

**COMMITTEE ON PAPERS LAID ON THE TABLE
(2009-2010)**

FIFTEENTH LOK SABHA

FIRST REPORT

(Presented on)

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**LOK SABHA SECRETARIAT
NEW DELHI**

April , 2010/Chaitra 1932(Saka)

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APPENDIX

*Summary of recommendations/observations contained in the Report

*Not appended to the cyclostyled copy of the Report.

COMPOSITION OF COMMITTEE ON PAPERS LAID ON THE TABLE
(2009-2010)

Shri Harin Pathak - Chairman

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2. Shri R.S. Misra - Director
3. Shri J.M. Baisakh - Additional Director
4. Shri Hoti Lal - Deputy Secretary

INTRODUCTION

I, the Chairman, Committee on Papers Laid on the Table of the House, having been authorized by the Committee to present the report on their behalf, do present this First Report.

2. As a result of examination of certain papers laid on the Table of Lok Sabha, the Committee have come to certain conclusions in regard to (i) Delay in laying of the Annual Reports and Audited Accounts of Employees Provident Fund Organisation, New Delhi and (ii) Kerala Agro Industries corporation Ltd., Thiruvananthapuram.

3. The Committee took evidence of the representatives of the Ministries of Labour and Employment and Agriculture (Department of Agriculture and Cooperation) in connection with delay in laying the Annual Reports and Audited Accounts of Employees Provident Fund Organisation, New Delhi and Kerala Agro Industries Corporation Ltd., Thiruvananthapuram on 4.11.2008 and 16.11.2009 respectively.

4. The Committee wish to express their thanks to the representatives of the Ministries of Labour and Employment and Agriculture (Department of Agriculture and Cooperation) for tendering evidence before the Committee and furnishing the information that the Committee desired in connection with the examination of the subject.

5. The Committee considered and adopted this Report at their sitting held on 06.04.2010.

6. A statement-showing summary of recommendations/observations made by the Committee is appended to the Report (Appendix).*

NEW DELHI
April, 2010
Chaitra, 1932 (Saka)

HARIN PATHAK,
Chairman,
Committee on Papers Laid on the Table

*** Not appended to the cyclostyled copy of the Report.**

REPORT

CHAPTER - I

Delay in laying of the Annual Reports and Audited Accounts of Employees Provident Fund Organization.

Employees Provident Fund Organisation (EPFO) came into existence in 1952 following the enactment of Employees Provident Funds and Miscellaneous Provisions Act, 1952. The broad objective of the EPFO is to extend social security benefits to the working class in the form of Provident Fund, Pension and Insurance benefits. The Employees Provident Fund, Employees' Pension and Employees' Deposit Linked Insurance schemes are administered by the Central Board of Trustees' a tripartite body headed by the Union Labour Minister. It comprises representatives of Central/State Government, Employers and Employees. The audit of the EPFO is conducted under section 19(2) of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 read with Section 5A(6) of the Employees' Provident Funds and Miscellaneous Provision Act, 1952.

1.2 The dates of laying the Annual Reports and Audited Accounts of the EPFO and the extent of delay in doing so during the last 8 years are as under: -

	<i>Annual Report</i>		<i>Audited Accounts</i>	
Year	Date of laying	Extent of Delay (Approx.)	Date of laying	Extent of Delay (Approx.)
2000-2001	11.3.2002	2 ½ months	11.3.2002	2 ½ months
2001-2002	3.3.2003	2 months	15.12.2003	11 ½ months
2002-2003	22.12.2003	Nil	16.8.2004	7½ months
2003-2004	21.3.2005	3 months	20.2.2006	14 months
2004-2005	13.3.2006	2 ½ months	11.12.2006	11 ½ months
2005-2006	14.5.2007	4 ½ months	03.03.2008	14 months
2006-2007	28.4.2008	4 months	15.12.2008	11 ½ months
2007-2008	26.2.2009	2 months	26.2.2009	2 months

From the above, it may be seen that the documents for the last 8 years (except the Annual Report for the year 2002-03) were not laid on the Table of the House in time.

1.3 As per the recommendation of Committee on Papers Laid on the Table, Annual Report and Audited Accounts of an organization should be laid together on the Table of the House so as to give a complete picture of working of that organization. However, as can be seen from the above that Annual Reports and Audited Account of the EPFO for the years 2001-02 to 2006-07 were laid on the Table of the House separately with substantial gap of time. The Annual Reports which contains only internal matter were also laid on the Table of the House with delays of 2 to 4 months for the years 2000-2001 to 2007-08 (except for the year 2002-03). In this regard, the Ministry of Labour and Employment in their written reply stated (04.11.2008) as under:-

“The audited accounts were finalised by the EPFO for the years 2004-05 and 2005-06 on 28.06.2005 and 03.10.2006 respectively. Immediately on finalisation, these were sent to the CAG for scrutiny and certification. The due date for receipt of such certification is 1st of December of each year. However, it is noticed that the CAG takes between four months to one year for audit and certification and it is received after the 10th of December, the mandated date of approval of the Annual Report. Therefore, both the Annual Report and audited accounts could not be placed together before the Board for adoption and further necessary action for forwarding it to the Government etc.

1.4 The Committee have also emphasized in the past that in the statement of reasons for delay the Government should invariably indicate in chronological order the dates of finalisation of the reports and accounts, their submission to audit, issue of inspection reports, replies given on the points raised by the Auditors in their reports and finally the receipt of the audit certificate from the audit authorities so that the House may identify the stages, at which the delay has occurred and to what extent, for suggesting remedial measures therefor. However, no such details have been given in the delay statements laid along with the documents of the organization pertaining to the years 2000-2001 to 2007-08. On being asked about the same, the Ministry of Labour and Employment furnished the following statement in respect of the years 2004-05 to 2006-07:-

“AUDITED ACCOUNTS

2004-2005 :

- Ø Annual Accounts finalised & submitted to Comptroller and Auditor General on 28th June, 2005, in time.
- Ø Audited Accounts report received from Comptroller and Auditor General on 26th June, 2006.
- Ø The statutory formality for placing it before the Executive Committee of the Central Board of Trustees (EPF) and before Central Board of Trustees, Employees' Provident Fund has taken the normal time.

- Ø Placed before the Executive Committee, CBT(EPF) on 24.07.2006.
- Ø Placed before the CBT(EPF) on 07.11.2006.
- Ø On approval of the minutes of the CBT(EPF), the audited accounts were received from EPFO by the Government on 17.11.2006.

2005-2006

- Ø Annual Accounts finalised & submitted to Comptroller and Auditor General on 3rd October, 2006.
- √ Delay in finalisation of Accounts for the year 2005-2006 are as under :
 - § Eleven(11) Regions have been created w.e.f. 01.04.2005. The bifurcation of Assets and Liabilities of the New Regions vis-à-vis the erstwhile parent Regions and the reconciliation of the balances have taken considerable time and could be finalised by July, 2006.
 - § Amortisation of investment in securities under three Schemes have been taken up during the year and has taken time for its completion and Receipt & Payment for investment have been submitted by investment wing on 27.09.2006.
 - § New Fund Management System was introduced to eliminate the idle funds from the field link branch to the centralized link branch at Mumbai. This has increased the transactions because of day-to-day transfer of the balances. Its reconciliation has taken time and the R&P Accounts were finalised on 18.09.2006.
- Ø Audited Accounts report received from Comptroller & Auditor General on 3rd May, 2007.
- Ø The statutory formality for placing it before the Executive Committee of the CBT and before Central Board of Trustees, Employees' Provident Fund has taken the normal time.
- Ø Placed before the Executive Committee, CBT(EPF) on 25.09.2007.
- Ø Placed before the CBT(EPF) on 06.12.2007.
- Ø On approval of the minutes of the CBT(EPF), the audited accounts were received from EPFO on 22.01.2008 by the Government.

2006-2007

- Ø Annual Accounts finalised & submitted to Comptroller and Auditor General on 16th October, 2007.
- √ Delay in finalisation of Accounts for the year 2006-2007 are as under :
 - § Amortization of investment in securities under three Schemes have been taken up during the year and has taken time for its completion and Receipt & Payment for investment have been submitted by investment wing on 08.10.2007.

§ *New Fund Management System was introduced to eliminate the idle funds from the field link branch to the centralized link branch at Mumbai. This has increased the transactions because of day-to-day transfer of the balances. Its reconciliation has taken time and the R&P Accounts were finalised on 17.09.2007.*

✓ *Above two areas of work have delayed slightly because of voluminous work involved and lack of software application in an integrated manner. These requirements have been projected under the modernization programme of the EPFO. Once the modernization project is completed the auto reconciliation of the transactions will help in reducing the time/delay in compilation of the Receipt & Payment Accounts for the 32 Regional Offices.*

Ø *Audited Certificate from Comptroller & Auditor General has since been received on 18th March, 2008.*

Ø *This is being placed before the Executive Committee, CBT (EPF) on its re-constitution shortly.*

Ø *With the recommendation of the EC, CBT, it will be placed before the CBT, EPF separately & thereafter forwarded to Central Government for laying before the Parliament. This process is likely to be completed by October/December, 2008."*

It may be seen from the above statement that the EPFO took about 6 months each for the year 2005-06 and 2006-2007 at the stage of compilation of accounts as against 3 months recommended by the Committee for this purpose. After receipt of the accounts from EPFO (2004-05 to 2006-07) the auditors took 12, 7 and 5 months respectively at the stage of auditing of accounts and issue of Final Audit Report. After receipt of the Audit Report for the years 2004-05 and 2005-06, the EPFO took about 5 & 8 months respectively in getting approval of the documents and sending them to the Ministry.

1.5 The Committee took oral evidence of the representatives of the Ministry of Labour and Employment at their sitting held on 4.11.2008. During evidence, the Secretary, Ministry of Labour & Employment stated in this connection as under:-

"I have been going through the entire issue of functioning of the EPFO. In the Ministry also, along with the Central Provident Fund Commissioner, we have been looking at the fact that the accounts are being received from about 46 centres/offices. I have just seen the chart for 2007-08 which shows that from each office, which is scattered in the length and breadth of this country, they receive the accounts. Then, these are scrutinized and then they look at the observations that they make on the accounts internally from their own internal audit and their accounts Department, they have to be then reconciled and answers have to be obtained. I find that this is within the system at the present point in time when computerization is not complete or not even where it should be. It is a very time-consuming process. They are taking a lot of time on the internal observations being rectified or internal reconciliations being done or queries being answered. From each office, they start the process quite early, sometimes in the month of April itself. Sometimes, you get reply from the local office very quickly. For instance, some observations had been sent to Delhi North office on

22.4.2008 and the replies had also been received the very next day whereas in certain other places, replies are not received in time and even accounts are not received in time. There are certain columns even in the statement itself and this is much before the accounts go to C&AG. For instance, they have a table showing the date of receipt of accounts from each office. Then, they make entry of that and sometimes, it takes two or three days.. Then, they look at the date of completion of that and then, they make comments on that and send observations. In many cases, depending on the day the accounts are received from that office, the process is taking two to three months. It is like a chain and if there is even one link missing, the chain is broken. So, they have to wait for the slow coaches also to submit their accounts.”

1.6 Regarding the steps being taken/to be taken to avoid such delays in future, the Secretary, Ministry of Labour and Employment during evidence stated as under:-

I can see that there have been certain systemic changes also in the fund management. The quantum of funds being handled by the CPFO is very large. It is Rs.2,50,000 crores. In between there were discussions going on with the State Bank of India on the way funds are to be kept, whether we should have over-draft facility or we should keep some money always with us to take care of the transactions. In one particular year, there has been tremendous delay and that is the year in which the SBI and CPFO, after three years of discussion, put a new system in place. The discussions began in February 2002 about the system of maintaining funds, whether some funds would be always kept in reserves or whether they would always be invested to earn interest. Actually, we have issues with SBI of crediting the subsidy amount which had been transferred from investment account to the contribution account. After several years of deliberations, the SBI finally put in place a new system which had to undergo trial run. Actually, in 2005 there was trial run. This is done at Additional Office, Thane and Bandra. Then the second phase of trial was implemented in six offices for two to three months. Till the system stabilized, that is, till October, 2005 they continued the trial run. In December, 2005 the system was implemented. Now, this had an impact on the entire accounts maintenance system and the entire system of presenting the accounts for audit etc.”

1.7 Another reason for delay in compilation of accounts was stated to be lack of software application in an integrated manner to facilitate speedy and timely compilation of Accounts of EPFO. In this regard, the EPFO further stated that “ these requirements have been projected under the modernization programme of the EPFO. Once the modernization project is completed the auto reconciliation of the transactions will help in reducing the time delay in compilation of the Receipt & Payment Accounts for the 32 Regional Offices.”

1.8 Explaining the reasons for delay in auditing the accounts and finalization of Audit Report by C&AG, the Secretary, Ministry of Labour and Employment during evidence stated as under:-

“We find that C&AG is taking some time. If you take the range, the average time is 4 to 11 months. Sometimes, the average we take is about 6 to 8 months. In this situation, we are not able to stick to the time schedule of the submission of accounts to the Ministry

by 20th December of the same year with respect to accounts of the previous financial year.”

1.9 To a specific query as to whether the Ministry ever took up the matter with the audit authorities regarding expeditious completion of audit and release of audit certificate, the Ministry in their written reply stated as under:-

The matter relating to obtaining certificate from CAG office is constantly pursued. However, various information/clarifications sought by the audit are collected from all the filed offices of Employees Provident Fund Organization and furnished to the audit. Some times this process takes considerable time. The matter is constantly pursued with the CAG.

In this connection, the representative of EPFO also stated during evidence as under:-

“We will pursue with C&AG audit team. I would request my Director colleagues that when they start the work, you be associated with them from day one so that as and when the draft observations are made, we are able to reply then and there so that we do not wait for them to send a draft report and then, we give the reply.”

1.10 Asked to state the reasons for taking 4 ½ and 8 months in getting approval of the accounts for the years 2004-05 to 2006-07 from the Executive Committee and the Central Board of Trustees after its receipt from the C&AG, the Secretary, Ministry of Labour and Employment during evidence stated as under :-

“I find that I was not aware of this issue. There is a gap when it was placed before the Executive Committee. I requested the Central Provident Fund Commissioner not to have this happened because we have frequent ECs-three to four times a year”.

1.11 When asked to state whether the Ministry/EPFO laid down the time schedule giving target dates for completion of work at each stage starting from compilation of annual accounts and reports till laying of these documents in Parliament, the Ministry stated that the procedure and time limit had already been incorporated in para 74 of Employees' Provident Fund Scheme,1952 as reproduced below:-

"74 Annual Report on the work and activities of the Board and its audited accounts.

(1) The annual report on the work and activities of the Central Board and its audited Accounts together with the report of Comptroller and Auditor General of India shall be considered by the Executive Committee and shall be placed for adoption at a meeting of the Board to be held before the Tenth of December following the close of the Financial year concerned:

Provided that if the report of Comptroller and Auditor General is not received by the first of December following the close of the financial year to which it pertains, the audited accounts together with report of the Comptroller and auditor General may be placed before the Executive Committee/Board separately from the annual report on the work and activities of the Board.

(2) *The annual report on the work and activities of the Board and the audited accounts of the Board together with the report of the Comptroller and Auditors General of India, as adopted by the Board, shall be authenticated by affixing the common seal of the Board and four copies thereof together with the comments of the Board on the report of the Comptroller and Auditor General shall be submitted to the Central Government not later than Twentieth of December following the close of the financial year concerned for being placed before Parliament.*

Provided that if the report of Comptroller and Auditor General is not received by the first of December following the close of the financial year to which it pertains, the audited accounts together with report of the Comptroller and auditor General and the comments of the board thereon shall be submitted to the Central Government separately from the annual report on the work and activities of the Board."

1.12 As regards, monitoring mechanism to oversee the progress of work and for adhering to time schedule so as to ensure timely laying of documents before Parliament, the Secretary during evidence stated as under:-

“ We need to have a certain amount of discipline, and a certain mindset has to be there that there is a time frame within which every thing has to be done.”

1.13 As per the recommendation of the Committee contained in their 1st Report (5th Lok Sabha) the Annual Report and Audited Accounts should always be laid together on the Table of the House within nine months of the close of respective accounting year so as to give a complete picture of working of that organization. Further, the “Delay Statement” if any, laid by the Government should invariably indicate in chronological order (para 1.20, 10th Report, 6th Lok Sabha) the dates of finalization of reports and accounts, their submission to audit, issue of inspection report, date of final replies given on points raised in the report, date of final receipt of audit report from the audit authorities, the time taken in translation and printing and getting approval of the documents from the competent authority so that the Committee may identify the stages at which the delay has occurred and to what extent, so that remedial measures could be suggested therefor. The Committee regret to note that their earlier recommendation for laying of the Annual Report and Audited Accounts together has not been followed by the

Ministry of Labour and Employment and urge the Ministry to take note of it for future compliance.

1.14 The Committee are distressed to find that there has been inordinate delays ranging from 2 to 14 months in laying the Annual Reports and Audited Accounts of the EPFO from the year 2000-2001 to 2007-2008. As per Ministry's submission one of the reasons for delay was at the stage of compilation of accounts due to delayed receipt of accounts from 46 centres/offices which are scattered in the length and breadth of this Country. Another reason for delay in compilation of the accounts was stated to be lack of software application in EPFO in an integrated manner to facilitate speedy and timely compilation of accounts. In this regard, the Ministry of Labour & Employment has stated that a new system has been put in place from December, 2005 which will help to maintain the entire accounting system for presenting to the auditors. Further, a "Modernization project" is being introduced in EPFO to reduce the time taken in compilation of the receipts of the regional offices. The Committee desire that the task of "Modernization project" should be completed without delay and it should be ensured that there is no delay in compilation of accounts in future.

1.15 The Committee further note that another reason for delay in laying the documents is the long time taken by the C&AG in completing the audit and issuing of audit certificate to the EPFO. The auditors took 4 to 12 months in auditing the accounts and furnishing their final Audit Report to the EPFO for the years 2004-05 to 2006-07. The Committee observe that the Ministry of Labour and Employment have now proposed to take steps to bring about better coordination with C&AG so that such delays do not recur. The Committee are of the opinion that the issue should have been taken up with the audit authorities much earlier. The Committee, therefore, recommend that in future the Ministry, after submitting the accounts to the audit authorities, should pursue vigorously with them to complete their task in time to avoid consequential delay in laying of the documents in Parliament. EPFO should also extend full co-operation to the Audit Authorities in this regard.

1.16 The Committee further note that after receipt of the Audited Accounts from the auditors, the EPFO took 5 and 8 months for the years 2004-05 and 2005-06 respectively in getting approval of the documents from the Competent Authorities and sending them to the Ministry. The Committee firmly believe that the delay at this stage has been due to lack of concern on the part of EPFO and the Ministry. The Committee, therefore,

recommend that the Ministry may strengthen its monitoring mechanism at each stage to ensure that inordinate delays in laying the documents do not occur in future.

1.17 The Committee are surprised to note that in the time schedule suggested by the Ministry of Labour and Employment to the EPFO, the date of submission of the annual reports and audited accounts has been shown as 20th December. In this regard, the Committee would like to point out that before laying the documents in the House, the Ministry has to complete certain formalities viz. preparation of Review on performance and activities of the EPFO, authentication of the documents from their Minister and sending the documents to Parliament for laying. Further, the Winter Session of Parliament normally concludes by the end of third week of December every year. Therefore, it would be almost impossible for the documents received around 20 December to be laid on the Table during the Winter Session of Parliament or within 9 months of close of the financial year as prescribed by the Committee. The Committee, therefore, recommend that the Ministry of Labour and Employment should prepare the time schedule afresh to facilitate receipt of all the requisite documents in the Ministry latest by the first week of November every year positively so that these could be processed for being laid on the Table of the House during Winter Session in November/December.

CHAPTER - II

Delay in laying the Annual Reports and Audited Accounts of Kerala Agro Industries Corporation Limited.

The Kerala Agro Industries Corporation Limited (KAIC) was incorporated in the year 1968 under the Companies Act, 1956 as a Government Company with equity participation of the Central Government and the State Government of Kerala. The authorized share capital of the Corporation is Rs.500 lakh. The paid-up capital of the Corporation was Rs.474.11 lakh at the end of 2003-2004 out of which the Central Government's share is Rs.169.56 lakh.

2.2 As per provisions contained in section 619-A of the Companies Act, 1956, where the Central Government is a member of a Government company, the Central Government shall cause an annual report on the working and affairs of the company to be:

- (a) *prepared within three months of its Annual General Meeting before which the Audit Report is placed under sub-section (5) of Section 61; and*
- (b) *as soon as may be after such preparation, laid before both Houses of Parliament, together with a copy of the Audit Report and any comments upon, or supplement to the Audit Report, made by the Comptroller and Auditor General of India.*

2.3 Further, as per the recommendation of the Committee on Papers laid on the Table contained in the Second Report (5 Lok Sabha), the Annual Reports and audited Accounts of the Government Companies are required to be laid on the Table of the House within nine months of the close of the respective accounting year.

2.4 The Annual Reports and Audited Accounts of the KAIC for the years 2000-01 to 2003-04 were laid on the Table of Lok Sabha with delays as shown below:-

<u>Year</u>	<i>Date of laying the documents</i>	<i>Extent of delay</i>
2000-01	14.05.07	<i>64 ½ months</i>
2001-02	26.11.07	<i>59 months</i>
2002-03	17.03.08	<i>50 ½ months</i>
2003-04	07.07.2009	<i>54 months</i>

The Annual Reports and Audited Accounts of the KAIC for the years 2004-05 to 2008-09 which were required to be laid by 31 December of the respective accounting years have not been laid so far.

2.5 The Committee in their 10th Report (Sixth Lok Sabha) had recommended that the statement laid by the Government explaining the reasons for delay should invariably indicate in chronological order the dates of finalization of the reports and accounts, their submission to audit, issue of inspection reports, replies given on points raised in the inspection reports and finally the receipt of the audit certificates from the audit authorities so that the House may be

able to identify the stage and extent of delay and suggest remedial measures therefor. This recommendation was reiterated time and again for compliance by the concerned bodies. However, no such details have been given in the delay statements laid along with the documents of the KAIC pertaining to the years 2000-01 to 2003-04. Asked to explain the reasons in this regard, the Ministry in a written note submitted that they would hereinafter furnish the chronology of dates in completion of different stages in finalization of Annual Reports and Audited Accounts at the time of laying the Report(s) on the Table of Lok Sabha.

2.6 Subsequently, at the instance of the Committee, the administrative Ministry i.e. the Ministry of Agriculture (Department of Agriculture and Cooperation) furnished information in chronological sequence in respect of finalization of Annual Reports and Audited Accounts pertaining to the years 2000-01 to 2002-03 which is depicted in the following table :-

		2000-01	2001-02	2002-03
(a)	Date of completion of Accounts of the Corporation	24.11.04	28.09.05	17.03.06
(b)	Time taken by the auditors for auditing the accounts by the Statutory audit (CAG's audit)	1 year	11 months	6 months
		2 months	15 days	20 days
(c)	Time taken in resolving audit queries and the date of receipt of the final Audit report in the Corporation (CAG's Comments)	2 months 10.07.2006	3 months 22.06.2007	1-½ months 25.10.2007
(d)	Date of Finalization of Annual Report	20.11.06	12.07.07	20.11.07
(e)	Time taken in translation of the Annual Report & Audited Accounts of the Corporation	1 month	2 months	2-½ months
(f)	The date when the Annual Report & Audited Accounts of the Corporation were approved by the competent authority of the Corporation	14.12.06	18.07.07	20.11.07
(g)	Time taken in printing of the approved documents	1 month	2 months	2-½ months
(h)	The date when the final Annual Report and Audited Accounts of the Corporation were sent to the Ministry for			

	being laid on the Table			
	English Version	23.01.07	07.08.07	17.01.08
	Hindi Version	23.01.07	24.09.07	06..02.08
(i)	The reasons for delay if any, on the part of the Ministry in laying of the documents after receipt from the Corporation	About 4 months	-	-
(j)	Date of laying the documents on the Table of the House	14.05.07	26.11.07	17.03.08

It may be seen from the details above that the KAIC took about 44, 42 and 35 ½ months respectively at the stage of compilation of accounts for the above said years as against 3 months recommended by the Committee for this purpose. Further, the auditors took about 16, 14½ and 8 months respectively in auditing of the accounts and issue of the final Audit Certificate for these years. The KAIC also took about 68, 63 ½ and 56 months respectively in finalization of Annual Reports for the above said years.

2.7 In the delay statement laid alongwith the documents for the year 2003-04, the reasons for delay have been stated as under :-

“The statutory Auditors was appointed by CAG on 17.11.2006. The accounts were completed by the corporation by 24.09.2008. Report from the statutory auditors were received on 5.11.2008. The accounts were received on 22.11.2008. Final comments from the CAG were received on 2.1.2009. The Report was received in the Ministry on 25.2.2009.”

2.8 Explaining the reasons for delay in laying the Annual Reports and Audited Accounts of the KAIC year after year, the Ministry of Agriculture inter-alia stated in a written reply as under :-

“The Corporation has been making sincere endeavour for timely compilation of annual accounts and their audit by the Statutory Auditors including Supplementary Audit by C&AG. The Corporation is fully conscious of its responsibility of laying the Annual Reports and Audited Accounts within nine months of the close of the financial year. Despite its best intentions to clear the backlog of finalization and audit of accounts, the Corporation is plagued with inherent problems like dearth of adequate staff, cumulative effect of the previous years’ delay that resulted in the accumulation of arrears in accounts and audit; and its precarious financial position dissuading large scale engagement of outside agencies or extra staff for clearing the backlog of Accounts.”

2.9 Enquired about the reasons for delay at the stage of auditing of the accounts for the years 2000-01 to 2002-03, the Ministry in their written reply stated as under:-

“As the Corporation has 14 district Offices and one manufacturing unit, and its business transactions are diverse, numerous and voluminous, Statutory Auditors normally take more time in their 1st year of audit to familiarize themselves with the system and procedures of the Corporation. Moreover, small Chartered Accountant firms are often appointed as Statutory Auditors of the Corporation who may not have enough infrastructure to deal with numerous and diverse business activities of the Corporation.”

2.10 To a query from the Committee about the perennial delay in laying the Annual Reports and Audited Accounts of the KAIC for the years 2000-01 to 2003-04, the Secretary of the Ministry during evidence stated as follows:-

“With regard to the matter regarding the accounts, this is a matter which we have also taken very seriously. Every year the Hon. Committee has been viewing this delay and has been advising us to take up with the various Government and Corporation to ensure that the account process is speeded up.”

2.11 The Secretary further added :-

“The only constraint we have at this moment is that until and unless accounts are adopted for any particular year, it is not possible for the audit to complete the process of the subsequent years. That is why, once there is a delay, this delay gets compounded and the corporation, thereafter, finds it very difficult to meet the deadlines.

The other issue on which we would request your guidance is, the AG appoints auditors for about three years. In certain instances, they can also appoint them for four years. When the new auditor comes, it takes time for them to understand the system and for starting the auditing process.”

2.12 Enumerating the various steps taken to obviate delays in finalization of accounts and auditing thereof, the Ministry in a note stated :-

“The Corporation have taken various steps to overcome the delay caused in finalization and audit of accounts including outsourcing the finalization of accounts work for the period from 2003-04 onwards to outside chartered accountant firms; and computerizing the accounting work of all District Offices of the Corporation. The introduction of accounts support system for the period from 2007-08 onwards. The Corporation has also initiated steps for engagement of accounting staff at District Offices so as to speed up finalization and audit of accounts. In spite of all out efforts to speed up the accounting and audit process, the Corporation is confronted with the problem of system upgradation and application of modern techniques and systems. There is a felt need for system corrections and /or overall revamp of the system including office automation and modernization. The Corporation, at present, is passing through a phase of severe financial crunch and a restructuring package for the revival of the Corporation is receiving consideration of the State Government, which includes inter-alia assistance for system development and office modernisation. Once the proposed system is developed as part of office modernization programme, the problems being faced by the Corporation at present in finalizing and auditing of accounts would be eliminated.”

2.13 To a related query in this regard, the Managing Director of the KAIC during evidence stated:

“On our part, in order to improve submission of accounts or to avoid delay, we have recently introduced outsourcing of audit to audit firms because we have severe dearth of personnel in our company. So, we have hired CA firms for the finalization work and also from 2007-08 onwards, we have started an account support system wherein the CA firms have been engaged in order to help concurrent accounts. Keeping with that, we are able to prepare our provisional accounts in time. We are also in the process of enhancing. Even after the computerization we have been facing certain problems. We have got a lot of transaction so we are trying to introduce on line computerization so that it could be made easy.”

2.14 Asked about the efforts made to ensure timely auditing and issuing of final audit certificate after submission of Annual Accounts to the auditors, the Ministry in their written reply stated as under:

“The Corporation has been regularly following up with the Statutory Auditors to avoid delay in audit and also ensuring that statutory audit of a year commences immediately after audit of the previous year without delay. The Corporation has also taken steps to furnish replies promptly to the queries raised by the Auditors during the course of audit.”

2.15 Enquired about the concerted efforts made by the administrative Ministry to procure the documents in time in order to facilitate timely laying of the same in the Parliament, the Ministry in a note stated :

“Ministry of Agriculture (Department of Agriculture and Cooperation) have been vigorously pursuing the matter with Chief Secretary and Secretary (Agriculture), Government of Kerala, from time to time for taking expeditious action on finalization of pending Annual Reports and Audited Accounts of the Corporation. Even the matter was also brought to notice of Chief Minister, Government of Kerala, by Union Agriculture Minister for his intervention. Ministry of Agriculture (Department of Agriculture and Cooperation) have been sparing no efforts to take up the matter on regular basis to ensure quick liquidation of the pendency.”

2.16 Asked about the internal auditing mechanism in place in the corporation to ensure timely compilation of accounts and also to minimize the audit queries, the Ministry in a note stated :-

“The Corporation has introduced accounts support system since 2007-08. The statutory audit on accounts for the year 2004-05 is going on at present. It is hoped that the audit support system will expedite the auditing of accounts for the years from 2007-08 onwards.”

2.17 Elaborating the concept of accounts support system, the Managing Director, KAIC in evidence deposed :

“The first thing we did was outsourcing of the finalisation part. This finalisation part was done at office after getting all the accounts compiled from the regional offices. That part was outsourced to a CA firm. Later on, we found that in certain units, there

is inadequate staff to do the proper accounting on day to day basis. There, we have engaged accounts support system from outside firms, who would come and help us in compiling the accounts in time. So, that is the account support system.”

2.18 To a query about the status of computerisation activities to facilitate speedy and timely compilation of accounts of the KAIC, the Ministry in a post-evidence note stated that the finalisation stage of the accounting work has been fully computerised. In the next stage, the level of computerisation will be enhanced to cover all the transactions at district level offices, and at the final stage, all the district offices and Head Office will be connected and synchronized by utilizing the net facility and tally ERP accounting system. Explaining the time the Corporation will take for the purpose, it was stated that the assistance from the State Government for system development and office modernisation alongwith the total revival package for the Corporation is expected to materialise in the near future. Once the system is developed as part of the office modernisation programme, the Corporation will be able to switch over from manual accounting to full-fledged computerisation of accounts.

2.19 The Committee specifically desired to know the time frame set for computerizing the accounting system in the KAIC. The Managing Director, KAIC, during evidence deposed :

“The definite timeframe has not been put but that needs modernisation of our system. New software has to be added; synchronisation has to be done. So, we have not given the timeframe. But I think, by another six months, we should be able to do that. We are expecting to do that.”

2.20 In regard to the laying of the Annual Reports and Audited Accounts for the years 2004-05 to 2008-09, the Ministry in their written reply stated as under :-

“Annual Accounts for 2004-05 have been under audit since March, 2009. Statutory Auditors have pointed out that they need some more time to complete audit since it is the 1st year of their audit in the Corporation. The certified accounts for the year 2004-05 would be made available by Statutory Auditors by end of November, 2009.

The Compilation of accounts for the years 2005-06, 2006-07 and 2007-08 is over except for incorporation of the opening balances. The accounts for 2005-06 will be submitted for audit on completion and finalization of the audit process for 2004-05 whereas the accounts for 2006-07 and 2007-08 will be given for audit immediately on completion of finalization and audit process for the previous years.

With regard to compilation of accounts for the years 2008-09 it is stated that the exercise has been completed except for incorporation of opening balances. The final entries for provisions and rectification are also pending to be incorporated. By the time audit of accounts for 2007-08 is over we will be able to complete above pending work. The Accounts for 2008-09 will be submitted for audit on completion and finalization of the audit process for 2007-08. It is expected that Annual Report and Audited Accounts for 2008-09 would be ready by end of August, 2011.”

2.21 Asked whether any time schedule has been laid down by the Ministry indicating normative time for Completion of the task at each stage involved in finalisation of the documents by the KAIC, the Ministry in a note stated :-

“Ministry of Agriculture (Department of Agriculture and Cooperation) had brought to the notice of all State Agro Industries Corporations the recommendations made by the Committee on Papers Laid on the Table of Lok Sabha made in its First Report (Fifth Lok Sabha) for due Compliance.

The expected time schedule for completion of finalisation and audit of accounts for the years from 2004-05 to 2008-09 is given below :

2004-2005	30.04.2010
2005-2006	31.07.2010
2006-2007	30.11.2010
2007-2008	31.03.2011
2008-2009	31.08.2011

2.22 The Committee desired to know whether there is any mechanism in place in the Ministry to monitor the progress at each stage of finalization of documents of the Corporation so as to ensure timely laying of documents, the Ministry in a note stated :-

“The status of Accounts is being reported at every Board Meeting. Besides, Department of Agriculture and Cooperation is also obtaining from the Corporation a status report on regular basis with regard to progress of finalization of the Annual Accounts.”

2.23 The Committee are distressed to note that there has been inordinate delay in laying the Annual Reports and Audited Accounts for the years 2000-01 to 2003-04 of the Kerala Agro Industries Corporation Limited (KAIC) operating under the administrative control of the Ministry of Agriculture (Department of Agriculture and Cooperation). A scrutiny of these documents revealed that the delay in laying the same ranged from about 50 to 64 months in respect of each accounting year. What is further disquieting to note is the fact that the Annual Reports and Audited Accounts of the KAIC for the years 2004-05 to 2008-09 which should have been laid by 31st December of the respective accounting years have not been laid so far. Evidently, the administrative Ministry have miserably failed to comply with the statutory provisions and specific recommendation of the Committee in timely laying the requisite documents of the KAIC before Parliament for the past eight years. The Committee consider it as a grave irregularity on the part of the administrative Ministry/KAIC which certainly amounts to abdication of Parliamentary responsibility and can hardly be overlooked. Notwithstanding the reasons adduced for the abysmal delay, the Committee cannot but conclude that an atmosphere of non-accountability is

prevalent in the Ministry/ KAIC insofar as fulfilling the obligatory responsibility towards Parliament is concerned. In the given circumstances, the Committee only trust that the pending documents of the KAIC pertaining to the period from 2004-05 to 2008-09 should be finalised expeditiously and laid before the House at the earliest in compliance with the assurance given to the Committee so as to enable the Ministry to lay the documents for the subsequent years within the stipulated period. The Committee would like to be informed about the concrete measures taken in this regard including results achieved thereof.

2.24 In their 10th Report (Sixth Lok Sabha), the Committee had recommended that in the “statements of reasons for delay”, the Government should invariably indicate in chronological order the dates of finalisation of reports and accounts, their submission to audit, issue of inspection reports, replies given on points raised in the reports and finally the receipt of the audit report from the Audit Authorities so that the House may identify the stage and extent of delay and suggest remedial measures therefor. The Committee have reiterated this recommendation time and again for strict compliance by the concerned bodies. What is disturbing to note is the fact that the Ministry/ KAIC even failed to comply with this requirement in the delay statement laid alongwith the documents for the years 2000-01 to 2003-04. Taking strong exception to the casual and negligent attitude of the Ministry/KAIC on this score, the Committee emphasise that steps be taken to ensure fulfillment of the prescribed requirement in future.

2.25 The Committee note that the main reason for delay in laying the documents was unduly long time of 35 to 54 months, as against the prescribed three months, taken by the KAIC to finalise its Annual Accounts for the period under review. They observe that the delay got compounded due to accumulation of arrear in accounts and audit over the years. The delay in preparation of provisional accounts and audit thereof has been attributed to inadequate staff strength and poor financial position of the KAIC over the years. Regarding remedial steps taken in this regard, the committee have been informed that accounts support system has been introduced from the period 2007-08 wherein Chartered Accountant firms have been engaged in order to help timely compilation of concurrent accounts. To facilitate the system further, the KAIC is also stated to be in the process of computerising the entire accounting network. According to the Ministry, with the realization of a restructuring package for the revival of the KAIC which includes assistance for system development and office modernisation programme, the problem being faced by the KAIC at present in finalising and auditing of accounts would be

eliminated. In the opinion of the Committee, it would have been wiser on the part of the KAIC to introduce such accounts support system much earlier thereby avoiding the persisting gloomy situation. The Committee, however, stress that the KAIC should strive for progressively strengthening its internal accounting system and switch over to full-fledged computerisation of accounts at the earliest for timely submission of documents to the House. The Committee may be apprised of the progress made in this regard at an early date.

2.26 Another reason which contributed to delay relates to comparatively longer time taken by Audit to finalise accounts and issuing of requisite Audit certificates. The Committee observe that the Audit took about 8 to 16 months in completing the process for the accounts pertaining to the period 2000-01 to 2002-03. They were informed that small Chartered Accountant firms with limited infrastructure were often appointed as Statutory Auditors, who took time to deal with numerous and diverse business activity of the KAIC. Furthermore, the change of Statutory Auditors after a stipulated period also disturbs the continuing audit process and consequential delay. The Committee fully endorse the suggestion of the Secretary, Ministry of Agriculture that in the case of bodies which are having accumulated arrears in accounts like the KAIC in question, the team of Statutory Auditors be appointed for a longer period till the arrears are liquidated. The Committee, therefore, recommend that the matter be appropriately taken up by the Ministry of Agriculture with the office of the Comptroller & Auditor General of India at the earliest for a viable solution. The Committee may also be informed of the action taken in the matter.

2.27 The Committee note that the Ministry of Agriculture (Department of Agriculture and Cooperation) are charged with the primary responsibility of ensuring that the requisite documents of the KAIC are laid before Parliament within the prescribed period in consonance with the statutory provisions. They, however, observe that the role of the administrative Ministry in the instant case leaves a lot to be desired. While the KAIC defaulted year after year in laying the documents, the Ministry seem to have pursued the matter in a routine manner in the absence of any structured time schedule for completion of task at each stage and impressing upon the KAIC to adhere to the schedule. The Committee are dismayed to point out that the monitoring mechanism in place in the Ministry appears to be inadequate and needs to be strengthened. They, therefore, recommend that all necessary steps be taken to ensure that the KAIC adheres to the time

schedule now provided by the Ministry for finalising the Annual Reports and Audited Accounts for the period 2004-05 to 2008-09 to obviate any further delay in the matter. The Committee would also like to be informed about the steps taken by the Ministry to institute a review and monitoring framework which is more accountable to the statutory requirements.

NEW DELHI
06 April, 2010
16 Chaitra, 1932 (Saka)

HARIN PATHAK,
Chairman,
Committee on Papers Laid on the Table

APPENDIX

SUMMARY OF RECOMMENDATIONS/OBSERVATIONS CONTAINED IN THE REPORT

Sl. No.	Ref. to Para No. of the Report	Summary of Recommendations/Observations
1.	1.13	<p>As per the recommendation of the Committee contained in their 1st Report (5th Lok Sabha) the Annual Report and Audited Accounts should always be laid together on the Table of the House within nine months of the close of respective accounting year so as to give a complete picture of working of that organization. Further, the “Delay Statement” if any, laid by the Government should invariably indicate in chronological order (para 1.20, 10th Report, 6th Lok Sabha) the dates of finalization of reports and accounts, their submission to audit, issue of inspection report, date of final replies given on points raised in the report, date of final receipt of audit report from the audit authorities, the time taken in translation and printing and getting approval of the documents from the competent authority so that the Committee may identify the stages at which the delay has occurred and to what extent, so that remedial measures could be suggested therefor. The Committee regret to note that their earlier recommendation for laying of the Annual Report and Audited Accounts together has not been followed by the Ministry of Labour and Employment and urge the Ministry to take note of it for future compliance.</p>
2.	1.14	<p>The Committee are distressed to find that there has been inordinate delays ranging from 2 to 14 months in laying the Annual Reports and Audited Accounts of the EPFO from the year 2000-2001 to 2007-2008. As per Ministry’s submission one of the reasons for delay was at the stage of compilation of accounts due to delayed receipt of accounts from 46 centres/offices which are scattered in the length and breadth of this Country. Another reason for delay in compilation of the accounts was stated to be lack of software application in EPFO in an integrated manner to facilitate speedy</p>

		<p>and timely compilation of accounts. In this regard, the Ministry of Labour & Employment has stated that a new system has been put in place from December, 2005 which will help to maintain the entire accounting system for presenting to the auditors. Further, a “Modernization project” is being introduced in EPFO to reduce the time taken in compilation of the receipts of the regional offices. The Committee desire that the task of “Modernization project” should be completed without delay and it should be ensured that there is no delay in compilation of accounts in future.</p>
3.	1.15	<p>The Committee further note that another reason for delay in laying the documents is the long time taken by the C&AG in completing the audit and issuing of audit certificate to the EPFO. The auditors took 4 to 12 months in auditing the accounts and furnishing their final Audit Report to the EPFO for the years 2004-05 to 2006-07. The Committee observe that the Ministry of Labour and Employment have now proposed to take steps to bring about better coordination with C&AG so that such delays do not recur. The Committee are of the opinion that the issue should have been taken up with the audit authorities much earlier. The Committee, therefore, recommend that in future the Ministry, after submitting the accounts to the auditor authorities, should pursue vigorously with them to complete their task in time to avoid consequential delay in laying of the documents in Parliament. EPFO should also extend full co-operation to the Audit Authorities in this regard.</p>
4.	1.16	<p>The Committee further note that after receipt of the Audited Accounts from the auditors, the EPFO took 5 and 8 months for the years 2004-05 and 2005-06 respectively in getting approval of the documents from the Competent Authorities and sending them to the Ministry. The Committee firmly believe that the delay at this stage has been due to lack of concern on the part of EPFO and the Ministry. The Committee, therefore, recommend that the Ministry may strengthen its monitoring mechanism at each stage to ensure that inordinate delays in laying the documents do not occur in future.</p>

5.	1.17	<p>The Committee are surprised to note that in the time schedule suggested by the Ministry of Labour and Employment to the EPFO, the date of submission of the annual reports and audited accounts has been shown as 20th December. In this regard, the Committee would like to point out that before laying the documents in the House, the Ministry has to complete certain formalities viz. preparation of Review on performance and activities of the EPFO, authentication of the documents from their Minister and sending the documents to Parliament for laying. Further, the Winter Session of Parliament normally concludes by the end of third week of December every year. Therefore, it would be almost impossible for the documents received around 20 December to be laid on the Table during the Winter Session of Parliament or within 9 months of close of the financial year as prescribed by the Committee. The Committee, therefore, recommend that the Ministry of Labour and Employment should prepare the time schedule afresh to facilitate receipt of all the requisite documents in the Ministry latest by the first week of November every year positively so that these could be processed for being laid on the Table of the House during Winter Session in November/December.</p>
6.	2.23	<p>The Committee are distressed to note that there has been inordinate delay in laying the Annual Reports and Audited Accounts for the years 2000-01 to 2003-04 of the Kerala Agro Industries Corporation Limited (KAIC) operating under the administrative control of the Ministry of Agriculture (Department of Agriculture and Cooperation). A scrutiny of these documents revealed that the delay in laying the same ranged from about 50 to 64 months in respect of each accounting year. What is further disquieting to note is the fact that the Annual Reports and Audited Accounts of the KAIC for the years 2004-05 to 2008-09 which should have been laid by 31st December of the respective accounting years have not been laid so far. Evidently, the administrative Ministry have miserably failed to comply with the statutory provisions and specific recommendation of the Committee in timely laying the requisite</p>

		<p>documents of the KAIC before Parliament for the past eight years. The Committee consider it as a grave irregularity on the part of the administrative Ministry/KAIC which certainly amounts to abdication of Parliamentary responsibility and can hardly be overlooked. Notwithstanding the reasons adduced for the abysmal delay, the Committee cannot but conclude that an atmosphere of non-accountability is prevalent in the Ministry/ KAIC insofar as fulfilling the obligatory responsibility towards Parliament is concerned. In the given circumstances, the Committee only trust that the pending documents of the KAIC pertaining to the period from 2004-05 to 2008-09 should be finalised expeditiously and laid before the House at the earliest in compliance with the assurance given to the Committee so as to enable the Ministry to lay the documents for the subsequent years within the stipulated period. The Committee would like to be informed about the concrete measures taken in this regard including results achieved thereof.</p>
7.	2.24	<p>In their 10th Report (Sixth Lok Sabha), the Committee had recommended that in the “statements of reasons for delay”, the Government should invariably indicate in chronological order the dates of finalisation of reports and accounts, their submission to audit, issue of inspection reports, replies given on points raised in the reports and finally the receipt of the audit report from the Audit Authorities so that the House may identify the stage and extent of delay and suggest remedial measures therefor. The Committee have reiterated this recommendation time and again for strict compliance by the concerned bodies. What is disturbing to note is the fact that the Ministry/ KAIC even failed to comply with this requirement in the delay statement laid alongwith the documents for the years 2000-01 to 2003-04. Taking strong exception to the casual and negligent attitude of the Ministry/KAIC on this score, the Committee emphasise that steps be taken to ensure fulfillment of the prescribed requirement in future.</p>

8.	2.25	<p>The Committee note that the main reason for delay in laying the documents was unduly long time of 35 to 54 months, as against the prescribed three months, taken by the KAIC to finalise its Annual Accounts for the period under review. They observe that the delay got compounded due to accumulation of arrear in accounts and audit over the years. The delay in preparation of provisional accounts and audit thereof has been attributed to inadequate staff strength and poor financial position of the KAIC over the years. Regarding remedial steps taken in this regard, the committee have been informed that accounts support system has been introduced from the period 2007-08 wherein Chartered Accountant firms have been engaged in order to help timely compilation of concurrent accounts. To facilitate the system further, the KAIC is also stated to be in the process of computerising the entire accounting network. According to the Ministry, with the realization of a restructuring package for the revival of the KAIC which includes assistance for system development and office modernisation programme, the problem being faced by the KAIC at present in finalising and auditing of accounts would be eliminated. In the opinion of the Committee, it would have been wiser on the part of the KAIC to introduce such accounts support system much earlier thereby avoiding the persisting gloomy situation. The Committee, however, stress that the KAIC should strive for progressively strengthening its internal accounting system and switch over to full-fledged computerisation of accounts at the earliest for timely submission of documents to the House. The Committee may be apprised of the progress made in this regard at an early date.</p>
9.	2.26	<p>Another reason which contributed to delay relates to comparatively longer time taken by Audit to finalise accounts and issuing of requisite Audit certificates. The Committee observe that the Audit took about 8 to 16 months in completing the process for the accounts pertaining to the period 2000-01 to 2002-03. They were informed that small Chartered Accountant firms with limited infrastructure were often appointed as Statutory Auditors, who</p>

		<p>took time to deal with numerous and diverse business activity of the KAIC. Furthermore, the change of Statutory Auditors after a stipulated period also disturbs the continuing audit process and consequential delay. The Committee fully endorse the suggestion of the Secretary, Ministry of Agriculture that in the case of bodies which are having accumulated arrears in accounts like the KAIC in question, the team of Statutory Auditors be appointed for a longer period till the arrears are liquidated. The Committee, therefore, recommend that the matter be appropriately taken up by the Ministry of Agriculture with the office of the Comptroller & Auditor General of India at the earliest for a viable solution. The Committee may also be informed of the action taken in the matter.</p>
10.	2.27	<p>The Committee note that the Ministry of Agriculture (Department of Agriculture and Cooperation) are charged with the primary responsibility of ensuring that the requisite documents of the KAIC are laid before Parliament within the prescribed period in consonance with the statutory provisions. They, however, observe that the role of the administrative Ministry in the instant case leaves a lot to be desired. While the KAIC defaulted year after year in laying the documents, the Ministry seem to have pursued the matter in a routine manner in the absence of any structured time schedule for completion of task at each stage and impressing upon the KAIC to adhere to the schedule. The Committee are dismayed to point out that the monitoring mechanism in place in the Ministry appears to be inadequate and needs to be strengthened. They, therefore, recommend that all necessary steps be taken to ensure that the KAIC adheres to the time schedule now provided by the Ministry for finalising the Annual Reports and Audited Accounts for the period 2004-05 to 2008-09 to obviate any further delay in the matter. The Committee would also like to be informed about the steps taken by the Ministry to institute a review and monitoring framework which is more accountable to the statutory requirements.</p>

