

**NON-COMPLIANCE BY MINISTRIES/  
DEPARTMENTS IN TIMELY  
SUBMISSION OF ACTION TAKEN  
NOTES ON THE NON-SELECTED  
AUDIT PARAGRAPHS (CIVIL AND  
OTHER MINISTRIES)**

**PUBLIC ACCOUNTS COMMITTEE  
(2016-17)**

**SIXTY-SIXTH REPORT**

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**SIXTEENTH LOK SABHA**



**LOK SABHA SECRETARIAT  
NEW DELHI**

PAC No.2099

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**(2016-17)**

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AND OTHER MINISTRIES)**



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**LOK SABHA SECRETARIAT  
NEW DELHI**

March 2017/ Phalguna 1938 (Saka)

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## COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2016-17)

Prof. K.V. Thomas                      Chairperson

### MEMBERS

#### LOK SABHA

2. Shri Sudip Bandyopadhyay
3. Shri Prem Singh Chandumajra
4. Shri Nishikant Dubey
5. Prof. Richard Hay
6. Shri Gajanan Chandrakant Kirtikar
7. Shri Bhartruhari Mahtab
8. Smt. Riti Pathak
9. Shri Neiphu Rih
10. Shri Janardan Singh Sigrwal
11. Shri Abhishek Singh
12. Dr. Kirit Somaiya
13. Shri Anurag Singh Thakur
14. Shri Shivkumar C. Udasi
15. Dr. P. Venugopal

#### RAJYA SABHA

16. Shri Naresh Agrawal
17. Shri Satyavrat Chaturvedi
18. \* Shri Bhupender Yadav
19. Shri Bhubaneswar Kalita
20. Shri Shantaram Naik
21. Shri Sukhendu Sekhar Roy
22. Shri Ajay Sancheti

#### SECRETARIAT

1. Shri A.K. Singh                      -      Additional Secretary
2. Shri S.C Chaudhary                -      Joint Secretary
3. Shri T. Jayakumar                 -      Director
4. Shri Paoliental Haokip            -      Deputy Secretary

\* Elected w.c.f. 09.08.2016 vice Shri Vijay Goel, MP appointed as Minister of State w.e.f. 05.07.2016.

**Sub-Committee – IV [Non-compliance by Ministries/Departments in timely submission of Action Taken Notes on the Non-selected Audit Paragraphs (Civil and other Ministries)] of DAC (2016-2017)**

- Convenor : 1. Shri Bhartruhari Mahtab
- Alternate Convenor : 2. Shri Gajanan Chandrakant Kirtikar
- Members : 3. Shri Nishikant Dubey
4. Dr. P. Venugopal
5. Shri Ajay Sancheti
6. Shri Shivkumar C. Udasi

## INTRODUCTION

I, the Chairperson, Public Accounts Committee (2016-17) having been authorised by the Committee, do present this Sixty-Sixth Report (Sixteenth Lok Sabha) on "Non-compliance by Ministries/Departments in timely submission of Action Taken Notes on the Non-selected Audit Paragraphs (Civil and other Ministries)" related to the Ministries of Defence, Railways (Railway Board) and Finance (Department of Revenue) and (Department of Expenditure).

2. Due to inordinate delay on the part of various Ministries/Department in timely submission of Action Taken Notes on the non-selected Audit Paragraphs of the Reports of the C&AG of India, the Public Accounts Committee (2016-17) took up the subject for detailed examination and report. A Sub-Committee was specifically constituted under the convenorship of Shri Bhartuhari Mahtab, MP and a Member of the PAC. The Sub-Committee procured written replies and took evidences of the representatives of these Ministries on the subject at their sittings held on 26.09.2016 and 07.10.2016. Accordingly, a draft Report on the subject was prepared and approved by the Convenor and subsequently approved by the Chairperson, PAC. The Committee considered and adopted this Draft Report at their sitting held on 10<sup>th</sup> February, 2017. The Minutes of the Sittings are appended to the Report.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in thick type and form Part- II of the Report.

4. The Committee thank the Sub-Committee - IV for taking oral evidences of the various Ministries and obtaining information on the subject.

5. The Committee would like to express their thanks to the representatives of the Ministries for tendering evidence before the Sub-Committee and furnishing the requisite information to the Sub-Committee in connection with the examination of the subject.

6. 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.

NEW DELHI;

14<sup>th</sup> March, 2017

23 Phalguna, 1938 (Saka)

PROF. K.V. THOMAS

Chairperson,  
Public Accounts Committee.

## REPORT PART-I

### I. INTRODUCTORY

Remedial action on the shortcomings, lapses and loopholes found by auditors is one key thrust area behind audit of public funds, apart from basic objective of accountability and efficiency of public expenditures. To overcome such lapses or deficiencies the executing authority must give sufficient attention to the task of examining/analysing audit observations and taking remedial/corrective actions to redress the same. The PAC, taking cognizance of this fact, had over the years evolved a system for close scrutiny of the timely submission of action taken notes by Ministries/Departments of the Government of India. Compliance by the government in timely submission of remedial/corrective Action Taken Notes to the PAC, duly vetted by C&AG, has subsequently improved over the last two decades on account of the continuous oversight of the Public Accounts Committee. Nevertheless, some Ministries/Departments are still found wanting in compliance. This report deals with the examination of the Non-compliance by Ministries/ Departments in timely submission of Action Taken Notes on the non-selected Audit paragraphs of C&AG (Civil and other Ministries) during the year 2016-17.

2. The Background Note furnished by the C&AG on the subject contained status of the pending Corrective/Remedial Action Taken Notes pertaining to various Ministries/Departments as on 30.09.2016. As per the information furnished by Audit the total number of paras pending with the various Ministries stood at 805 as on 31.07.2016. The remedial action taken by the Ministries/Departments concerned on the C&AG's Reports still continues to be below the desired level as submission of a large number of Remedial/Corrective Action Taken Notes are still pending with the Ministries/Departments concerned, some for several years.

3. The Committee, therefore, once again constituted a Sub-Committee (Sub-Committee-IV) to look into and examine the non-compliance on the part of the Ministries/Departments on timely submission of ATNs on Audit paras not selected by the PAC. After examining the pendency status of ATNs with various Ministries/Departments by the C&AG, the Sub-Committee decided to take up the non-compliance in timely submission of ATNs on non-selected Audit paragraphs pertaining to the Ministries of Defence, Ministry of Railways

(Railway Board) and Finance (Department of Revenue and Department of Expenditure) as the performance of the said three Ministries remain below par. Oral evidences of both the Ministries of Defence and Railways were taken by the Sub-Committee on 26-09-2016 and then of the Ministry of Finance on 07.10.2016 to gauge of the pendency of Audit Paras and effective measures taken by the Monitoring Cell to synchronize and take stock of the progress by the Ministries.

**II. Vigil by the Monitoring Cell (Ministry of Finance) on timely submission of Action Taken Notes on the Non-selected Audit Paragraphs by various Ministries.**

4. The Monitoring Cell, under the Department of Expenditure (Ministry of Finance) has been given the task to maintain, coordinate and collect the Remedial/Corrective Action Taken Notes on all the Audit Paragraphs contained in different Audit Reports of the C&AG, from the Ministries/Departments concerned, duly vetted by Audit and furnish the same to the Public Accounts Committee within the stipulated period of four months from the date of presentation of Audit Reports to the Parliament. The Sub-Committee noted that since 21.05.2010 when the PAC had for the first time selected "Non-Compliance by the Ministries/Departments in timely submission of replies to the Audit paragraphs of the C&AG" as a subject for detailed examination, there has been a sizable decrease in the number of pending paras. According to the Ministry, from an astounding figure of 4216 paras pending as on 30.06.2010, the number had decreased to 1151 as on 07.10.2016 which include paras/Reports laid in the current year also. The Ministry further submitted that due to the continued effort of the Department, 1276 paras have been settled as on 07.10.2016 and the pendency status of the ATNs on the C&AG paras have come down to 844 from 2120 as on 08.04.2016. The number of ATNs which have not been submitted even once have also declined to 184 from 930.

5. The office of the C&AG in their Background note submitted that the total pendency of ATNs on the Audit paras as on 31.07.2016 is 805 out of which ATNs on 134 paras have not been submitted even for the first time, revised ATNs on 300 paras were awaited from the Ministries, ATNs on 101 paras were pending with the Ministries and ATNs on 270 paras were still under examination in Audit. Later, a statement of pendency as on 30.09.2016 of the various Ministries was obtained from Audit. The same is given in the following table.

**Total Number of Reports / paras on which ATNs are pending as on 30.09.2016**

No of Reports/ Paras on which ATNs have not been received even for the first time from the Ministry/ Department	No. of Reports/ paras on which revised ATNs are awaited from Ministry/Department	ATNs finally vetted by Audit but pending with Ministry / Monitoring Cell for submission to PAC	No. of ATNs with Audit for Vetting	Total
151	338	86	206	781

Thus, from the above data, it may be seen that the total pendency of ATNs as on 30.09.2016 has marginally decreased from 805 to 781. The figures furnished by Monitoring Cell, Ministry of Finance again differed from that furnished by the C&AG to 1151 as on 07.10.2016, though some Reports have been added in due course. This showed that the reconciliation of pendency figures between the two have not been fully redressed. However, some new paras, which have in the meantime become due, have been added to the total pendency. Ministry-wise pendency as on 30.09.2016 as furnished by Audit is at **Appendix-II**.

6. The Ministry of Finance (Department of Expenditure) submitted that they have taken various measures/steps to reduce the pendency of paras, viz. Secretary Expenditure had written to all Secretaries requesting them to take necessary action expeditiously for liquidation of pending audit paras, especially those which were more than three years old, by convening meeting of the Standing Audit Committee, chaired by Secretary of the Department more frequently. Observations of the PAC in Para 15 of the first Report (16<sup>th</sup> Lok Sabha) had also been brought to the notice of the Financial Advisors in all Ministries/Departments for taking immediate action; the outcome of the Oral Evidence before the Sub Committee held on 08.04.2016 was circulated to all the Ministries/Departments by the Monitoring Cell vide their OM dated 25.04.2016. This was followed by issuance of yet another OM by the Monitoring Cell dated 03.05.2016 regarding settlement of C&AG paras by Ministries/Departments which have been cleared manually but pending on the APMS portal under the head "Backlog". All the Ministries/Departments were advised to upload all their pending C&AG paras in the APMS portal; in the meeting taken by Finance Secretary with Financial Advisors on 03.06.2016, the position of pending CAG and PAC paras were discussed. Finance Secretary advised FAs to be proactive in the settlement of these Paras; a time schedule and instructions vide OM dated 30.06.2016 was issued to all Ministries/Departments to expedite the process of clearance of pendency of ATNs within the stipulated time period of 4 months. Ministries/Departments were

also requested to submit ATNs after completing the cycle on APMS portal; a meeting of the Committee of Secretaries (CoS) under chairmanship of the Cabinet Secretary was held on 11.07.2016 with Ministries which have a large number of pending paragraphs. It was noticed that 1325 C&AG and 569 PAC paragraphs were pending as on 30.06.2016 for submission of ATNs by various Ministries/Departments who were advised to take necessary steps to ensure that 50% of pending paras (C&AG and PAC) are settled by 30.09.2016 and rest by 31.12.2016. The decisions of COS meeting were communicated to all Secretaries of the Department vide OM dated 08.08.2016; in a further meeting with Financial Advisors held by Finance Secretary on 14<sup>th</sup> or 15<sup>th</sup> July 2016, he had reiterated the need for timely submission of Action Taken Notes in respect of pending paras. Finance Secretary had also stated that while there had been a lot of progress in liquidating pending paras in many of the Departments, there was a need for constant monitoring. He suggested that the Standing Audit Committees (SACs) should be in place in all Ministries and they should meet regularly as lack of regular monitoring results in accumulation of pendency. It had been seen that SACs were not meeting regularly. There were large number of paras to which no reply had been sent even for the first time. Reply to these paras should be the first priority. Also there should be a concerted effort to liquidate some of the very old pending paras. With continued effort by the Department as mentioned above, monitoring of the submission of ATNs by the Monitoring Cell and directions given by the Cabinet Secretary, it was expected that the pendency figures of C&AG and PAC paras were likely to come down considerably in the coming months.

7. The Sub-Committee were also apprised of the efforts of the Department of Expenditure in upgrading the web-based Audit Para Monitoring System (APMS) and impressing upon the Ministries on the usage of the APMS portal for quick and easy referral of the pendency position of ATNs of the various Ministries. However, the Committee expressed concern over the non-compliance to the directions for adopting APMS and uploading of ATNs on APMS portal by certain Ministries citing frivolous reasons.

### III. Non-compliance in timely submission of ATNs on non-selected Audit paragraphs relating to Ministry of Finance

8. As per the information furnished by the C&AG, as on 31.07.2016, the total number of Corrective/Remedial Action Taken notes on non-selected Audit paragraphs due to be submitted by the Ministry of Finance (Department of Revenue) to the Committee stood at 336.

Out of these, 41 ATNs have not been received from the Ministry even for the first time. As revisions on 78 ATNs were awaited and 217 ATNs were under examination in Audit.

9. A statement of pendency as on 30.09.2016 of the Ministry of Finance and the Department of Revenue (both CBEC and CBDT) as obtained from the C&AG is given under.

Comparative Number of Audit Paras for which ATNs are pending	
As on 31.07.2016	336
As on 30.09.2016	265

From the above comparative figures, it could be seen that the pendency of the ATNs on Audit paras in respect of Ministry of Finance and the Department of Revenue have decreased slightly in a gap of two months.

10. The Ministry of Finance (Department of Expenditure) in their written information submitted that the total pendency of ATNs due to be submitted by the Department of Revenue to the PAC as on 07.10.2016 for CBEC was 201 paras (100 paras of Central Excise and 101 paras of Customs). The Ministry further stated that the total number of paras pending with CBDT as on 07.10.2016 was 167.

11. However, CBEC in their written submission stated that the total pendency of paras on which ATNs were to be submitted to PAC as on 04.10.2016 was 224 out of which ATNs on only 2 paras pertaining to Customs have not been submitted even for the first time, revised ATNs were to be submitted for 7 paras, ATNs on 31 paras have been approved by Audit and the same were pending with the Ministry and the remaining ATNs on 184 paras were pending with Audit. CBEC further submitted that out of the total 122 paras with Central Excise & Service Tax pending on APMS portal, on 112 paras action was to be taken by C&AG and on 10 paras action was pending on part of the Ministry. In all the 10 paras, copies of ATNs in English and Hindi would be forwarded to the Monitoring Cell within a fortnight. CBEC also appraised that out of the total 102 paras pending with Customs on APMS portal, on 72 paras, action was to be taken by C&AG and on 30 paras action was pending on part of the Ministry. Out of the 30 paras where action was to be taken by the Ministry on 2 paras, it was shown that ATNs were not submitted even for the 1<sup>st</sup> time. However for the said 2 paras ATNs had already been submitted to CAG but they could not be uploaded. Since these pertained to the year 2005/2007, neither the Ministry nor the CAG office was able to trace files. Efforts were on to reconstruct / reconcile the records with the records in CAG office. On 7 paras, where revised

ATNs have to be submitted by the Ministry, comments would be provided by CBEC on the observations made by CAG on ATNs within a fortnight. ATNs approved by Audit on 6 paras would be uploaded within a week. On 15 paras finalised ATNs were submitted by CBEC but 30 copies in English and 15 copies in Hindi were required to be forwarded to the Monitoring Cell. The CBEC assured that action, in this regard would be completed within a week.

12. Further, CBDT in their written deposition submitted that as on 04.10.2016 the total pendency was 248 paras and there was no ATN pending for submission for the first time. In other words, in all the cases draft ATNs in prescribed format had already been submitted to the office of C&AG for their comments and as on date 140 ATNs were under consideration of the office of the C&AG for giving vetting comments. The C & AG in 32 cases had given additional comments out of which in 11 cases revised ATNs had been submitted for vetting comments of the C & AG and other 21 cases were under examination of CBDT. In 55 cases, vetting comments had been given online and the CBDT was under process of sending physical copies of the final ATNs and uploading final ATN. In 21 cases, the monitoring cell had stated that physical copies of the final ATNs had not been received by them. These are under checking by the CBDT.

13. When the Sub-Committee desired to know the latest status of pendency of the ATNs with the Ministry of Finance especially CBEC and CBDT, the Revenue Secretary, during evidence deposed as under:

"We have been trying our best to reduce the pendency of paras from our side. We have also met with some success as you can see from the data which is before you. As far as CBDT is concerned, one good thing is that there is no para pending for the first time replies. We have already replied to all the paras. Out of the pendency which is shown as on 29<sup>th</sup> of September, there are 248 out of which 148 ATNs are under consideration of C&AG. In 32 cases, C&AG has given additional comments, out of which 11 cases have been submitted for vetting and remaining 21 are under examination in CBDT. In 55 cases, vetting comments have been given online and we are in the process of sending physical copies of final ATNs and uploading it in the final ATN. In 21 cases, the monitoring cell has stated that the physical copies have not been received. We will check it out because I think there is some confusion, but we will re-send the papers to them. My colleague can also give some more information on CBDT para and maybe the Committee can ask a few questions on that. In CBEC, in Customs there are 102 paras which are shown as pending. There are 30 cases in which action is pending at our end and 72 are already sent to C&AG. There are two paras which are shown as the first-time replies also not having been uploaded. But these two paras are in dispute since 2005-07. The paras are shown as having been sent from our office. There is some confusion because there was a fire in the office. There are seven paras which are pending for revised ATNs which our office will send within a fortnight. There are six paras in which the ATNs have been approved by Audit and they have to be uploaded.

In 15 paras, physical copies in Hindi and English have to be sent. That will be done within a week. In case of Central Excise, there are 122 paras relating to Excise and Service Tax. Of this, there is no first-time reply pending fortunately. Only in ten paras, action is to be taken by the Ministry for submission of requisite number of copies in English and Hindi which will be done in a fortnight. Regarding 112, it is pending in CAG. This is the overview in regard to the number of paras. With respect to the Department of Expenditure, there is no pendency. The observations of the Sub-Committee during the last meeting – as you had also commented in your inaugural address – have been circulated to the Ministry and the Finance Secretary has taken two meetings of the Financial Advisors of the various Ministries in which he has actually directed them to emphasise disposal of these paras.

14. During oral evidence, the representative of the Department of Expenditure further supplemented as under :

"We have subsequently also from the Monitoring Cell issued the time schedule for disposal of these paras which has to be done by 120 days. That has also been circulated in June. A lot of emphasis has been given to the disposal of these paras as a result of which you have also commented that the disposal situation has improved. As the Revenue Secretary has also just said, in Economic Affairs, there are only two paras as per my information. There is a representative from Economic Affairs here. There are only two paras for which the replies are not yet due. So, they should be disposed within the time prescribed for that."

15. When the Sub-Committee asked as to whether the Department should reconcile the figures with the C&AG as there was a mismatch in the pendency of figures in submission of ATNs provided by the C&AG and Department of Expenditure, the Ministry submitted that the C&AG reckoned a para as pending if it remained unsettled after the expiry of the 4 months whereas Monitoring Cell took it pending from the date of laying of the relevant C&AG report in the Parliament. The Ministry further stated that the C&AG adopted a different yardstick for dropping a para from the pendency list by treating the para as settled immediately after final vetting of ATN whereas Monitoring Cell took it as settled only when the process cycle had been completed on APMS portal and hard copies of the ATNs had been submitted to the Lok Sabha Secretariat. The mismatch also occurred due to different treatments given to a Performance Audit Report which was to be taken separately or the entire report was to be treated as single para.

16. When the Sub-Committee stressed that the Department of Expenditure needed to enhance monitoring as there were a large number of paras pending in respect of social sector Ministries, the Finance Ministry submitted that the issue of Social Sector Ministries had been raised in Para 15 of the 42<sup>nd</sup> Report of the PAC and the Department of Expenditure had

already taken up the matter with Social Sector Ministries and sought reports from them. However, no response had been received till date.

17. The Sub-Committee desired to know the efficiency of the mechanism provided in the APMS portal for submission of ATNs for review/rectification of defects, if any, in the portal. In response, the Department of Expenditure submitted that the APMS portal was started to strengthen, streamline and speed-up the submission of ATNs and the Ministries/Departments uploaded scanned copies of the draft/revised/final ATNs in the prescribed format at every stage. The Audit could also upload their vetting comments as an attachment. Edit facility has also been provided to review/rectify all defects by the Ministries. The Monitoring Cell had written to NIC for conducting a system study for upgrading of APMS portal.

18. When the Sub- Committee desired to know the time frame for submission of revised ATNs, the Department of Expenditure stated as under:

"As regards the submission of revised ATNs, there exists a time frame of 20 days for submission of ATNs within 120 days. The schedule was issued in consultation with C&AG."

19. The Ministry of Finance, Department of Revenue (CBDT) in their written information submitted that a Meeting of Committee of Secretaries (COS) was held under Chairmanship of the Cabinet Secretary on 11/07/2016. The recommendation of COS were *viz* Ministry / Departments may take necessary steps to ensure that 50% of pending C & AG and PAC paras are settled by 30/09/2016 and remaining by 31/12/2016; Ministries/Departments may expedite draft ATNs where first reply has not been uploaded within the stipulated time; Ministries / Departments may ensure regular meetings of SAC are held to review the progress of settlement of pending paras. The details relating to the meetings may be uploaded on the APMS portal; as regards performance audit, paras relating to various areas may be counted separately and not as a single para for the purpose of compliance; replies to draft paras may be sent promptly and appropriately so that they do not necessarily become audit paras; and Ministry / Departments must complete the process flow on APMS portal before submission of hard copies of ATNs to Monitoring Cell. The present status against each of the recommendations of the COS were *viz*. as on the date of meeting of COS, 509 ATNs were pending. The figure now is 248. Therefore the recommendation stands complied with; as on the date of meeting of COS, 102 draft ATN were pending for uploading. Now, all the draft ATNs stands uploaded; last SAC meeting was convened on 19/08/2016 and uploaded on APMS portal; noted for compliance; and uploading was done before the hard copies were

submitted to MC. Prescribed time schedule had been noted for adherence; the Ministry is committed to adhere to the time schedule from the date of tabling a new Audit Report respectively.

20. When the Committee enquired about the steps taken by the Ministry to adhere to the prescribed timeline of four months for submitting the ATNs, the representative of the Ministry deposed during evidence as under:

"With respect to the various efforts that have been taken by the Department of Expenditure, I would like to tell you that after the last sitting of this Sub Committee in April, 2016, we have circulated two letters to all the Ministries and Departments reiterating and emphasizing quick disposal of all these paragraphs in the manner that has been prescribed and the Finance Secretary, on two occasions, in the meeting with the Financial Advisors of various Departments and Ministries, has again emphasized on the disposal and the methods of these audit paragraphs. As has been mentioned in the Opening Remarks of the Chairman, the Committee of Secretaries have also deliberated upon this issue and they have issued directions to all the Departments to monitor the disposal of these audit paragraphs. I would like to also inform this august Sub Committee that as of 30<sup>th</sup> of September, as was asked by the hon. Member, the Departments, apart from the Department of Revenue or the Ministry of Finance for which the figures are already on record, the Defence Ministry has a pendency of around 268 paragraphs, the Railway Ministry has 143 paragraphs pending with them and the Ministry of Telecommunications has 40 with them and Home and Commerce Ministries have both 31 and other departments have a little less pending paragraphs."

**IV. Non-compliance in timely submission of ATNs on non-selected Audit paragraphs relating to Ministry of Defence**

21. The Sub-Committee took evidence of representatives of Ministry of Defence on 26.09.2016. The pendency of ATNs with the Defence Ministry was on the decline but not satisfactory as it dropped only marginally. From an outstanding of 163 ATNs in July, 2016 the figure has dropped to 157 as on 30.06.2016. Out of the total 163 paras pending as on 31.07.2016 ATNs on 44 paras have not been received from the Ministry even for the first time, revised ATNs were awaited for 80 paras including paras as old as 1989 and 1990, ATNs on 33 paras were finally vetted by Audit but pending with the Ministry and ATNs on 6 paras were under examination in Audit. The reconciliation of ATNs were not satisfactory as of 30.09.2016 as still ATNs on 38 paras were not received even for the first time, revised ATNs on 84 paras were still awaited and ATNs on 30 paras have been finally vetted by Audit but pending with the Ministry.

22. A comparative statement of pendency of ATNs as on 31.07.2016 and 30.09.2016 of the Ministry of Defence as obtained from the Audit is given in the following table.

	As on 31.07.2016	As on 30.09.2016
No. of Audit Paras for which ATNs are pending	163	157

From the above comparative data, it is seen that the Ministry had been able to clear only 6 additional Paras between July, 2016 and September, 2016.

23. Apprising the Sub-Committee of the pendency of ATNs and the efforts made to reduce the same, the representative of the Defence Ministry deposed as under:

"We have always been getting guidance from this Sub Committee because I had appeared a number of times before this hon. Committee in the past. We have taken note of the directions given by the Committee earlier. As far as the number of ATNs are concerned, we are also concerned that the number of outstanding paras relating to our Ministry is very large and we should try to reduce the numbers. As far as the ATNs which have not been sent once to the Committee, as per our record, they are 34 in number. We are aware of the directions of the CAG that the replies should be sent within four months of the submission of the report to the Parliament. Sir, we have been making efforts at the level of the Ministry. At my level also, we have been regularly reviewing with all the Joint Secretaries in the Ministry. We have brought three Joint Secretaries in the meeting of the Committee because some of these JSs have a larger number of audit paras. If the Committee wants, the Committee can get a feedback from the Joint Secretaries also. The total number of outstanding paras as on 21<sup>st</sup> September which you have prepared, there may be some discrepancies in a few numbers here and there but the total number of outstanding paras as on 21<sup>st</sup> September, 2016 is 164, out of which 34 are where the ATNs have not been sent once. There is some slow progress in terms of hosting the ATNs at different stages on the APMS portal. As I had brought out in the Committee before in the last meeting because of the sensitivity involved in some of the documents relating to the Ministry of Defence and the restriction on the use of pen drives across the Ministry from one office to other, we had issues relating to hosting the ATNs on the APMS portal. That is why, the progress is slow. But we have started hosting some of these ATNs now and some wings of the Ministry have started doing it but as the Chairman has pointed out, there are 66 paras from our records where the old ATNs have already been sent but they have not yet been hosted on the APMS portal. We are making arrangements in centralised way in the budget section of our Ministry which looks after the ATNs that all the concerned officers who have issues relating to scanners and other logistic problems in hosting the ATNs which are already sent or now in whatever stage they are sent to audit or to the Committee, they could come at a centralised place, scan it and post it so that whatever we have done is reflected in the APMS portal and we are not seen as lagging in doing that aspect also. Sir, we are concerned as the number of paras are large. We are trying to make efforts that to expedite compliance in these cases also but because of the huge field formation and a number of tiers of organisation, especially in case of Armed Forces, especially the Army, we are not able to adhere to the timeline in many of the case. We are sorry for that but still we are making efforts that we can expedite."

24. When the Sub-Committee asked about the number of pending paras still to be uploaded on the APMS portal because of sensitivity of cases, the representative of the Ministry submitted during evidence as under:

"It is not we will not be able to host it on the APMS portal because of its sensitivity, because of the sensitivity there is some problem in use of pen drives and all in the Ministry. So, what we will have to do is to bring it all at one place for scanning and then host it on the portal for which we have made arrangements. We will be able to host all and there is no problem. There are about 66 audit paras where our compliance has already been sent to the Committee which were earlier done on the manual basis. Now those have also to be put on the APMS portal. Those are cases where compliance ATN has been sent to the Committee after being vetted by the audit. That has now to be physically put on the web portal. Those 66 cases, as I was mentioning, the ATN have been sent but not put on the portal. That is also counted because those are not put on the APMS portal as pendency."

25. When asked to give a timeline for completing the hosting of ATN pendency on APMS portal, the representative of the Ministry deposed as under:

"I will ask my Additional FA to review and then I can give a commitment. We will review in one week's time and send the status of the timeline when we can give. Within one week we will communicate that. I will not be aware of all the specific paras so by Friday we will send you the timeline by which we can send the ATNs."

V. **Non-compliance in timely submission of ATNs on non-selected Audit paragraphs relating to Ministry of Railways**

26. The Sub-Committee took evidence of representatives of Ministry of Railways on 26.09.2016. The pendency of ATNs with the Ministry of Railways was on the rise. From an outstanding of 100 paras in July, 2016 the number has increased to 133 as of 30.09.2016. Out of the total 100 paras pending as on 31.07.2016 ATNs on 05 paras have not been received from the Ministry even for the first time, revised ATNs were awaited for 53 paras, ATNs on 06 paras were finally vetted by Audit but pending with the Ministry and ATNs on 36 paras were under examination in Audit. The reconciliation of ATNs were not satisfactory as of 30.09.2016, as still ATNs on 30 paras were not received even for the first time, revised ATNs on 57 paras were still awaited. ATNs on 04 paras have been finally vetted by Audit but pending with the Ministry and ATNs on 42 paras were under examination of the Audit.

27. A comparative statement of pendency as on 31.07.2016 and 30.09.2016 of the Ministry as obtained from the Audit is as under:

	As on 31.07.2016	As on 30.09.2016
No. of Audit Paras for which ATNs are pending	100	133

From the above comparative figures above, it is seen that there is a 33.33 percent increase in the pendency of ATNs in the Ministry between July, 2016 and September, 2016.

28. Apprising the Sub-Committee of the pendency of ATNs, the efforts made to reduce the pendency and the difficulties encountered to do the same, the representative of the Railway Board deposed as under:

"Sir, I would like to mention that in the last five years certain measures have been taken by the Ministry of Railways in clearing the pending audit paras. In the year 2012, we had 309 outstanding paras. Since then we had added another 184 paras. But, I am happy to inform the Committee that we have already cleared 355 paras since then and as on date the outstanding paras are only 138. So, from 309 outstanding, we have come down to some hundreds. Sir, we have taken a lot of measures to expedite the finalisation of audit paras. We have recently issued instructions to all our field officers for finalising audit paras on time. Then, Standing Audit Committees have been constituted and meetings of SACs are regularly held. For example, in the current Financial Year, we have already conducted 17 meetings in the last six months to expedite the replies to the audit paras. Secondly, regular meetings are held at the level of Additional Member. Sometimes even the Financial Commissioner is also involved in the meetings. All our Board Members also participate in these meetings. We have taken all steps that are required to expedite the replies. Sir, I would like to seek the indulgence of the hon. Committee, like you have just mentioned, our spread in the country is such that for some of the thematic issues that are taken up by the C&AG's office, we have to call for information from the field units. Here, 'field units' means not just zones or division, but right up to the sub-divisional levels where the information takes a little longer time than perhaps what it takes for other Ministries where replies are probably faster and they are able to get it quicker. Then, Sir, the other reason for delay is when there is a cross reference. If an Action Taken Note (ATN) is submitted to the Audit and it raises some further queries. Then, that again has to be sent to the field units for getting the feedback. "

29. When asked to state the specific reasons for repeated default on the part of the Ministry in not furnishing the ATNs within the prescribed timeline of four months, the representatives of the Ministry submitted during evidence as under:

"Sir, I would like to submit before the Committee that ever since the audit para monitoring system of the Ministry of Finance has been set up we have been uploading the position of the Railway audit paras on to this system. We have already uploaded 89 finalised paras in the year 2016 on the APMS. As on date, only 39 initial ATNs have not been uploaded. Of these, five pertain to the period of reports laid in the year 2015 and 28 are of the current year, that is 2016. Two paras are of old reports files of which we are trying to get. Though it is not a reason, I would just like to mention that some of the replies got delayed because of the division of the Railways from nine to 16 Zones. Between 2002 and 2003 when the existing nine zones became 16, the records which were earlier maintained in one office were not transmitted to the new office because they were functioning from very temporary accommodation and so on and so forth. So, some of the older reports got delayed because of the bifurcation of the Railways. It was

an administrative issue which caused some delay. Nevertheless, there is no denying that we have to submit the reports on time. We have sensitized our field offices to submit reports. Yes, we have also given instructions that without waiting for directions from the Zone they should act based on the reports which we directly communicate to the field units. Only when the return information is given it comes under the signature of the head of the office as is required by the CAG. So, we are making all efforts and we will continue to make further efforts to ensure that the pendency is reduced even further."

30. When the Sub-Committee asked about the concrete measures taken by the Ministry to ensure compliance of the timeframe of four months for submission of the ATNs, the Ministry submitted that following steps have been taken since the evidence meeting on 26.9.2016 for expeditious disposal of the audit paras:-

- (i) A meeting of the SAC was held under the Chairmanship of Additional Member(Budget) on 29.9.2016 with all Additional Members/Advisors concerned to review the pendency.
- (ii) A reminder was issued from Financial Commissioner, Railways to all Members concerned for early disposal of pending audit paras.
- (iii) As a result, replies to 29 audit paras have since been sent to audit(as on 24.10.2016).
- (iv) At the time of meeting, a total of 97 paras were pending for ATNs/ comments on audit's observations. Since then, 4 paras have been finalized and sent to Monitoring Cell and PAC. Further 3 more paras have been finalized and will be sent shortly to Monitoring Cell after Hindi translation - bringing the pendency down to 90 paras for Reports laid down in various years up to the year 2015.
- (v) Meeting with audit will be held to further expedite finalization.

Disposal of audit paras is a continuous process. All efforts are being made to clear the audit paras pending with this Ministry. The finalisation of audit paras also depend on audit. The ATNs on pending paras will be submitted to PAC and also uploaded on APMS as and when vetted by Audit."

## PART II

### Observations and Recommendations

1. Under Article 151 of the Constitution of India, the Reports of C&AG of India relating to the audit of Union accounts must be submitted to the President of India who directs them to be laid on the table of the Houses. Thereafter, the Reports of the C&AG (Civil) stand entrusted to the Public Accounts Committee for comprehensive examination. However, due to dearth of time, the Committee find it difficult to examine each and every Report and so they have adopted a judicious and selective approach by examining and reporting on the more important Reports/Paras. The Audit Reports which are not selected for in-depth examination by the Committee are being dealt with by a well devised and accepted mechanism. The Committee, in their 105<sup>th</sup> Report (Tenth Lok Sabha, 1995-96), had recommended that the Action Taken Notes on all the paragraphs of the Reports of the C&AG of India should be furnished to the Committee through the Monitoring Cell, Ministry of Finance (Department of Expenditure) within a period of 4 months from the date of laying of the Audit Reports on the table of the House w.e.f. 31<sup>st</sup> March, 1996. From the year 2009-10 onwards, the Public Accounts Committee have been vigorously examining the subject 'Non-compliance by the Ministries/Departments in timely submission of Action Taken Notes on Non-selected Audit Paragraph' reports on which are also presented to the Parliament.

2. As a result of the Committee's persistent oversight of the timely submission of ATNs, the position of pendency has been liquidated to a great extent. The pendency however, still remains high and it is a matter of concern to the Committee. The Committee (2008-09), (2010-11), (2013-14), (2014-15) and (2015-16) reviewed the position with respect to timely submission of ATNs on the non-selected Audit paragraphs by the Ministries/Departments and gave some considered opinion/suggestions to improve the situation. Though the Committee appreciate the efforts made by the Ministries/Departments in taking appropriate measures for timely submission of ATNs, pursuant to the Committee's recommendations, a lot of improvement is still imperative on the part of some Ministries/Departments viz., Finance, Defence and Railways as enumerated in the succeeding paragraphs.

Monitoring Cell, Ministry of Finance (Department of Expenditure)

3. The Committee take a note of the efforts of the Monitoring Cell, Ministry of Finance (Department of Expenditure) in persistently monitoring timely submission of the ATNs within the stipulated period of 4 months by the Ministries/Departments, pursuant to the recommendation of PAC which has resulted in considerable reduction in the pendency of ATNs from 4216 paras as on 30.06.2010 to 805 paras as on 31.07.2016. The Committee, while appreciating the efforts of the Monitoring Cell, feel that there are some areas for improvement, especially with regard to the reconciliation of pendency figures maintained separately by the C&AG, the Ministries and the Monitoring Cell. One of the anomalies behind the mismatch in figures of pendency maintained by the three entities relates to the earlier manual settlement process wherein the C&AG treats a para as settled after it has given its final vetting comments whereas for the Ministries the matter is settled on receipt of C&AG's final vetting comments. The Monitoring Cell considers a part as settled on physical receipt of finally vetted copies for onward transmission to the PAC. The Committee in their 42<sup>nd</sup> report (Rec. Para 5) clearly suggested that the entire process of ATN settlement be completed in the APMS portal and the extant practice of manual submission of hard copies to the PAC be done away with. The Committee reiterate that henceforth, all the three entities mentioned above should treat a para as settled once the C&AG uploads its final vetting comments on the portal. The Monitoring Cell may once again reconcile the pendency figures on the basis of this criterion and apprise the Committee of the reconciled figure at an early date.

4. Another area where figures differ between the data furnished by the C&AG and the Monitoring Cell is the lack of clarity regarding the audit paras on which remedial ATNs are to be furnished by various Ministries/Departments. The Committee would like to make it clear once and for all that remedial ATNs were earlier required to be submitted to them on those Audit Paras/Chapters/Reports which are not selected by PAC for detailed examination and report because once PAC presents a Report to the House on the selected para/subject, the Ministries/Departments concerned are bound to furnish Action Taken Notes within six months of the presentation of the Report whereas on non-selected paras, remedial ATNs are required to be furnished within four months of the laying of the Audit Reports. However, the Committee in their 20<sup>th</sup> Report (16<sup>th</sup> LS)

had clearly made a recommendation that ATNs on all Audit Paras, whether selected or not by PAC, have to be furnished for further scrutiny. The Committee, thus, believe that there should absolutely be no confusion in the submission of ATNs. Of course, there is a need to prioritize the non-selected Audit Paras upon which remedials are to be furnished within the stipulated time frame. The Committee would therefore like the C&AG to decide, identify and prioritize the paras of its Reports which require remedial action by the Ministries and upload them on the portal immediately after its Reports are laid in the Parliament. Further, each para should be uploaded with the date of the Report being laid, the date on which ATNs are due etc. Thereafter, the Monitoring Cell should maintain separate data for paras which are pending beyond the stipulated 4 months, and those which have not crossed the 4 months period.

5. The treatment of the so-called backlog paras, i.e. paras which have been manually settled by the Ministries with the C&AG but yet to be uploaded on the portal is another cause for the mismatch in the pendency data. The Committee, therefore, desire that since no further manual settlement was to be entertained by the C&AG pursuant to the Committee's recommendations in their 42<sup>nd</sup> Report (16<sup>th</sup> LS), the Monitoring Cell may create a separate link for such backlog paras until such paras are settled. Thus, only such paras which are being processed for settlement on the APMS in tallying the pendency figures on the main page of the portal be taken into account. The Committee will henceforth refer to only this APMS figure for assessment of non-compliance by Ministries/Departments in timely submission of ATNs. The Ministries with backlog paras may accordingly be given a time-frame of three months to upload all the manually settled paras alongwith C&AG's final vetting comments on the APMS portal.

6. The Committee feel that the facility of APMS should also be extended to the PAC Reports and desire that the Monitoring Cell take on the added responsibility of monitoring the timely submission of ATNs on the reports of the PAC. Towards this, the Committee desire that separate pages for each Ministry/Department may be added on the portal where the Lok Sabha Secretariat can upload the Committee's recommendations requiring ATNs from Ministries concerned, with columns showing the dates of presentation of Reports, the dates on which ATNs are due, the replies/ATNs by Ministries concerned and vetting remarks of the C&AG. Considering the benefits of efficiency, economy of paper and time, and the potential for replication of the practice

by all other Parliamentary Committees, the Committee desire that the Monitoring Cell in consultation with all stakeholders like the NIC, C&AG, Ministries and the PAC Secretariat should develop this added feature on the APMS within a period of three months from the presentation of this report to Parliament. The Committee, in their 20<sup>th</sup> Report, had also recommended that ATNs on Audit Paras, whether they have been selected by the PAC for examination or not, should be furnished by the Ministries/Departments within the stipulated period of 4 months. In cases where the PAC have given their report on an Audit report/para, ATN on the report would be considered to treat the para as settled. The Committee, therefore, desire that the C&AG may upload paras requiring ATNs onto the portal irrespective of whether they are selected or not by the PAC for further scrutiny/examination.

#### Ministry of Finance, Department of Revenue

7. The Committee note that as on 31.07.2016, the total pendency of Action taken Notes with the Ministry of Finance and Department of Revenue was 336 out of which ATNs on 41 paras have not been furnished even for the first time. The Department of Revenue have however, submitted that the total paras pending with the Department was 472 only, i.e. 122 in Central Excise and Service Tax, 102 in Customs and 248 in Central Board of Direct Taxes. The Committee further observe from the information furnished by Audit that the number of pending ATNs as on 30.09.2016 was 263. CBEC have stated that the total pendency of paras on which ATNs are to be submitted to PAC as on 04.10.2016 was 224 out of which ATNs on only 2 paras pertaining to Customs have not been submitted even for the first time, revised ATNs are to be submitted for 7 paras, ATNs on 31 paras have been approved by Audit and the same are pending with the Ministry and the remaining ATNs on 184 paras are pending with Audit. CBEC have further submitted that out of the total 122 paras with Central Excise & Service Tax pending on APMS portal, on 112 paras action was to be taken by C&AG and on 10 paras action was pending on part of the Ministry. CBDT further stated that as on date, 140 ATNs were under consideration of the office of the C&AG for giving vetting comments. The C&AG in 32 cases had given additional comments out of which in 11 cases revised ATNs had been submitted for vetting comments of the C & AG and other 21 cases were under examination of CBDT. In 55 cases, vetting comments had been given online and the CBDT was in the process of sending physical copies of the final ATNs and

uploading of the same. The Committee are concerned with the indifferent approach of the Ministry in reconciling the pending paras with that of the Audit, despite clear cut guidelines to furnish the ATNs within 4 months after the Audit Reports are laid in Parliament and upload the same on the APMS portal. The Committee are particularly dissatisfied with the delay in submission of remedials on non-selected Audit Paras for which the pendency of the ATNs have increased over a period of time. The Committee, therefore, recommend the Ministry to take urgent requisite measures in consultation with Audit to reconcile the status of the ATNs and adhere to the prescribed period for bringing down the pendency status at the earliest. The Committee may be apprised of the action taken in this regard within two months of the presentation of the Report.

#### Ministry of Defence

8. The Committee are equally concerned over the pendency of ATNs on the part of the Ministry of Defence, though the figure has dropped marginally from 163 in July, 2016 to 157 as on 30.09.2016 out of which ATNs on 38 paras have not been received from the Ministry even for the first time, 84 paras on which revised ATNs are still awaited, 30 paras on which ATNs are pending with Ministry and 5 paras are pending with Audit. The Defence Secretary during evidence had stated that the total outstanding paras were 164 out of which ATNs for 34 paras have not been sent to Audit even for once. The Committee do not approve of the discrepancies in the number of pending paras furnished by Audit *vis-a-vis* the Ministry and the delay on the part of the Ministry in submission and uploading the ATNs on the APMS portal. The Committee urge the Ministry to take stock of the pendency of ATNs in consultation with Audit and work out an effective mechanism so that the anomalies are removed and ATNs are timely submitted and uploaded on the portal.

#### Ministry of Railways

9. The Committee note that the total outstanding paras of the Ministry of Railways were 100, out of which ATNs on 5 paras have not been received from the Ministry even for the first time, revised ATNs on 53 paras were awaited and ATNs on 6 vetted paras were pending with the Ministry. Though the Ministry have reportedly making efforts in finalizing the ATNs by issuing instructions to the field officers to take necessary action on the Reports for expediting the submission of ATNs without waiting directions from the Zonal offices and also constituting and holding meetings of Standing Audit

Committees, the Committee are, however, perturbed to note the increase in the pendency of ATNs by 33.33 percent as on 30.09.2016. It is, therefore, imperative that the monitoring mechanism be strengthened by the Ministry to ensure that various measures initiated towards timely submission of ATNs actually fructify.

NEW DELHI;  
14 March, 2017  
23 Phalguna, 1938 (Saka)

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