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13 Responses to the Public Accounts Committee of India
A textual analysis

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Introduction
The Public Accounts Committee of India (PACI) has a long history dating back to 1921. The Committee has undergone major reform since India’s independence in 1947. Initially the Finance Minister held the position of Chairman of the committee; however, in 1967 a member of the oppositional political party was appointed to this position for the first time. To uphold free expression of views and critical evaluation of executives, the tradition of appointing a member of the Opposition as the Chairman of the committee has been continued.

Previous research pointed out the primary aim of Public Accounts Committees (PACs) worldwide is to attain economy and efficiency rather than service provision (Degeling et al., 1996), and contrasting interests of PACs between managerial and financial accountability with political accountability (Funnell, 2003; Gray and Jenkins, 1993). There is no existing study analysing the activities of PACI despite India being the world’s largest democracy in terms of population. Due to concerns over PACs worldwide and a dearth of studies in India, the aim of this study is to analyse the responses of Ministries and Government Departments to recommendations, suggestions and comments to the reports of PACI to determine whether there is a general need for strengthening of regulation, monitoring and oversight of public administration practices in India. The research method includes a textual analysis of 50 PACI reports and responses to those reports across the period from 2009 to 2011. This study contributes to existing knowledge by evaluating the present legislation and outlining directions for future developments in the area of public administration.

The remainder of this chapter proceeds as follows. In the next section a review of the literature outlining relevant perspectives on parliamentary and democratic responsibility and accountability is presented. This is followed by an overview and evaluation of the legislation and country context of PACI. Then the theoretical framework within which the study proceeds and a discussion of the research method and information analysis is provided. The next section includes a discussion of the results presented within the underlying themes identified in the textual analysis. Finally a set of concluding remarks is presented which summarizes how Ministries and Government Departments appear to be
managing the legitimization of their practices through their responses to PAC reports.

Literature review

A PAC is a committee of selected members of Parliament, whose role is to review the audits generated by the Comptrollers and Auditors-General on behalf of Parliament (Jacobs and Jones, 2009; Jones and Jacobs, 2006, 2009; Jones, 2006; McGee, 2002). Across the globe, PACs have become a central element of the process of parliamentary and democratic accountability (Jacobs and Jones, 2009: 14), by introducing a form of external scrutiny (Mulgan, 2000) of public accountability (Normanton, 1971). The literature on PACs dwells on many aspects of accountability raised by these legislative oversight boards. Financial accountability draws on economic and legal rationalities emphasizing the PAC’s accountability for probity, internal control adequacies, economies and efficiency (Gray and Jenkins, 1993). In contrast, managerial accountability, drawing on legal, economic and technical rationalities, emphasizes the PAC’s accountability for integration, consistency of service provision, economies and efficiency, while accountability codes of professions invoke social rationalities emphasizing service, accessibility, quality, equity and client power (Gray and Jenkins, 1993). Those PACs that operate in a high-income economy seldom achieve all levels of accountability (Mulgan, 2000). For example, some executive governments may focus more on managerial and financial accountability rather than political accountability to accommodate the prevailing socio-political milieu of the day (Funnell, 2003; Gray and Jenkins, 1993).

In exploring the link between public sector accountability and the Joint Committee of Public Accounts of the Commonwealth of Australia (JCPA), Spann (1979) and Reid (1968) observed that the JCPA provided only fact-finding and reporting duties. This narrowness of scope was also found in other studies of PACs. For the period 1914 to 1932, Degeling et al. (1996) found that the JCPA was used as a mechanism for infusing financial and economic rationalities into the day to day operations of government departments and instrumentalities’ (Degeling et al., 1996: 45)

Further, PACs have used accounting and economic discourses within parliamentary administration in ways that provide a narrow form of managerial legitimacy of the system.

PACs contribute to reframe meaning in public policy circles in ways which cause administrators and service providers to attend to economy and efficiency and displace concern for other values such as equity, access, service appropriateness and client empowerment.

(Degeling et al., 1996: 45)

The capacity of PACs to promote accountability and reduce corruption has been questioned by Jacobs (2013). Jacobs (2013) referred to a KPMG (2006 cited in Jacob, 2013) report on the performance measurement criteria of the Victorian Public and Estimates Committee, including the percentage of the PAC’s reports accepted by the government and the number of completed reports and responses received by the PAC. Jacobs (2013) noted that the internal performance review system of JCPA included the speed and responsiveness of government’s responses to JCPA’s recommendations. The author expressed concern about such performance measurement criteria, specifically the number of PAC recommendations accepted by the government, as such a performance measurement criterion may not lead to better public administration.

Jones and Jacobs (2006) argued that PACs veer towards managerial accountability rather than political accountability, as the latter form of accountability is overwhelmed by the personal political interest of committee members. Although PACs are a source of legitimacy of parliamentary committees (Jones and Jacobs, 2009) and a visible symbol of the democratic process (Pelizzo et al., 2006), their external scrutiny is considered vulnerable (Jacobs and Jones, 2009) and brittle in some contexts (Brown, 2011).

Wehner (2003) examined the role of Commonwealth country PACs in parliamentary financial scrutiny and found that PACs could play a potentially useful role in scrutinizing public spending but needed to find innovative ways to better attain affordability and effectiveness in pursuing financial scrutiny. A key finding from Wehner’s study was that PACs across the Commonwealth vary in terms of the political context and financial resources and thus in their ability to achieve an appropriate level of financial scrutiny. Some PACs, for example, were operating in an environment of substantial public sector economic reform and were blessed with a pool of independent and expert human resources. Other PACs, particularly in developing countries, simply did not have the requisite human resources and accounting expertise to carry out their expected duties. Some PACs operated in restrictive political climates in which freedom of speech and open accountability were discouraged (Pelizzo, 2010; Brown, 2011).

Samsuddin and Mohamed (2009) reviewed the working of PACs in all 11 states in Peninsular Malaysia. The authors reported that the 2005 PAC reports of all the states were outdated and related to audited financial statements of much earlier financial years. The time lag between the Auditor-General (AG) report and PAC reports ranged from two to eight years. Some PACs conducted a combined review of five years’ financial statements. Following these findings, Samsuddin and Mohamed (2009) suggested that the relevance of PAC reports was at stake in Malaysia.

Montano (2009) identified one of the major issues for PACs in Trinidad and Tobago as the backlog in examining reports, the number of which was large. Okpala (2013) investigated the effectiveness of the PAC oversight function of audited reports of federal government in Nigeria in the context of financial indiscipline and wastages in the public sector. Their study included the administration of a survey questionnaire distributed to members of the National Assembly and Ministers. Their study revealed a disturbing situation wherein Ministries and
Commissions did not respond to audit queries and no measures were taken in response to issues raised.

Pelizzio (2010) analysed the activities of the PACs of six Pacific Island countries, including the Fiji Islands, Kiribati, Papua New Guinea, Samoa, Solomon Islands, and Vanuatu, and of the autonomous jurisdiction of Bougainville and found that:

The Parliament of Kiribati provides no indication as to any type of PAC activity, the Parliament of Fiji Islands does not say whether the Fijian PAC ever held any hearing in the course of its meetings, while the Parliament of Bougainville suggested that the PAC had not conducted any activity in the first three years of its existence.

(Pelizzo, 2010: 127)

The reasons for PAC’s inaction is unclear from Pelizzio’s (2010) study but according to Brown (2011), in certain Pacific Island countries PACs are viewed as an intrusive foreign product that ignores embedded chief-centric hierarchical systems of traditional government. The lack of passion for PACs in this Pacific region is exemplified by the listlessness of PAC meetings:

The PAC in the Fiji Islands is allowed, in spite of the military rule, to meet, its meetings are held on a daily basis and yet, they do not produce any reports. In Vanuatu, the PAC has not accomplished anything in the meetings that it held. And if one compares the data for Samoa and the Solomon Islands, one finds that the PAC in the Solomon Islands holds fewer meetings and generates more reports than its Samoan counterpart. This means that the successful performance of a PAC – that is, its ability to scrutinize government accounts and to promote good governance – may not be a simple consequence of the amount of activities.

(Pelizzo, 2010: 127–8)

Indeed, in the context of Vanuatu, Brown (2011) found not only a paucity of annual reporting by the Auditor-General’s Office (AGO), and thus no auditing or examination of the government of Vanuatu and its public sector entities, but also that any reports produced by the AGO were effectively ignored by the PAC. There is a need to consider the geographic, economic, political and cultural difference of the context in which PACs operate. Using a historical institutionalist perspective, Jones and Jacobs (2009) argue that the relevance of PACs can be understood by analysing their evolution.

The previous studies discussed in this section outlined the contrasting interests of PACs worldwide, between managerial or financial accountability and political accountability (Funnell, 2003; Gray and Jenkins, 1993) as well as economy and efficiency versus service provision (Degeling et al., 1996). There is a dearth of studies investigating PAC activities in emerging economies. Previous studies on emerging economies reported significant time lags between Auditor-General and PAC reports (Samsuddin and Mohamed, 2009; Montano, 2009) and a poor response to PAC reports (Montano, 2009). Following such concerns raised in previous studies and the significance of India as the world’s largest democracy, the present study analyses responses by Ministries and Government Departments to reports of the PACI. Analysis of PACI reports provides insights into exemplary areas and priority areas for development, and can be used to interpret the effectiveness of PACI.

India: country context

The geographic, economic, political and cultural context of India offers a unique landscape in which to examine the mechanics of the PACI. India is recognized as the largest democracy by population in the world with a population of 1.2 billion (Census of India, 2011). However, its Gross National Income (GNI) per capita is relatively low compared to Organization for Economic Cooperation and Development (OECD) nations, with a GNI per capita of about US$1,580 (The World Bank, 2012).

Based on the Westminster system of government, the PACI is one of many parliamentary committees that attempt to inform the administrative accountability of India’s parliamentary system. The PACI has its origins in 1921, when it was part of the Montagu–Chelmsford reforms. In 1950, when the Constitution of India came into force, the PACI functioned under the control of the Speaker of the House with a non-official Chairman appointed by the Speaker from among the Members of the Lower House of the Parliament of India (Lok Sabha – ‘House of the People’) elected to the Committee (PACI of India, 2014). The PACI is constituted annually under Rule 308 of the Rules of Procedure and Conduct of Business in Lok Sabha, and consists of up to 22 members comprising 15 members elected by Lok Sabha (PAC of India, 2014).

The PACI examines accounts showing the appropriation of sums granted by Parliament for the expenditure of the Indian government and the government’s annual financial accounts. The involvement of the PACI is particularly significant considering that the government of India exceeded 90 per cent of its annual expenditure target in the first eight months in the financial year 2013 (India Country Monitor, 2014), suggesting the need for more stringent economic control and financial accountability. The spending on public health as a percentage of Gross Domestic product (GDP) declined from an already low 1.05 per cent in 1985–6 to about 0.90 per cent in 2003–4. The central government health expenditure is below comparable developing countries and far below the amount required to provide basic acceptable healthcare for the population according to the Economic Research Foundation (2006). The PACI declared that it needed to ensure that account money was disbursed properly, that expenditure conforms to governed expectations and that appropriations were in accord with the rules framed by the competent authority (PAC of India, 2014). The PACI generally examines any expenditure on a service that exceeds an amount for that service granted by Parliament. It is also interested in examining cases that involve losses,
unusual expenditures, internal control problems, apparent extravagances and financial irregularities. If these events are detected, the relevant Ministry or Department is asked to explain what action will be taken to prevent its recurrence.

The PACI relies upon the audit report of the ‘Accounts’ of the Union Government conducted by the Comptroller and Auditor-General. They conduct government entity audits, paying particular attention to accountability, regularity, appropriateness, propriety and efficiency-cum-performance (PAC of India, 2014). The government entity responding to the PACI is required to advise the PACI about its actions or proposals and an ‘action-taken’ report is presented to Parliament. The PACI may accept or reject such responses and ask the Ministry or Department to further consider issues outlined in its initial report. This provides for accountability of the Executive to Parliament and enables Parliament, and the public it represents, to appraise government replies and PACI recommendations.

Theoretical framework

The assumption that legitimacy is one of the central purposes of public accountability systems was mooted by Bovens (2005). Jacobs and Jones (2009) supported this proposition and demonstrated that legitimacy was critically important to the start-up of PACs for state and federal governments in Australia. This was particularly crucial in times of political and financial crises, during which the need for legitimacy through the set-up of PACs helped establish a form of legislative oversight. Jacobs and Jones (2009) noted that in establishing a stand-alone PAC in the state of Victoria in Australia, the Victorian state Parliament copied practices and procedures from the Westminster system of the United Kingdom. In turn, the Australian federal Parliament copied the Victorian state Parliament’s PAC practices and procedures.

The need for legitimacy may vary across jurisdiction. Brown (2011), for example, found that the legitimacy practices and procedures of the UK Westminster system were considered in Vanuatu to be a foreign intrusion rather than meeting a local need. In the case of India, there is considerable rhetoric surrounding the importance of the PACI and whether this importance is reflected by actual practice.

By focusing on PACI reports, the analysis presented in this study provides a first attempt to evaluate the actual practice concerning Ministerial and Government Department responses to PACI recommendations, suggestions and comments. Further, we identify some developments and outline directions for future development in the area of public administration in India. Specifically, a categorization of the observed responses within a textual analysis framework is provided (see Table 13.1 for descriptive statistics) and the responses are discussed and rationalized through the lens of legitimacy theory. Accordingly, in the following section we present and discuss details of the research method and the technical analysis employed in this study to address the question of whether the rhetoric about the importance of the PACI is reflected in actual practice and performance.

Research method and information analysis

This study used textual analytical approach to interrogate the comments of the PACI and the responses from various Ministries and Government Departments. Textual analysis focuses on the underlying theme of a text and is used to evaluate the contextual nature. The approaches taken in textual analysis may include semiotic, narrative or rhetorical, and the text is presented as evidence to the argument. Textual analysis differs from ‘content analysis’, as the latter is quantitative in nature and includes the coding of text into units for analysis. In contrast, textual analysis is used to identify latent meanings in the text including assumptions and omissions (Fursich, 2009).

Textual analysis includes in-depth analysis of meaning to bring out latent meanings (Fursich, 2009). It belongs to a cultural-critical paradigm and includes a strategy of deconstruction that illuminates underlying assumptions of the text by investigating internal inconsistencies and drawing on linguistic, rhetorical and semiotic strategies. The technique is also described as text-based analysis, thematic analysis, ideological analysis and critical discourse analysis. For example, the critical discourse perspective views text as tools to present arguments in order to convince an audience that their perception of the theme of the text will be enriched if they choose to view the text similarly to the critic. Textual analysis may also involve concentrating on specific aspects such as genre analysis or cultural analysis (Pawsey et al., 2013).

Textual analysis is open-ended, enabling the identification of underlying meanings and themes, and underlying positions and contradictions (Dow, 1996). Text communicates myths, rituals and archetypes. Higgins (1986) suggests that textual analysis embodies the messiness of the world and confronts the perceived rationalized reality.

Following previous literature using textual analysis (Entman, 2003; Shah and Nah, 2004; Steeves, 1997; Pawsey et al., 2013), PACI reports were categorized to elicit latent dominant themes. This study includes an analysis of 50 PACI reports from November 2009 to December 2011 (available on the Parliament of India website, 2014).

Results and discussion

Of the 50 reports of PACI, ten containing PACI comments were subsequently addressed by respective Ministries and Departments, resulting in 40 reports for analysis. Of these, 18 reports were pending a response, and 22 included a response to PACI comments.

The 18 pending reports included 268 pending comments requiring a response. Of the 268 pending comments, 22 were general observations and statements of PACI resulting in 246 comments for analysis in this study.

The remaining 22 reports included 328 responses to PACI comments. In 240 of these PACI accepted the comments. In 32 observations, PACI was satisfied with responses resulting in no further necessary action by the Ministries and
In cases where funds were allocated to other parties such as state governments, the PACI suggested that the other party should bear the cost of excess expenditure over budget resulting from delays in completion of projects.

Monitoring

Approximately two-thirds of monetary issues were monitoring-related. These included suggestions by the PACI to reduce excess expenditure over budgeted expenditure, the timely presentation of accounts to Parliament for authorization in cases where excess expenditure occurred, and providing detailed reasons for delays in responding to PACI queries. In the case of expenditure on pensions, the PACI requested the use of new information technology to reduce excess expenditure over budget. Ministries and Departments were frequently asked to provide details of corrective action undertaken to reduce excess expenditure. The PACI also asked for firm and stern measures to avoid excess future expenditure such as by reducing future departmental budgets by the amount spent in excess in the current year if the excess amount resulted from non-adherence to rules and guidelines.

The PACI has suggested adequate funds be released so that Ministries and Departments can meet their costs. It also raised concerns that appropriate duties were not being collected in accordance with guidelines, and requested updates on recovery amounts. The PACI stressed the need for monitoring the use of funds in cases where funds are paid to external groups such as Village Health and Sanitation Committees. It also expressed concerns about limited funds being released to support programmes such as the National Rural Health Mission (NRHM) so that these programmes could be rolled out without delay in order to achieve their objectives. The PACI stressed the need to appropriately plan projects and monitor the release of funds to state governments. Further, it expressed concern in regard to the non-utilization of some state government funds such as the 90 Lapsable Central Pool of Resource Scheme, as withholding diminishes the progress of projects. Importantly, the need to monitor projects for time and cost over-run was raised by PACI in many reports. Concern was raised specifically in regard to the Ministry of Railways’ huge excess expenditure. The PACI also raised concerns that data be collected in regard to defaulting departments, expressed concern about missing files and records, and suggested the need for recovery of such records.

Revenues and expenditure

Only a few comments on the state of revenue and expenditure of Ministries and Departments were made. The PACI often commented on the general benefit to the population of planned expenditure on programmes. For example, the PACI asked Ministries to increase their budget for the NRHM so that rural household expenditure on health is reduced. In regard to doctors in rural areas, the PACI suggested that the relevant Ministry or Department should consider providing

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Table 13.1 Descriptive statistics relating to the PACI recommendations, comments, responses and outstanding actions required

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total PACI reports</td>
<td>50</td>
</tr>
<tr>
<td>Less: Reports containing comments addressed by Ministries</td>
<td>(10)</td>
</tr>
<tr>
<td>Reports for analysis</td>
<td>40</td>
</tr>
<tr>
<td>Less: Reports pending a response</td>
<td>(18)*</td>
</tr>
<tr>
<td>Reports which included a response to PACI comments</td>
<td>22**</td>
</tr>
<tr>
<td>Pending reports*</td>
<td>18</td>
</tr>
<tr>
<td>Included:</td>
<td></td>
</tr>
<tr>
<td>Pending comments for response</td>
<td>268</td>
</tr>
<tr>
<td>Less: General observations</td>
<td>(22)</td>
</tr>
<tr>
<td>Comments for analysis</td>
<td>246</td>
</tr>
<tr>
<td>Reports inclusive of a comment**</td>
<td>22</td>
</tr>
<tr>
<td>Included:</td>
<td></td>
</tr>
<tr>
<td>Responses to PACI comment</td>
<td>328</td>
</tr>
<tr>
<td>Less: Comments accepted by Ministries</td>
<td>(240)</td>
</tr>
<tr>
<td>PACI satisfied by Ministries’ responses</td>
<td>(32)</td>
</tr>
<tr>
<td>PACI rejected Ministries’ responses, requiring further action</td>
<td>(46)</td>
</tr>
<tr>
<td>Interim responses requiring further update</td>
<td>10</td>
</tr>
</tbody>
</table>

Departments, and 46 of the responses were not accepted, which required Ministries and Departments to take further action regarding the identified issues. Finally, interim replies were provided to ten PACI comments, resulting in further updates due to PACI. Table 13.1 provides the descriptive statistics relating to the PACI recommendations, comments, responses and outstanding actions required.

In the following section, the themes in ‘pending reports’ and ‘responded reports’ are outlined.

Pending reports

The 18 pending reports include concerns raised by PACI in regard to (1) monetary, (2) operational, and (3) PACI (audit) related issues.

Monetary

Approximately one-third of pending comments were ‘monetary’ in nature. These monetary issues can be broadly sub-categorized into ‘procedural issues’ ‘monitoring’ and ‘revenues and expenditure’.

Procedural issues

Approximately one-third of monetary issues were procedural. These included suggestions and queries on enhancing financial management including budgeting for future projects and programmes to contain comprehensive, realistic costing of activities, price fluctuations, and detailed outlines of activities and associated costs to avoid misclassification of amounts when comparing actual with budget.
monetary incentives so that doctors have a strong reason to stay in rural areas. In cases of medicine manufacturing, the PACI stressed the need to direct funds to research and development. Again, the PACI emphasized the need for Ministries, particularly the Ministry of Railways, to investigate ways to reduce costs.

Operational issues

Operational issues raised by the PACI mainly included queries and suggestions on policy and programmes, procurement-related matters, monitoring of departmental operations, updating of data and data storage, and infrastructure-related concerns. Other comments addressed staff-related issues, safety, operational evaluation and quality assurance.

'Policy and programmes' issues included new programme suggestions, including an empirical study to investigate the effect of yoga on health, new legislation to contribute towards water pollution as an offence, building the capacity of states to better co-ordinate projects, and a review of existing provisions for the extension of the storage life of Indian Army rations to address food quality.

'Procurement-related' matters included PACI suggestions to organize efficient and timely supply, regularly review suppliers, impose penalties when suppliers do not meet the terms and conditions of their contract, the need for comprehensive evaluation before procurement is arranged, and streamlining of the procurement process. For example, the PACI recommended that the Ministry of Railways should make effective arrangements with suppliers of spare parts to enhance smooth operations. It stressed the need for a clearly delineated purchase procedure in the case of procuring medicines to promote timely procurement. Importantly, the PACI stressed the need to monitor medical suppliers and impose penalties where suppliers do not meet the terms and conditions stated in their contracts. It also recommended the expedious introduction of a centralized procurement agency for medicines.

'Monitoring of departmental operations' included oversight of timely project completion and the validation of data supplied by Ministries and Departments. The PACI recommended that the validation of some data should be conducted by external independent verifiers such as in cases of special economic zones and units. It also asked that feedback be provided when requested such as in the case of the NRHM.

'Updating of data and data storage' included suggestions from the PACI that data entry be streamlined, data be updated, and ease of access to data be improved. For example, it identified a need for the updating of data in regard to medicines and hospital procurements. The PACI also suggested that data be stored in centralized databases to improve access. The PACI requested updated data in many cases including from the Department of Water and Sanitation in regard to habitation matters. Similarly, it recommended the introduction and retention of data in relation to food rations for the Indian Army as information about feeding strength is currently unavailable.

Infrastructural' comments included identifying new infrastructure needs. For example, the PACI stressed the need to develop infrastructure, including new bridges and terminal facilities; the need for information technology systems to support the coding of conventional medicines; the need for export infrastructure; and upgrading technology for health diagnosis in villages.

Additional comments relating to staff included that Ministries and Departments should appoint a level of staff necessary to efficiently implement programmes such as the National Rural Employment and Guarantee Act (NREGA), monitor staff, including their work hours, through systems as simple as job cards, delegate specific responsibilities to staff, take stringent actions against staff who engage in malpractice, and appoint external human resource experts. The PACI also recommended the equalization of pay between doctors of traditional natural Indian medical practice, that is Ayurveda, Yoga and Naturopathy, Unani, Siddha and Homeopathy (AYUSH), and mainstream doctors with Bachelor of Medicine and Bachelor of Surgery (MBBS) qualification; and the communication and importing of good practices of one department to the other. Comments related to safety included worrying concerns raised by the PACI relating to railways. These included the recent increase in carrying capacity of rail wagons without a thorough evaluation. The PACI asked the Ministry of Railways to introduce monitoring of illegal overloading through installing newer technology. It also suggested that punitive action be taken against individuals involved in illegal overloading and called for the updating of incident records.

Operational evaluation suggestions included a review of the Special Economic Zones Act 2005; while quality assurance comments included addressing and ensuring the quality of goods and services. For example, the PACI suggested that the quality of Indian Army rations should be independently verified by an external agency.

PACI issues

Pending responses related to the non-response by Ministries and Departments to PACI issues and queries, the Committee urged more timely collection of data so that the timeline for response could be met, and it often reiterated the revised timeline within which Ministries and Departments were required to report to the PACI. In the context of frequent and significant delays, the PACI often asked to see plans and the details of procedures for responses to PACI queries.

In the next section we discuss the acceptances by Ministries and Departments of PACI concerns.

Responded reports

The following section outlines responses accepted by PACI, as well as those PACI comments accepted by Ministries and Departments, interim replies awaiting further update, and the responses of Ministries and Departments that have not been accepted by PACI.
PACI comments, accepted by Ministries

Monetary

Monetary concerns included 'procedural' and 'monitoring' and 'others'.

Procedural issues

Approximately one-quarter of monetary comments were procedural in nature. These included the need to follow appropriate procedures regarding payments to contractors; standardized procedures in case of natural disasters so that state governments are sure about the amount of compensation from the central government; following set procedures to issue grants; and auditing of excess expenditure of Departments over budget through Parliament. For example, the PACI suggested that the payment of a significant amount of advances to Educational Consultants of India (EdCIL) by the University Grants Commission (UGC) was contrary to set procedure. Other excess expenditures over budget occurred in relation to civil, defence, postal services and railways.

Responses to PACI observations mainly included plans for future improvements. In most cases the auditing of excess spending has already been conducted.

Monitoring

More than half the monetary comments related to monitoring. This included monitoring expenditure, maintaining records and related staff responsibilities, diversion of funds from one use to another, oversight of reasons behind significant excess expenditure over budget, monitoring of payments to contractors so that extra amounts are not paid beyond those stated in contracts and set procedures, timely recovery of money from defaulting contractors, under-utilization of funds, appropriate allowance of subsidies, and the timeliness of funds disbursement for project completion. An example of 'monitoring of expenditure' is the case of food grains, where the PACI recommended reimbursing the states only for the amount that is essential for such purpose, thus avoiding unnecessary expenditure. The PACI asked that the Delhi Development Association (DDA) recover money from defaulting contractors, and generally expressed significant concern about excess expenditure as it has become a repetitive phenomenon. An example of the under-utilization of funds occurred in relation to a programme for nutritional support to primary education (the 'midday meal') where the slow release of funds impeded this programme.

The response of Ministries in most cases was to accept the PACI's views, and some future improvements to enhance monitoring have already taken place or are planned.

Others

The remainder of the comments addressed budgeting, changes in compensation amount, loss of revenue due to slow decision-making, and recommendations to increase revenue to meet cost. Concern regarding budgeting included the effect of no budgeting for projects, and questionable estimates for needed funds on upcoming projects. For example, the PACI recommended the introduction of an incentive/disincentive scheme for electricity distribution. It observed that the Ministry of Railways did not make appropriate budget projections, resulting in a shortage of funds to complete projects. A recommendation to increase revenue to meet cost was recommended by the PACI in the context of the Ministry of Railways' argument that the railways mainly serve social goals.

Operational

'Operational' comments mainly related to procurement, policy and programmes, infrastructure and safety. Other comments included suggestions for research, the monitoring of staff, departments and associates, effective data storage, internal audit and facilities, as well as staff-related comments such as the need for staff training, staff promotion policies, communication of good practices to departments, attaching specific accountability to staff, statements of staff duties, efficient and timely updating of data, responses from Ministries and Departments to operational enquiries of PACI and general operational efficiency.

Procurement related comments emphasized the timely completion of projects by contractors. It also suggested the drafting of an appropriate procedure for the speedy supply of resources in case of natural disaster, preparing performance guidelines to measure the delivery of projects, simplification of procurement procedures, appropriate consideration of procurement alternatives such as buy versus make, a long-term procurement plan, and the monitoring of timelines for receipt of goods and services.

Policy and programme' related suggestions from the PACI related to the introduction of newer programmes such as a programme to meet energy shortages. In case of natural disaster it recommended that difficulties in planning future programmes be addressed. Also addressed were joint programmes between the central and state governments such as for the prevention of improper funds usage particularly in the case of natural disasters, and the timely finalization of programmes to reduce adverse environmental impacts.

Infrastructure related suggestions included upgrading existing infrastructure, such as radar technology and village telephone systems, periodic evaluation of existing infrastructure such as telecom networks, appropriate maintenance of infrastructure, and safeguarding infrastructure by installing electronic surveillance systems, aimed for instance at preventing train vandalism. 'Safety' related comments included taking steps to avoid accidents such as on highways under construction, and to develop plans for responding to major incidents such as railway accidents.
The Ministries and Departments have accepted these suggestions, and are either working on these issues or have already addressed them.

**PACI issues**

Issues raised by the PACI focused on the poor or untimely response in regard to issues previously raised by the Committee. They suggested the introduction of comprehensive internal audit systems to avoid such delays in the future. The Ministries and Departments accepted these concerns, and many of the suggestions have already been implemented.

**Response of Ministries, accepted by the PACI**

**Monetary**

Responses to monetary queries raised by the PACI and requiring no further action were mainly procedural and procurement related. The PACI was satisfied with the Ministries' and Departments' explanations and positions, thus requiring no further action.

**Operational**

The operational queries raised by the PACI that were responded to and required no further action were mainly in regard to the monitoring of programmes and infrastructure related. Other comments and queries related to incentive schemes, suggestions for regular meetings, clear assignment of responsibilities, updated data, operational evaluation of programmes, and procurement. The PACI was satisfied with the explanations, positions and actions taken, thus resulting in no further action.

**PACI issues**

Four PACI issues were responded to and required no further action. These were: incorrect observations of the PACI, and providing revised timelines for response to PACI queries. Where the PACI suggested assigning responsibility to individuals to avoid delays in responding to PACI comments, a Ministry responded that actions had been taken, but without specifying whether individual responsibility had been assigned. One of the PACI's concerns was not responded to by the Ministry of Railways. The Ministry of Railways provided a revised timeline for responding which was accepted by PACI.

**Interim replies by Ministries**

**Monetary**

Almost half of the cases where interim replies were provided by Ministries were monetary in nature. These included PACI queries about incidents concerning procurement cost and release of funds to state governments.

**Operational**

Around half of the cases where interim replies were provided were operational in nature. These included project monitoring, the need for new programmes, operational evaluation, and attaching responsibility to individuals for delays.

**PACI issues**

These related to lack of timely response to PACI concerns and pending concerns not yet responded to.

**Ministries' responses, not accepted by PAC**

**Monetary**

More than one-third of responses not accepted by PACI were monetary in nature and mainly in the areas of procedural, monitoring and budgeting issues. Procedural issues included the rationalization for providing excess advances to contractors contrary to those allowed under policies, rationalization of autonomous bodies funded by the government for not following standard procedure for approval of expenditure, and PACI suggestions to review existing systems such as the criteria for providing grants by the University Grants Commission. Budgeting-related issues included PACI dissatisfaction with budget over-runs and requests for realistic future budgeting, dissatisfaction about repeated misclassification of accounts, and the introduction of systems to reduce misclassification.

Monitoring issues included non-response to specific enquiries about project cost increases due to delays in execution of projects, non-imposition of penalties on contractors for delays in project delivery, rationalizations for not pursuing claims of government departments against other government departments (due to non-existence of records), shifting of responsibility to state governments for not achieving monetary targets of projects, and PACI suggestions that regular meetings be held to facilitate monitoring of expenditure throughout the year.

**Operational**

Most of the responses not accepted by PACI were operational and many related to monitoring of departments, programmes and staff, infrastructure and the use
of resources. Operational issues included unsatisfactory responses from Ministries in regard to PACI operational suggestions, such as not including specifics of how operations would incorporate PACI suggestions, PACI requests for timely project delivery and for updates in this regard, PACI requests for improvement of facilities, and rejection by Ministries of recommendations to introduce separate departments to facilitate improvements such as the improved sanitation of railways, further development of infrastructure such as railway stations, and PACI suggestions to Ministries to address client grievances.

Monitoring issues related to Ministries and Departments not engaging and monitoring government-funded autonomous bodies such as the UGC, delays in project delivery where improvements were suggested by the PACI, lack of progress on programmes such as the eradication of bogus ration cards in spite of concerns raised by PACI about the importance of completing these programmes, lack of progress in achieving project targets, PACI dissatisfaction with the present state of facilities such as railway sanitation, suggestions that evidence of inspection of facilities such as by video recording be arranged, and directing Ministries to attach individual responsibility for issues such as engaging in procurement malpractice. The PACI recommended more effective use of resources such as the purpose of aircraft use by the Indian Air Force and the under-utilization of aircraft.

PAC (audit) issue

The PACI expressed serious concern about the lack of assigning personal responsibilities for delays in responding to PACI concerns and delays in receiving responses, directed particularly at the Ministry of Railways.

Conclusion

The results of this study suggest that, while the parliamentary system appears legitimate in form, there remain gaps in legitimacy in substance. The Ministerial and Departmental responses to the PACI in most cases are generic rather than detailing what specific improvements have resulted from PACI recommendations. Often the responses are the PACI recommendations that have been accepted by the Ministries and Departments, suggesting that only a veneer of legitimacy is exercised. Given the lack of details about specific improvement in processes there does not appear to be evidence of deep-seated legitimizing practice.

Regarding financial scrutiny, it appears that some procedural improvement has taken place in regard to the channelling of funds and payments. However, a key finding of this study is that budget over-runs and lack of routine inclusion of comprehensive cost data in budgets still present major concerns. In regard to the monitoring of expenditure it appears that improvement has taken place in regard to the timely regularization of excess spending compared to budget. However, excess expenditure is still a regular occurrence, together with significant cost over-runs resulting from delays in the completion of projects. The PACI has made suggestions for firm measures to be introduced in order to avoid excess expenditure.

The results of the analysis of reports conducted in this study suggest that marginal, if any, improvement exists in regard to poor monitoring practices over staff, suppliers, projects and programmes. It also appears that the identified needs for timely completion of projects and updated data are outstanding issues contributing to operational inefficiencies. Further, there is little evidence of endeavour by Ministries and Departments to evaluate projects or programmes.

While many of the PACI’s comments were addressed by Ministries in a timely manner, there is still a clear need for improvement. There were significant delays in some cases. This finding is similar to the results of earlier studies undertaken in emerging economies (for example Montano, 2009). India, however, has a significant economy and this situation cannot be tolerated; the PACI needs to find innovative ways to encourage the Ministries and Government Departments to embrace a more disciplined and consistent approach to providing timely responses, otherwise the relevance of the process may be threatened. The government entity responding to PACI is required to advise of its actions or proposals, and untimely responses or non-response raise important concerns over the appropriate acquisitive of the accountability of the Executive (Ministries and Departments) to Parliament, and cast doubt over the legitimacy of those arms of government.

It appears from the results of this study that while PACI has been successful in scrutinizing government accounts and making recommendations, suggestions and comments aimed at promoting good governance, it has not yet been successful in achieving important tangible improvements in all areas. While the PACI report and response process can be seen to have enhanced the monetary accountability of government, it has had a much lower impact on improving operational efficiency. Overall it appears that, specifically in regard to the integrity of data - that is, monitoring, collection, maintenance and updating of data, the assignment of responsibilities to individuals, and general operational efficiency – the PACI’s success has been limited. This is all part of an evolutionary process, but unless firm action is taken, the performance and public accountability of some Ministries (in particular Railways) and departments will remain less than satisfactory. Hence future regulation is suggested to attribute direct monitoring power to PACI. There does not appear to be such an opportunity for PACs in other countries to directly monitor government departments. Hence, this suggestion has implications for strengthening the authority of the PACI and for further development of PACs in other countries.

Finally, this study is limited to an analysis of 50 PACI reports. Future studies in this area could use a larger sample. Interviews and surveys of Ministers, Ministry and Departmental staff and PACI members are also likely to provide insights into deep-rooted causes behind the present state of the PACI’s success.
References


