- (iii) **Recovery of under assessment, short levy or other dues**
- (iv) **Write off of amount of losses/wastful expenditure/irrecoverable amount**
- (v) **Modifications in the scheme, including financing pattern**
- (vi) **Review of similar cases/complete scheme/project in the light of findings of sample check by Audit**

APPENDIX IV

Conclusions and Recommendations

Sl. No.	Para No.	Ministry/ Deptt. concerned	Recommendations/Conclusions
1	2	3	4
1	45	Ministry of Finance (Deptt. of Expenditure)	<p>The manifold increase in the Governmental expenditure on multifarious activities in the recent times has widened the scope of audit scrutiny with the result that more and more cases of waste, loss, extravagant or nugatory expenditure as well as comprehensive review of various developmental schemes are being included in the various reports of the C&AG laid on the table of the House in successive years. Similarly, the scope of Audit on revenue receipts has also widened considerably. Since it is not possible for the Public Accounts Committee to go into every issue dealt with in the various reports of the C&AG, it has made it incumbent for the Committee to be selective in approach. Accordingly, the Committee at the beginning of their term every year, generally, select for in-depth examination only 30—35 most important paragraphs according to their relative importance out of an average of over 400 paragraphs included in various reports of the C&AG laid on the Table of the House every year. Till 1981, there was no practice of ascertaining the action taken by the Ministries/ Departments on the audit paragraphs not selected by the Committee for detailed examination. However, with a view to ensuring enforcement of accountability of the Executive in respect of all the issues dealt with in various</p>

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audit reports, the Public Accounts Committee (1981-82) decided that the various Audit Reports for the year 1980-81 be referred to the Ministries concerned for furnishing notes duly vetted by audit showing remedial/corrective action taken on all the paragraphs contained therein. Subsequently, the Committee also decided that these instructions were to be treated as Standing Instructions' for future also. The Monitoring Cell in the Ministry of Finance (Department of Expenditure) was entrusted with the task of coordination and collection of the notes from the various Ministries and forwarding the same to the Lok Sabha Secretariat. It was also clarified to the Monitoring Cell in September, 1982 that the decision of the Committee to call for notes showing remedial/corrective action taken on the reports of the C&AG would continue to hold good so long as it was not revised by the Committee themselves and that suitable arrangements were to be made for coordination and collection of notes by them on a continuing basis. Since then the Lok Sabha Secretariat has been issuing instructions every year to the Ministries concerned requesting them to furnish to the Secretariat notes indicating remedial/corrective action taken by them on the various audit paragraphs pertaining to them duly vetted by Audit through Monitoring Cell in the Department of Expenditure by a specified date.

- 2 46 Ministry of Finance (Department of Expenditure) in coordination with all Ministries/ Deptts. of Govt. of India
- The review of the position regarding receipt of remedial Action Taken Notes undertaken by subject by the Committee has, however, revealed that there had been inordinate delays and persisting failures on the part of a large number of Ministries in reporting to the Committee the remedial/corrective action taken on audit paragraphs relating to them. According to the information furnished by the Ministry of Finance (Department of Expenditure) in June, 1995, the remedial/corrective Action Taken Notes on as many as 519 paragraphs included in

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Notes on as many as 519 paragraphs included in the various Audit Reports relating to 28 Ministries/Departments upto the period ending 31 March, 1993 were awaited. Distressingly, 275 of these 519 paragraphs which constituted 53 percent of the pendency, pertained to the Audit Report relating to the years 1985-86 to 1990-91. Pertinently, the information made available by the Ministry of Finance was inexplicably incomplete insofar as it excluded several important Ministries/Departments like Defence, Defence Production, Posts, Telecommunications, Revenue etc. However, the available data in some of the relevant Audit Reports for the year 1995 revealed heavy pendencies in some of those Ministries/Departments also. For example, remedial/corrective Action Taken Notes on 143 paragraphs in respect of Department of Revenue (Direct Taxes) and 93 paragraphs in respect of Posts and Telecommunications included in the relevant Audit Reports upto the period ending March, 1993 were pending finalisation with the respective Departments. In the opinion of the Committee, this huge pendency of remedial/corrective Action Taken Notes in a large number of Ministries/Departments clearly reveals that this issue was handled in a most unsatisfactory manner and also not given the attention it deserved. Keeping in view the fact that the mechanism for obtaining remedial/corrective Action Taken Notes on all the paragraphs included in various Audit Reports was evolved by the Committee for ensuring accountability of the Executive towards Parliament, the Committee consider it unfortunate that the several Ministries failed to furnish the remedial/corrective Action Taken Notes to the Committee on a large number of paragraphs even 6-7 years after the relevant Audit Reports were laid on the Table of the House. This poor spectacle of state of affairs

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has not only exposed inadequacies in the existing institutional arrangements in the Ministries for watching progress of finalisation of notes indicating remedial/corrective action taken on audit paragraphs relating to them but also negated the very object of ensuring timely and effective Parliamentary control over the Government's financial activities and all executive actions relating thereto.

3 47 Ministry of
Finance
(Deptt. of
Expenditure)

The Committee note that even though the Monitoring Cell in the Department of Expenditure (Ministry of Finance) was entrusted with the task of coordination and collection of the remedial/corrective Action Taken Notes from Ministries concerned on the paragraphs contained in different Audit Reports way back in 1982, that Cell has not devised any procedure to ensure timely submission of relevant Action Taken Notes to the Committee even in those cases where such notes are awaited for over 5 years or so. The Ministry of Finance stated that the Monitoring Cell had confined their role only to maintaining records separately for each Ministry and sending a written reminder whenever a Ministry defaulted or delayed replies to the Committee. To their utter dismay, the Committee during the course of their examination, however, found that even the manner in which pendency data maintained was grossly inadequate. As pointed out earlier, the Ministry of Finance are yet to furnish a consolidated data indicating the pendency position of submission of corrective/remedial Action Taken Notes relating to all the Ministries/Departments of Government of India. During evidence, the Committee were informed by none other than Secretary (Expenditure) that the Monitoring Cell functions more like a 'conduit'. He also maintained that in the existing system the Secretary of the Ministry concerned is

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responsible for furnishing Action Taken Notes and the role assigned to the Department of Expenditure to monitor could be "only a role of watching the things." While agreeing with the assertions made by the Secretary (Expenditure) that the discharge of primary responsibility of furnishing Action Taken Notes is that of the Secretary of the Ministry concerned, the Committee are unable to comprehend as to how the Ministry of Finance (Department of Expenditure) acting as the nodal agency failed to discharge the functions assigned to them for coordination and collection of remedial/corrective Action Taken Notes and allowed themselves to be reduced to a mere Post Office transmitting the Action Taken Notes received in the Monitoring Cell to the Committee. The Committee are in no doubt that unless Ministry of Finance (Department of Expenditure) devise an adequate machinery in the Monitoring Cell to ensure timely submission of the Action Taken Notes, the results of audit of Government's financial transactions would be largely in vain and the enforcement of accountability of the Executive in respect of all the issues dealt with in Audit Reports would remain a distant goal. The Committee would, therefore, like the Department of Expenditure to take urgent steps to revamp the system in the Monitoring Cell so that this Cell could play an effective and purposeful role atleast in the future.

4 48 Ministry of Finance
(Deptt. of Expenditure)

Another disquieting aspect noticed by the Committee during evidence was that despite the heavy pendency observed, the Department of Expenditure did not choose to take up the matter at appropriate forums like Committee of Secretaries. Subsequent to the recording of evidence on this subject, the Committee have however, been informed by the Department of Expenditure that in future the Secretary

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(Expenditure) would be discussing the matter with the concerned Secretary when ever replies were not sent within four months and the cases involving further delays would be placed before the Committee of Secretaries to drive home the importance and urgency in expediting action. While welcoming these steps proposed to be taken by Department of Expenditure though belated, the Committee would like to know the precise steps now being contemplated in the Department to clear the huge backlog of remedial corrective Action Taken Notes presently pending in various Ministries for an unduly long period. They would also like the Monitoring Cell to make special efforts to ensure that conclusive remedial/corrective Action Taken Notes duly vetted by Audit on all these outstanding paragraphs included in the Audit Reports upto the period ended 31 March, 1993 are obtained from the Ministries concerned and made available to the Committee within three months from the date of presentation of this Report.

5 49 Ministry of Finance (Deptt. of Expenditure) in coordination with all Ministires/ Deptts. of Govt. of India.

As has already been brought out earlier in this Report, the Committee's examination of the pendency of finalisation of remedial/corrective Action Taken Notes has revealed that such notes on about 755 paragraphs included in the various Audit Reports upto the period 31 March, 1993 are still awaited from over 30 Ministries/Departments. Since it was not possible to examine all these Ministries, the Committee took up for examination only the illustrative cases relating to the Ministries of Commerce, Information and Broadcasting, Urban Development and Railways. The fact that subsequent to the selection of this subject for detailed examination by the Committee, all these four Ministries have introduced new systems specifying responsibilities at various levels for timely finalisation of remedial/

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corrective Action Taken Notes clearly brings to the forefront the inadequacy in institutional arrangements which were hitherto in existence in these Ministries to watch progress of finalisation of notes indicating remedial/corrective action taken on the audit paragraphs relating to them. Surprisingly, the Ministry of Railways have gone on record to state that the thrust in the existing arrangement was mainly on sending timely replies to Draft paras/ Provisional paras and the same amount of attention was not given to follow up action taken on the various paragraphs included in the C&AG's Report. In the opinion of the Committee, this state of affairs indicates nothing but the callous attitude of the Ministries in evolving a sound system to review the position of the audit paragraphs on which remedial/corrective Action Taken Notes are to be finalised and submitted by them to the Committee within the prescribed time schedule. The net result is that remedial/corrective Action Taken Notes in a large number of cases continue to remain outstanding in different Ministries for considerably longer periods of time thus rendering virtually nugatory the entire purpose of parliamentary scrutiny of the various issues brought out in different Reports of the C&AG laid on the Table of the House. The Committee would therefore, like to emphasise the need for thorough overhaul of the systems prevalent in the various Ministries/Departments for monitoring progress of finalisation of remedial/corrective Action Taken Notes and their timely submission to the Committee. The Committee desire that all Ministries/Departments should tone-up their administration and evolve effective machinery with a view to ensuring timely submission of the remedial/corrective Action Taken Notes to the Committee. They would like the Department of Expenditure to furnish a consolidated position indicating the concerted steps taken by the various Ministries/Departments in this regard.

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6	50	<p>Ministry of Finance (Deptt. of Expenditure) in coordination with all Ministries/ Deptts. of Govt. of India.</p>	<p>At the instance of the Committee, certain Ministries have furnished status reports indicating the latest position in respect of submission of remedial/corrective Action Taken Notes on the outstanding audit paragraphs relating to them. A scrutiny of the status reports received from the Ministries of Information & Broadcasting, Urban Development and Railways has revealed that these Ministries had submitted remedial/corrective Action Taken Notes to the Audit for vetting on as many as 10, 28 and 43 outstanding audit paragraphs respectively during the month of June 1995 itself. Undoubtedly, this action in these Ministries was a sequel to the Committee's communication to them about examination of this subject. This is clearly indicative of the lack of seriousness on the part of the Ministries/Departments in attending to such a vital area of governmental functioning and accountability. The deposition made by the representative of the Ministry of Urban Development before the Committee, "Unfortunately, the tendency is that unless the highest authority in the Ministry reviews it, matters are delayed" typifies this tendency. The Committee have no doubt that if those Ministries could clear the pendency at such a rapid pace, the other defaulting Ministries specially the Home Affairs, Human Resource Development, Health and Family Welfare and Surface Transport where the pendency is very alarming should not have any plausible difficulty in clearing their backlog.</p>
7	51	<p>Ministry of Finance (Deptt. of Expenditure) in coordination with all</p>	<p>One of the main contributory causes for heavy pendency of remedial/corrective Action Taken Notes in different Ministries is reported to be the time factor involved in obtaining necessary details from the field formations for finalisation of the relevant notes. The</p>

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Committee have considered this aspect and they realise that it may sometimes not be possible for Ministries to furnish conclusive information duly vetted by Audit within a short period. They therefore, desire that in future the vetted remedial/corretive Action Taken Notes on audit paragraphs included in various Reports of the C&AG laid on the Table of the House be furnished to the Committee through Monitoring Cell within a period of three months from the date when the selection of subjects by the Committee for a particular year is communicated to the Ministries/Departments.

8 52 Ministry of
Finance
(Deptt. of
Expenditure)

Although the Committee select about 30-35 paragraphs every year, they are often unable to examine all those paragraphs during the same year. In the event of those unexamined paragraphs getting not selected for detailed examination in the subsequent years, they assume the position of non-selected paragraphs and thus qualify for reporting of remedial/corrective action, as per the existing directions of the Committee. For example, out of the total of 32 and 29 audit paragraphs initially selected for examination by them during the years 1993-94 and 1994-95, the Committee could not examine 25 and 19 audit paragraphs in the respective years. Unfortunately, such unexamined paragraphs have largely been unattended to hitherto by the Ministries/Departments concerned presumably on their being incorrectly interpreted as selected paragraphs. Undoubtedly, this vitiates the principle of accountability on all Audit paragraphs and requires to be remedied forthwith. The Committee, therefore, recommended that in future, the Ministry of Finance should ensure that the requisite action taken notes are furnished by the Ministries/Departments concerned on all the Audit paragraphs irrespective of whether they have

1	2	3	4
9	53	Ministry of Finance (Deptt. of Expenditure)	<p>been selected by the Committee for detailed examination or otherwise. Furnishing of corrective/remedial action taken notes outstanding in respect of all such paragraphs relating to the past years from the various Reports of the C&AG should also be got expedited by the Ministry of Finance by the time stipulated by the Committee in paragraph 48 of this Report.</p> <p>In order to make the reporting of remedial/corrective action meaningful and purposive, the Committee desire that the notes indicating remedial/corrective action taken by the Ministries/Departments on the Paragraphs contained in various Aduit Reports should be hereafter furnished in the format appended at Appendix-III to this Report. The Committee would like the Ministry of Finance (Department of Expenditure) to bring this format to the notice of all Ministries/Departments for appropriate action.</p>
