

SIXTY-FIRST REPORT
PUBLIC ACCOUNTS COMMITTEE
(2012-2013)

(FIFTEENTH LOK SABHA)

UNFRUITFUL EXPENDITURE OF
INVESTORS MONEY—SEBI

[Action Taken by the Government on the Observations/Recommendations of
the Committee contained in their Twenty-fifth Report (15th Lok Sabha)]

MINISTRY OF FINANCE
(DEPARTMENT OF ECONOMIC AFFAIRS)

Presented to Lok Sabha on 30.8.2012
Laid in Rajya Sabha on 30.8.2012



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COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2012-13)

Dr. Murli Manohar Joshi — *Chairman*

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| 1. Shri Devender Singh | — | <i>Joint Secretary</i> |
| 2. Shri D.R. Mohanty | — | <i>Deputy Secretary</i> |
| 3. Shri A.K. Yadav | — | <i>Under Secretary</i> |

INTRODUCTION

I, the Chairman, Public Accounts Committee (2012-13), having been authorised by the Committee, do present this Sixty-first Report (Fifteenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fifth Report (Fifteenth Lok Sabha) on **‘Unfruitful Expenditure of Investors Money—SEBI’** Ministry of Finance (Department of Economic Affairs).

2. The Twenty-fifth Report was presented to Lok Sabha/laid in Rajya Sabha on 24th February, 2011. Replies of the Government to the Observations/Recommendations contained in the Report were received on 29th September, 2011. The Public Accounts Committee considered and adopted this Report at their sitting held on 23rd August, 2012. Minutes of the sitting are given at *Appendix-I*.

3. 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.

4. The Committee 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.

5. An analysis of the action taken by the Government on the Observations/Recommendations contained in the Twenty-fifth Report (Fifteenth Lok Sabha) is given at *Appendix-II*.

NEW DELHI;
28 August, 2012

6 Bhadrapada, 1934 (Saka)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Public Accounts Committee deals with the action taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fifth Report (Fifteenth Lok Sabha) on '**Unfruitful Expenditure of Investors Money—SEBI**' based on Paragraph No. 8.2 of the C&AG Report No. 15 of 2008-09, Union Government (Civil) Autonomous Bodies.

2. The Twenty-fifth Report (Fifteenth Lok Sabha) was presented to Lok Sabha/laid in Rajya Sabha on 24.02.2011. It contained 13 Observations/Recommendations. Action Taken Notes in respect of all the Observations/Recommendations have been received from the Ministry of Finance (Department of Economic Affairs) and categorized as under:—

- (i) Observations/Recommendations which have been accepted by the Government:

Para Nos. 1-10, 12 and 13

Total: 12
Chapter-II

- (ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

-Nil-

Total: Nil
Chapter-III

- (iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Para No. 11

Total: 1
Chapter-IV

- (iv) Observations/Recommendations in respect of which Government have furnished interim replies:

-Nil-

Total: Nil
Chapter-V

3. The detailed examination of the subject by the Committee had revealed certain shortcomings/deficiencies on the part of the MoF (DEA) which *inter alia* included pendency of Remedial/Corrective Action Taken Notes; inadequate monitoring by the MoF in timely disposal of ATNs by various Ministries/Departments; abandonment of the Market Participants and Investors Identification Number (MAPIN) scheme leading to unfruitful expenditure of the investors' money etc.

4. The Action Taken Notes furnished by the Ministry of Finance (DEA) have been reproduced in the relevant Chapters of this Report. The Committee will now deal with action taken by the Government on some of their observations/recommendations which either need reiteration or merit comments.

I. Delay in quarterly review of pending ATNs

Recommendation (Paragraph No. 2)

5. In their 25th Report, the Committee were perturbed to note that even after the examination of the subject and finalization/presentation of eight Reports thereon in 2009-10 pertaining to various Ministries/Departments, the overall picture in regard to pendency of Remedial/Corrective Action Taken Notes remained dismal. The Committee had noted that 4191 Remedial/Corrective Action Taken Notes were pending as of 25th June, 2010 for settlement according to the MoF (DEA). On the other side, according to Audit, 3462 Paragraph were pending with all the Ministries as of 31st May, 2010. Out of these, 2418 paras were pending with different Departments of the Ministry of Finance. The Committee were initially apprised that a total number of 10 paras were pending with the Department of Economic Affairs whereas during evidence the Committee were informed that the number of such pending Audit Paragraphs was 14. Expressing displeasure over such contradictory statements, the Committee had desired the MoF to reconcile the facts and figures and apprise them accordingly. The Committee had also recommended that the issue of pendency of Remedial/Corrective ATNs be reviewed on a quarterly basis by the departmental Secretary and the result of such review be brought to notice of the Minister-in-charge invariably under intimation to the Committee.

6. The Ministry of Finance (Department of Economic Affairs) in their Action Taken Notes have stated as under:—

- "There have been certain discrepancies in the figures/records of C&AG Audit Paras pending against different Ministries, maintained by the Office of Controller General of Accounts, D/Expenditure and that of Audit. These discrepancies had occurred due to certain differences in the manner of reporting of pendency position such as inclusion of commercial Audit Paras/sub-paras of main audit paras in the pending list and reporting of settled paras at the audit vetting stage etc.
- In order to remove such discrepancies and ensure correct reporting of the pending position several initiatives have been taken by the office of Controller General of Accounts, D/Expenditure involving all Ministries/Departments along with Audit for updating and reconciling the list of pending Audit Paras as on 31.3.2011.
- As part of this exercise, with a view to eliminate delays/discrepancies and for close monitoring of the submission of ATNs, the office of Controller General of Accounts have developed a web based monitoring system to e-monitor the pending Audit Paras of C&AG Reports. The Web portal has been registered under url apms.nic.in. The office of

Controller General of Accounts (Monitoring Cell) has uploaded all the pending Audit paras as on 31.3.2011 and also organized training programmes for Ministries/Departments so as to familiarize the users with the system.

- Separately, as a result of various measures undertaken, the overall pendency of C&AG Audit Paras has significantly reduced. Against 4191 ATNs pending with all Ministries/ Departments as on 25th June, 2010, the number of paras pending as on 31st March, 2011 in respect of CAG Reports upto 2007-08 (CAG report year upto 2009/tabled upto 2009) is 1262. The number of paras pending within Ministry of Finance as on 31st March, 2011 in respect of CAG Reports up to 2007-08 (CAG report year upto 2009/tabled upto 2009) is 643. There are no Audit Paras outstanding against DEA for the same period.
- As stated by the PAC the D/Expenditure had listed 10 Paras as outstanding against Department of Economic Affairs (DEA). This figure however included the pending Audit Paras relating to the Department of Financial Services [DEA-1; DFS 9] and did not include C&AG Report 1 of 2009. At the time of furnishing the reply in November, 2010 to the PAC on the list of points arising out of the oral evidence of Representatives of Ministry of Finance on Para 8.2 of C&AG Audit Report No. CA 15 of 2008-09 relating to 'Unfruitful Expenditure of Investors Money', there were 14 Audit Paras pending within the Department. These Audit Paras related to the C&AG Report 1 of 2009 for the year 2008-09 (Appropriation Accounts). As of now all the 14 Audit Paras stand settled. The Action Taken Notes in respect of these Audit Paras could not be finalized within the stipulated time of four months due to various reasons, including finalizing guidelines relating to funds of SEBI prior to the drawing up of an appropriate accounting procedure by CGA, for keeping the funds in Public Accounts. There was also a requirement, as advised by Audit to prepare consolidated ATNs with respect to audit observations on suspense and DDR Heads.
- The recommendation of the PAC for quarterly review of pending ATNs at the level of Secretary/Minister is accepted for future compliance.”

7. The Committee take due note of the various measures initiated by the Department to eliminate delays/discrepancies in the submission of Remedial/ Corrective ATNs on the non-selected Audit Paras. They are, however, not satisfied with the reasonings like delay in finalization of Guidelines, requirement by Audit to prepare consolidated ATNs etc. as adduced by the Department for non-finalization of the ATNs on Audit paras within the stipulated timeline of four months. The Committee urge the Ministry to resort to timely measures so that such routine matters do not impede or delay finalization of ATNs on the Audit Paras. Now that the Ministry have accepted the Committee's recommendation for quarterly review of the pending ATNs at the level of the Secretary/Minister, the Committee trust that the Ministry would display a marked improvement in the

finalization of pending ATNs in the near future. Since 643 audit paras are still pending with various Departments of the MoF, it is imperative for the Finance Ministry to take requisite urgent action to expeditiously settle them and set an example for other Ministries/Departments to emulate.

II. Delay in settlement of pending Audit paragraphs

Recommendation (Paragraph No. 4)

8. The Committee in their earlier Report had expressed displeasure over a large number of Audit paras pending with the Ministry of Finance as a whole and also in the Department of Economic Affairs despite monitoring of the status of pending ATNs by high Government functionaries. The Committee had recommended that all the 14 Audit paragraphs pending with the Department of Economic Affairs be settled within a month of the presentation of the Twenty-fifth Report of Parliament under intimation to the Committee and due care should be taken in future to obviate such instances of delay in finalizing the Remedial/Corrective Action Taken Notes.

9. The Ministry of Finance in their Action Taken Notes have stated that all the pending 14 Paras with the DEA have been settled. They also furnished a statement showing the date-wise settlement of the pending paras. The Ministry have also accepted delay in settling these paras and assured of non-occurrence of such delay in future and finalization of Action Taken Notes within the prescribed timeframe in future.

10. Although all the 14 Audit Paras pending with the DEA have been settled, a perusal of the statement furnished by the Ministry reveals that most of the outstanding 14 Audit Paras could not be settled within the desired timeframe of one month of the presentation of the Report of the Public Accounts Committee in February, 2011. Some of these Paras were settled and sent to Monitoring Cell as late as in the month of September, 2011. Moreover, the Committee were not explained the reasons for the delay in the finalization of the ATNs. It is high time the Ministry displayed the urgency and seriousness in taking requisite action in accord with the suggestions/recommendations of the Committee. In view of the assurance of the Ministry to ensure non-recurrence of delay in future, the Committee ardently hope that there would be no such delays in future.

III. Wasteful Expenditure

Recommendation (Paragraph No. 11)

11. In their earlier Report, the Committee had commented that the eventual suspension of MAPIN led to a wasteful expenditure of Rs. 11.54 crore collected from 3.84 lakh investors and the benefit of the scheme did not accrue either to SEBI or the stake-holders.

12. The Ministry in their Action Taken Notes have responded as under:—

“SEBI has informed that the observation of the Committee has also found mention at para 32 of the report. According to this Para, the exercise was undertaken for the first time in the country and there was

no benchmark applicable/available that could be followed. It was also informed that there were no malafides in the decision. Further the implementing agency NSDL has done its job by providing registration as required therefore it had done its part. However, as the project was abandoned mid-way the registrations were of no use. There was no loss to SEBI or Government of India. The amount of Rs. 300 per registration was collected from around 3.84 lac investors and given to NSDL which was registering, servicing and maintaining the database.”

13. The Committee are not convinced with the reply of the Ministry and reiterate that the MAPIN scheme was conceived and implemented in haste for which it had to be abandoned mid-way defeating the very purpose. The Ministry's contention that there was no loss to SEBI or Government of India does not hold good in view of the fact that the collection of Rs. 11.54 crore from 3.84 lakh investors did not serve the intended objective. The Committee, therefore, desire that whenever such schemes are intended to be introduced by SEBI, there should be proper advance planning and larger consultations with the stakeholders before awarding the contracts so that the bonafide purpose of checking irregularities and deficiencies in the stock market operations is well served.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/Recommendation

The Public Accounts Committee pursuant to the recommendations made in their 105th Report (10th Lok Sabha) devised a procedure whereby the Ministries/ Departments were required to furnish Remedial/Corrective Action Taken Notes to the Committee on the Audit Paragraphs which were not formally selected and taken up for detailed examination by the Committee. From March, 1996 furnishing of such Remedial/Corrective Action Taken Notes were made time bound and were to be furnished within four months of the laying of the Audit Reports in Parliament. To regulate and implement this system of checks and balances Ministry of Finance (Department of Expenditure) was entrusted to be the Nodal Agency for furnishing these notes to the Public Accounts Committee for their perusal. The Notes once received by the PAC Secretariat from Department of Expenditure (Monitoring Cell), are then forwarded to Audit for categorizing them into three parts *viz.*, 'Accepted', 'Not Accepted' and 'Partially Accepted'. Once categorized, these Notes are then circulated to the Chairman and Members of the PAC for their perusal. If no concerns are raised by the Members, the Audit Paragraphs then reach the stage of finality.

[Para 1 of the 25th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken

The contents of the Para are noted.

This Note has been vetted by Audit *vide* their UO Note No. RR/15-10/ 2007-08/457 dated 16-9-11 and RR/1-27/2010-11/484 dated 26-9-11.

Sd/-

(H. Pradeep Rao)
Joint Secretary & FA

[Department of Economic Affairs, OM No. 35011/1/2011-DDG Cell,
dated 27-9-11]

Observation/Recommendation

The Public Accounts Committee (2009-10) of the 15th Lok Sabha took a serious view on the large number of pending Audit Paragraphs on which Remedial/ Corrective ATNs were not furnished by Ministries/Departments. They constitute a Sub-Committee especially on this subject which examined several Ministries/ Departments and a total of Eight Reports were presented to Parliament on the

subject. The Committee are perturbed to note that even after the intervention through the examination of this subject during 2009-10, the overall picture in regard to the pending Remedial/Corrective Action Taken Notes remains dismal. As per information furnished by the Ministry of Finance (Department of Expenditure) 4191 Remedial/Corrective Action Taken Notes were pending as of 25th June, 2010. The Audit also supplied a figure in this regard which stated that a total of 3462 Paragraphs were pending with all the Ministries as of 31st May, 2010. Out of these, the Committee note that 2418 paras were pending with different Departments of the Ministry of Finance. The Committee also note that as stated by Department of Expenditure, a total of 10 paras were pending with the Department of Economic Affairs. However, the number of pending paras of this Department (Economic Affairs) as intimated to the Committee during the course examination of the subject stood at 14. The Committee, therefore, would like to be apprised of correct figures in regard to the number of pending Remedial/Corrective Action Taken Notes as supplied by the Department of Expenditure and Audit. Also taking serious note of the delay/negligence on the part of the Department of Economic Affairs, the Committee would like to be intimated about the specific reasons of delay for each of these pending paragraphs. The Committee further recommend that the issue of pendency of Remedial/Corrective Action Taken Notes be reviewed on a Quarterly basis by the departmental Secretary and the result of such review brought to notice of the Minister-in-charge invariably under intimation to the Committee.

[Para 2 of the 25th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken

The observations made by the PAC in the above paragraphs are clarified/replied to as under:

- There have been certain discrepancies in the figures/records of C&AG Audit Paras pending against different Ministries, maintained by the office of Controller General of Accounts, D/Expenditure and that of Audit. These discrepancies had occurred due to certain differences in the manner of reporting of pendency position such as inclusion of commercial Audit Paras/sub-paras of main audit paras in the pending list and reporting of settled paras at the audit vetting stage etc.
- In order to remove such discrepancies and ensure correct reporting of the pending position several initiatives have been taken by the office of Controller General of Accounts D/Expenditure involving all Ministries/ Departments along with Audit for updating and reconciling the list of pending Audit Paras as on 31.3.2011.
- As part of this exercise, with a view to eliminate delays/discrepancies and for close monitoring of the submission of ATNs, the office of Controller General of Accounts have developed a web based monitoring system to e-monitor the pending Audit Paras of C&AG Reports. The web portal has been registered under url apms.nic.in. The office of Controller General of Accounts (Monitoring Cell) has uploaded all the pending Audit

paras as on 31.3.2011 and has also organized training programmes for Ministries/Departments so as to familiarize the users with the system.

- Separately, as a result of various measures undertaken, the overall pendency of C&AG Audit Paras has significantly reduced. Against 4191 ATNs pending with all Ministries/Departments as of 25th June 2010, the number of paras pending as on 31st March, 2011 in respect of CAG Reports upto 2007-08 (CAG report year upto 2009/tabled upto 2009) is 1262. The number of paras pending within Ministry of Finance as on 31st March, 2011 in respect of CAG Reports up to 2007-08 (CAG report year upto 2009/tabled upto 2009) is 643. There are no Audit Paras outstanding against DEA for the same period.
- As stated by the PAC the D/Expenditure had listed 10 Paras as outstanding against Department of Economic Affairs (DEA). This figure however included the pending Audit Paras relating to the Department of Financial Services [DEA-1; DFS 9] and did not include C&AG Report 1 of 2009. At the time of furnishing the reply in November, 2010 to the PAC on the list of points arising out of the oral evidence of Representatives of Ministry of Finance on Para 8.2 of C&AG Audit Report No. CA 15 of 2008-09 relating to 'Unfruitful Expenditure of Investors Money', there were 14 Audit Paras pending within the Department. These Audit Paras related to the C&AG Report 1 of 2009 for the year 2008-09 (Appropriation Accounts). As of now all the 14 Audit Paras stand settled. The Action Taken Notes in respect of these Audit Paras could not be finalized within the stipulated time of four months due to various reasons, including finalizing guidelines relating to funds of SEBI prior to the drawing up of an appropriate accounting procedure by CGA, for keeping the funds in Public Account. There was also a requirement, as advised by Audit to prepare consolidated ATNs with respect to audit observations on suspense and DDR Heads.
- The recommendation of the PAC for quarterly review of pending ATNs at the level of Secretary/Minister is accepted for future compliance.

This Note has been vetted by Audit *vide* their UO Note No. RR/15-10/2007-08/457 dated 16-9-11 and RR/1-27/2010-11/484 dated 26-9-11.

Sd/-

(H. Pradeep Rao)

Joint Secretary & FA

[Department of Economic Affairs, OM No. 35011/1/2011-DDG Cell,
dated 27-9-11.]

Observation/Recommendation

Against the backdrop of huge pendency of the Remedial/Corrective Action Taken Notes with different Ministries/Departments, the Public Accounts Committee (2010-11) again took up this subject for examination. The Committee were informed

of the elaborate mechanism which is in place in the Department of Economic Affairs to ensure timely submission of ATNs within the stipulated time frame of 4 months. Nevertheless, the Committee are constrained to note that the number of pending paras within the Ministry of Finance stands at 2418 on 25th June, 2010 and the Department of Economic Affairs could not furnish the ATNs within the stipulated time frame of 4 months. In his own statement the Secretary, Department of Economic Affairs has intimated to the Committee that Department of Expenditure has laid down guidelines for ensuring timely submission of ATNs. Such submission is regularly monitored in the DEA by the Financial Adviser and a Quarterly Report on the status of the pending paras is furnished to the Department of Expenditure. In this regard, the Committee have also been informed that a Standing Audit Committee under the Chairmanship of Finance Secretary has been constituted in August, 2010 to monitor and review the submission of ATNs on a monthly basis. The Committee have also been informed that the major constraints faced by the DEA in adhering to the stipulated time frame for reply to the Audit Paras is in obtaining the required information from other entities/departments in time. In this regard, the Committee would recommend that Ministry should remove this bottleneck by devising a mechanism for timely procuring of the information from entities/departments in order to enable them to adhere to the time-line of four months for furnishing Remedial/Corrective Action Taken Notes.

[Para 3 of the 25th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken

As a result of several measures undertaken for closer monitoring, the overall pendency of C&AG Audit Paras has reduced. Against 2418 paras pending within the Ministry of Finance as on 25th June, 2010 the number of Paras pending as on 31st March, 2011 is 643. There are no Audit Paras outstanding against DEA.

Steps that have already been undertaken include strict monitoring in the Department, review by the Committee of Secretaries (CoS) as also the development of the web portal apms.nic.in which when fully operationalised with provisions of necessary alerts, online facility for uploading Draft/Final ATNs will help to ensure adherence to the four month time line for settlement of C&AG Audit Paras.

This Note has been vetted by Audit *vide* their UO Note No. RR/15-10/2007-08/457 dated 16-9-11 and RR/1-27/2010-11/484 dated 26-9-11.

Sd/-
(H. Pradeep Rao)
Joint Secretary & FA

[Department of Economic Affairs, OM No. 35011/1/2011-DDG Cell,
dated 27-9-11]

Observation/Recommendation

What is baffling to the Committee is the fact that even after monthly appraisals of status of pending ATNs by high Government functionaries such a large number of audit paras are found to be pending within the Ministry of Finance itself and also in the DEA. As the situation stands now, the Committee recommend that all the 14 pending audit paragraphs within the Department of Economic Affairs be settled within one month of the presentation of this Report to the Parliament under intimation to the Committee and due care should be taken in future to obviate such instances of delay in finalizing the Remedial/Corrective Action Taken Notes.

[Para 4 of the 25th Report of the Public Accounts Committee
(15th Lok Sabha)]

Action Taken

The status position of the 14 C&AG Audit Paras stated as pending within the Department of Economic Affairs is annexed. As of now all the Paras stand settled. There has been a delay in settling these Paras. It will be ensured that in future such instances of delay do not occur and the Action Taken Notes are finalized within the stipulated time.

This Note has been vetted by Audit *vide* their UO Note No. RR/15-10/2007-08/457 dated 16-9-11 and RR/1-27/2010-11/484 dated 26-9-11.

Sd/-

(H. Pradeep Rao)
Joint Secretary & FA

[Department of Economic Affairs, OM No. 35011/1/2011-DDG Cell,
dated 27-9-11]

Status position of C&AG Audit Paras of DEA

Sl. No.	Report No. 1 of the Year 2008-09	Para No.	Subject	Present Status
1	2	3	4	5
1.	1 of 2009	2.5	Public funds lying outside Govt. Accounts	Settled. Final ATN sent to MC <i>vide</i> CM Div. OM 2/19/2010 RE dtd. 16.8.2011.
2.	1 of 2009	2.14.1 II-D	Suspense accounts for purchases abroad	Settled. Final ATN sent to MC <i>vide</i> O/o CAAA letter No. CAAAD/Coord./J(1)/2010-11 dated 30.5.2011.
3.	1 of 2009	2.14.2 II-E, (19-29)	Outstanding balance under DDR heads—Appropriation No. 37-Repayment of Debt	Settled. Final ATN sent to MC <i>vide</i> O/o CAAA/Coord./J(1)/2010-11/1231 dated 20.9.11
4.	1 of 2009	2.14.2 II-F, (1-11)	Outstanding balance under DDR heads	-do-
5.	1 of 2009	2.14.2 (iii)	Outstanding balance under DDR heads	-do-
6.	1 of 2009	2.14.2 II-E, 60	Outstanding balance under DDR heads	Settled. Final ATN sent to MC by O/o CGA <i>vide</i> letter No. G-25020/2008-09/MF-CGA/FA/AR/737 dated 29.7.2011
7.	1 of 2009	2.14.2 II-E (56-59)	Outstanding balance under DDR heads D. No. 32—DEA	Settled. Final ATN sent to MC <i>vide</i> OM No. 4/6/2008-CIE-II dated 21.7.2011
8.	1 of 2009	8.3 VIII-A, (16-27)	Excess expenditure over available provisions-Appr. No. 34—Interest Payment	Settled. Final ATN sent to MC <i>vide</i> No. 6(3)-B (A/c)/2009 dated 13.4.2011
9.	1 of 2009	8.4 VIII-B, 42	Savings of Rs. 100 crore or more D. No. 36—Loans to Govt. Servants	Settled. Explanatory note duly vetted by Audit sent to MC <i>vide</i> OM No. F. 2(28)-B(CDN)/2009 dated 18.8.2010

1	2	3	4	5
10.	1 of 2009	8.8 (8.4), 28	Surrender of Savings on 30/31 March-D. No. 34-Interest Payment	Settled. Final ATN sent to MC <i>vide</i> No. 6(3)-B (A/c)/2009 dated 13.4.2011.
11.	1 of 2009	8.12 VIII-F, 1	Injudicious re-appropriation to Minor/Sub-head-D. No. 34-Interest Payment	Settled. Final ATN sent to MC <i>vide</i> No. 6(3)-B (A/c)/2009 dated 10.12.2010.
12.	1 of 2009	8.14 VIII-H, 15	Unrealistic estimation of expenditure D. No. 32-DEA	Settled. Final ATN sent to audit <i>vide</i> OM No. 4/1/2008-IF-I dated 28.3.2011.
13.	1 of 2009	8.14 VIII-H, 16	Unrealistic estimation of expenditure D. No. 32-DEA	Settled. Final ATN sent to MC <i>vide</i> No. 6(3)-B (A/c)/2009 dated 14.3.2011.
14.	1 of 2009	8.15 VIII-I, (49-52)	Unrealistic budgetary assumptions-D. No. 34-Interest Payment	Settled. Final ATN sent to MC <i>vide</i> No. 6(3)-B (A/c)/2009 dated 13.4.2011.

Observation/Recommendation

In view of pending Remedial/Corrective Action Taken Notes, the Committee thought it prudent to examine at least one case out of the Audit Paragraphs pending with Department of Economic Affairs. Accordingly, the Committee selected Paragraph No. 8.2 of the Report of the C&AG of India No. CA 15 of 2008-09 relating to 'Unfruitful Expenditure of Investors Money—SEBI'.

[Para 5 of the Observations/Recommendations of the 25th Report of the Public Accounts Committee (15th Lok Sabha)]

Reply of Department of Economic Affairs

No observations/recommendations has been made by the Public Accounts Committee and hence no comments.

This Note has been vetted by Audit *vide* their U.O. No. RR/15-10/2010-11/467 dated 21.09.2011

Sd/-

Joint Secretary (CM)

Observation/Recommendation

Audit Report No. CA 15 of 2008-09 in which Para No. 8.2 on SEBI figures, was presented to Parliament on 24th July, 2009. The DEA have stated that this para was first received as a draft para from the Audit on 01.10.2009 and the review of the same was done by the Ministry on 08.03.2010. The Ministry then sent their reply conveying this disagreement with Audit observations on 10.02.2010 and the revised ATNs were finally sent to Audit on 17.09.2010. The Committee do not understand that the Report which was presented to Parliament on 24th July, 2009 first reached Ministry on 01.10.2009 after a delay of little over two months. The Ministry sent their reply to Audit on 10.02.2010 after a delay of almost four months of receiving of the draft para for the first time. The Committee note that this exercise of sending the documents back and forth with Audit continued and this para was finally sent to Audit on 17.09.2010 noticeably after a delay of almost 14 months, whereas the time-line prescribes a period of four months for settlement of the para. It is apparent that progress in the settling of the para was made only after the Committee took up the subject for examination. Such an indifferent attitude on the part of Ministry of Finance, which is watch-dog Ministry as far as audit objections are concerned is cause for concern. In this regard, the Committee recommend that DEA should take up the matter with the Audit urgently so as to obtain copies of the Audit Reports immediately after their presentation to Parliament and gear up their internal mechanism to settle audit paras within prescribed time frame.

[Para 6 of the Observations/Recommendations of the 25th Report of the Public Accounts Committee (15th Lok Sabha)]

Reply of Department of Economic Affairs

Delay is regretted. However, vetting by the audit after seeking the comments from SEBI takes considerable time. But utmost care will be taken to ensure that

the process is expedited in future within the prescribed time frame as recommended by the Committee.

This Note has been vetted by Audit *vide* their U.O. No. RR/15-10/2010-11/467 dated 21.09.2011.

Sd/-
Joint Secretary (CM)

Observation/Recommendation

The Committee observe that the Central Database of Securities Market Participants, and investors Identification Numbers (MAPIN) was put in place by Securities and Exchange Board of India (SEBI) consequent to a recommendation of Joint Parliamentary Committee (JPC) on 'Stock Markets Scam and matters relating thereto' which was presented to Parliament on 19th December, 2002. The system at the time was state-of-the-art in nature as it was based on advanced data base systems in other countries and in particular the US on Central Registrations Depository System of US NASD-R (now FINRA). This system was concerned to check irregularities and shortcomings in the stock market operations and was meant to cover 75 to 80 lakh account details. In its outreach the system intended to cover approved intermediaries. Bankers to an issue, collective investment schemes, credit rating agencies, custodians of securities, debenture trustees, depositories, depository participants, investor associations, merchant bankers, mutual funds, portfolio managers, registrars and share transfer agents, stock exchanges, underwriters and venture capital funds etc. in nutshell, the system covered all stake-holders concerning stock market transactions.

[Para 7 of the Observations/Recommendations of the 25th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

As informed by SEBI, it is submitted that the intent of the MAPIN Regulations was to cover all the stake-holders including intermediaries and investors in stock market in a phased manner. However, it could be made mandatory only for all the market intermediaries after which it was discontinued as the PAN was made mandatory for all the securities market transactions as per Budget announcement in the year 2007-08.

This Note has been vetted by Audit *vide* their U.O. No. RR/15-10/2010-11/467 dated 21.09.2011.

Sd/-
Joint Secretary (CM)

Observation/Recommendation

The Committee further note that the work in regard to this system was awarded to National Securities Depository Ltd. (NSDL) through a Memorandum of Understanding (MoU) without any competitive bidding. They also note that MAPIN was notified by SEBI on 20.11.2003 under the SEBI (Central Database of Market participants) Regulations, 2003.

[Para 8 of the Observations/Recommendations of the 25th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

As informed by SEBI, the reply in this regard was earlier provided and has found mention at para 23-27 of the PAC report. The relevant extract is as under:—

"At the time of allotting the work to NSDL, NSDL was largely owned (to the extent of 82%) by public sector financial institutions and UTI. And that time it already had experience in handling large databases of similar nature.

- (a) The other agency that was considered was Central Depository Services Ltd. (CDSL).
- (b) Competitive bidding was not resorted to as this type of job was being done in our country for the first time and no organization had actual execution experience. SEBI chose NSDL as it was the organization which, in the combined wisdom of Executive Directors at SEBI, was most suited based on the criteria enumerated in (a) above."

"At that point of time when the exercise was undertaken, first of its kind in our country and there was no precedence to be followed as a guide. Some preparatory time for setting up the infrastructure, acquiring software and hardware for the said registrations were required by NSDL. Further, it was planned by SEBI that the infrastructure for registration should be in place at the time of notification of the regulations to save time and early implementation of MAPIN."

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Sd/-
Joint Secretary (CM)

Observation/Recommendation

However, before entering into a contract with NSDL, no suggestions were invited from the stake-holders on the MAPIN system especially when it involved collection and maintenance of data in respect of the participants such as their demographic details, biometric impressions and digital photographs. Although there is no doubt that SEBI's decision was actuated and motivated by a desirable objective and was taken *bonafide*, larger consultations with stakeholders would have been beneficial. The Committee, however, deplore the manner in which this contract was awarded to NSDL in haste. Had SEBI exercised due diligence by inviting the suggestions from all the stake-holders prior to awarding the contract, they could have obviated such a situation which led to infructuous expenditure of Rs. 11.54 crore.

[Para 9 of the Observations/Recommendations of the 25th Report of the
Public Accounts Committee (15th Lok Sabha)]

Action Taken

As informed by SEBI, the response in this regard has already been provided and has found mention at para 23-27 of the PAC report. It is reiterated that MAPIN was introduced on a recommendation of Joint Parliamentary Committee (JPC) on 'Stock Markets Scam and matters relating thereto'. MoU was entered with NSDL as the exercise undertaken was first of its kind in our country and there was no precedence to be followed as a guide. Some preparatory time for setting up the infrastructure, acquiring software and hardware for the said registrations were required by NSDL. Further, it was planned by SEBI that the infrastructure for registration should be in place at the time of notification of the regulations to save time and early implementation of MAPIN.

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Sd/-
Joint Secretary (CM)

Observation/Recommendation

It is brought out in the inquiry that there was another player in the field namely Central Depository Services Ltd. (CDSL). The view presented by DEA/SEBI that the type of job in question was being undertaken for the first time in the country and that no organization had actual execution experience should have been on ground for extra care in deciding the issue of award contract. DEA/SEBI could not satisfy the committee as regards the basis for recovery Rs. 300 per registration from the stakeholders. However, considering that the exercise appear to be *bonafide* and actuated by consultations for ensuring transparency in stock market transactions and that NSDL a public sector institution of credibility was awarded the contract, the Committee is content with observing that for the future credible, purposive and transparent mechanism for awarding contract should be devised which would ensure the best quality of service at a competitive and market driven price.

[Para 10 of the Observations/Recommendations of the 25th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

SEBI has submitted that as per the recommendation of the Committee a credible, purposive and transparent mechanism for awarding contract would be followed in future.

This Note has been vetted by Audit *vide* their U.O. No. RR/15-10/2010-11/467 dated 21.09.2011.

Vetting comments of DGACR

The Ministry has not replied whether it has devised a credible mechanism for awarding contract as recommended by the PAC. The desired mechanism be devised and the details thereof be mentioned.

Action Taken

As informed by SEBI, they have formulated a mechanism for invitation of tenders and awarding the contracts in line with the guidelines stipulated by Central Vigilance Commission (CVC)/Chief Technical Examiner (CTE).

Sd/-
Joint Secretary (CM)

Observation/Recommendation

The Committee note with concern that the infrastructure (both hardware and software) and the data inventory collected by NSDL is still idling with the company which is no more for service provider for MAPIN as the project has already been suspending and there are no assurances given either by the DEA or the SEBI regarding its recommencement. The Committee, therefore, recommend that the infrastructure and the DATA inventory should be secured by SEBI without any further delay and put in safe custody so that it is not misused in any delinquent manner.

[Para 12 of the Observations/Recommendations of the 25th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

MAPIN related infrastructure and DATA inventory with NSDL was secured and put in safe custody of SEBI. The details of the items (hardware and software) received and secured by SEBI is as per the **Annexure**.

This Note has been vetted by Audit *vide* their U.O. No. RR/15-10/2010-11/467 dated 21.09.2011.

Sd/-
Joint Secretary (CM)

MAPIN Infrastructure Details

Sl. No.	Make-Model	Details	Status
1	2	3	4
1.	Database Server (HP Proliant DL-380 G3)	Hosts the Oracle database (Ver. 9i).	Commissioned
2.	Application Server (HP Proliant DL-380 G3)	Hosts the MAPIN application software	Commissioned
3.	Web Server (HP Proliant DL-380 G3)	Hosts the software for WEB application	Commissioned
4.	HP External Storage	Hosts the MAPIN database and backup	Commissioned
5.	IBM Blade Center-1	Hosts the Finger Print Matching software	As there was no new finger print data cases for matching this was not commissioned
6.	IBM Blade Center-2	Hosts the Finger Print Matching software	As there was no new Finger Print data cases for matching this was not commissioned
7.	DLT Drive (COMPAQ)		Commissioned
8.	Keyboard (IBM)		Commissioned
9.	Aten CS-9134 (KVM Switch)	Common switch to connect the servers	Commissioned
10.	Monitor (COMPAQ)		Commissioned
11.	19 inch RACK		Commissioned
12.	DLT-MAPIN COLD BACKUP SAT-PART-1/SET 1-REMOTE	Contains the backup of oracle data files	Delivered
13.	DLT-MAPIN COLD BACKUP SAT-PART-2/SET 1-REMOTE	Contains the backup of oracle data files	Delivered
14.	DLT-MAPIN COLD BACKUP SAT-PART-1/SET 1-LOCAL	Contains the backup of oracle data files	Delivered
15.	DLT-MAPIN COLD BACKUP SAT-PART-2/SET 1-LOCAL	Contains the backup of oracle data files	Delivered
16.	DLT-MAPIN EXPORT SAT-PART-1/LOCAL	Contains the export copy of oracle database backup of Saturday	Delivered
17.	DLT-MAPIN EXPORT SAT-PART-2/LOCAL	Contains the export copy of oracle database backup of Saturday	Delivered
18.	DLT-MAPIN EXPORT SAT-PART-1/REMOTE	Contains the export copy of oracle database backup of Saturday	Delivered
19.	DLT-MAPIN EXPORT SAT-PART-2/REMOTE	Contains the export copy of oracle database backup of Saturday	Delivered

1	2	3	4
20.	DAT-MAPIN AR5-FRI-REMOTE	Contains the export copy of oracle database backup of Friday	Delivered
21.	DAT-MAPIN AP5-FRI-REMOTE	Contains the export copy of oracle database backup of Friday	Delivered
22.	DAT-MAPIN AR5-FRI-LOCAL	Contains the export copy of oracle database backup of Friday	Delivered
23.	DAT-MAPIN AP5-FRI-LOCAL	Contains the export copy of oracle database backup of Friday	Delivered
24.	USB Disk-1	Scanned copies of MAPIN forms	Delivered
25.	USB Disk-2 (Duplicate Copy)	Scanned copies of MAPIN forms	Delivered
26.	CD-1	Exported copy of MAPIN tables along with MAPIN documents	Delivered
27.	CD-2 (Duplicate Copy)	Exported copy of MAPIN tables along with MAPIN documents	Delivered
28.	Cisco 2950 Switch	For Connectivity between different devices	Delivered
29.	LAN Cables	To connect servers in network	Delivered

Observation/Recommendation

The Committee have been given to understand that SEBI will be exploring an alternative scheme akin to MAPIN for further safeguarding the interest of the investors and other stakeholders. The Committee recommend that after abandonment of the MAPIN scheme for reasons brought out above, SEBI should formulate a concrete proposal and perhaps suitably adapt the Unique Identification Number (UID) — 'Aadhaar' Scheme to their optimum benefit. All technicalities such as identity needs to be established for corporate entities in addition to individual entities should be worked out well in advance including seeking public opinion through newspapers/websites, etc. by SEBI so that maximum benefit of this scheme can be obtained when it reaches the implementation stage. The Committee would like this to become one of the priorities for SEBI as it would not only safeguard the interests of the market participants but accord credibility to SEBI as well. The Committee would like to be apprised of the initiatives taking in this regard.

[Para 13 of the Observations/Recommendations of the 25th Report of the Public Accounts Committee (15th Lok Sabha)]

Action Taken

The SEBI Board in its meeting held on July 28, 2011 has decided to have uniform KYC across securities market and provides for inclusion of Unique Identification Document or Aadhaar number as the eligible documents that can be presented as an identification of the customer, as part of the KYC process.

This Note has been vetted by Audit *vide* their U.O. No. R.R./15-10/2010-11/467 dated 21.9.2011.

Sd/-
Joint Secretary (CM)

CHAPTER III

RECOMMENDATIONS/OBSERVATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE
GOVERNMENT

—NIL—

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF THE GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation

The Committee note that the eventual suspension of MAPIN led to a wasteful expenditure of Rs. 11.54 crore collected from 3.84 lakh investors. During the course of examination of the subject, the Committee have been given to understand by DEA/SEBI that SEBI did not lose any money. Even if this be so, the fact remains that the various stakeholders were meant to part with registration fee for a specific purpose, the benefit of which did not accrue either to SEBI or the stakeholders.

[Para 11 of the Observations/Recommendations of the 25th Report of the
Public Accounts Committee (15th Lok Sabha)]

Action Taken

SEBI has informed that the observation of the Committee has also found mention at para 32 of the report. According to this Para, the exercise was undertaken for the first time in the country and there was no benchmark applicable/available that could be followed. It was also informed that there were no malafides in the decision. Further the implementing agency NSDL has done its job by providing registration as required, therefore it had done its part. However as the project was abandoned mid-way the registrations were of no use. There was no loss to SEBI or Government of India. The amount of Rs. 300 per registration was collected from around 3.84 lac investors and given to NSDL which was registering servicing and maintaining the database.

This Note has been vetted by Audit *vide* their U.O. No. R.R./15-10/2010-11/467 dated 21.9.2011.

Sd/-
Joint Secretary (CM)

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH THE
GOVERNMENT HAVE FURNISHED INTERIM REPLIES

—NIL—

NEW DELHI;
28 August, 2012
6 Bhadrapada, 1934 (*Saka*)

DR. MURLI MANOHAR JOSHI
Chairman,
Public Accounts Committee.

APPENDIX I

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2012-13) HELD ON 23RD AUGUST, 2012

The Public Accounts Committee sat on Thursday, the 23rd August, 2012 from 1500 hrs. to 1600 hrs. in Room No. '51' (Chairman's Chamber), Parliament House, New Delhi.

PRESENT

Dr. Murli Manohar Joshi—*Chairman*

Lok Sabha

2. Dr. Baliram
3. Shri Sandeep Dikshit
4. Shri Anant Kumar Hegde
5. Shri Bhartruhari Mahtab
6. Shri Sanjay Nirupam
7. Shri Shripad Yesso Naik
8. Dr. Shashi Tharoor
9. Shri Dharmendra Yadav

Rajya Sabha

10. Shri Prasanta Chatterjee
11. Shri Prakash Javadekar
12. Shri Sukhendu Sekhar Roy
13. Shri N.K. Singh
14. Prof. Saif-ud-Din Soz

SECRETARIAT

- | | | |
|------------------------|---|-------------------------|
| 1. Shri Devender Singh | — | <i>Joint Secretary</i> |
| 2. Shri Abhijit Kumar | — | <i>Director</i> |
| 3. Shri D.R. Mohanty | — | <i>Deputy Secretary</i> |
| 4. Smt. A. Jyothirmayi | — | <i>Deputy Secretary</i> |
| 5. Ms. Miranda Ingudam | — | <i>Under Secretary</i> |
| 6. Shri A.K. Yadav | — | <i>Under Secretary</i> |

Representatives of the office of the Comptroller and Auditor General of India

1. Ms. Shubha Kumar — Director General (Report Central)
2. Ms. Geetali Tare — Pr. Director (Scientific Departments)
2. *****
3. *****
4. The Committee then took up the following Draft Reports for consideration:—
 - (i) *****
 - (ii) Draft Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their Twenty-fifth Report (Fifteenth Lok Sabha) on '**Unfruitful Expenditure of Investors Money—SEBI**';
 - (iii) *****;and
 - (iv) *****

5. After some discussions, the Committee adopted the Draft Reports and authorized the Chairman to finalise the four Reports adopted by them, in light of their suggestions and the factual verifications received from the Audit and present the same to the House on a date convenient to him.

6. The Chairman thanked the Members for their valuable suggestions on the consideration of the Draft Reports and selection of additional subjects.

The Committee, then adjourned.

APPENDIX II

(Vide para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR TWENTY-FIFTH REPORT (FIFTEENTH LOK SABHA)

(i) Total No. of Observations/Recommendations	—	13
(ii) Observations/Recommendations of the Committee which have been accepted by the Government: Sl. Nos. 1-10, 12 and 13	} —	Total : 12 Percentage-92.30%
(iii) Observations/Recommendations of the Committee do not desire to pursue in view of the replies received from the Government: -NIL-	} —	Total : 0 Percentage-0%
(iv) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration: Sl. No. 11	} —	Total : 1 Percentage-7.70%
(v) Observations/Recommendations in respect of which Government have furnished interim replies: -NIL-	} —	Total : 0 Percentage-0%