

**COMMITTEE ON PUBLIC
UNDERTAKINGS
(1978-79)**

(SIXTH LOK SABHA)

NINETEENTH REPORT

[Action Taken by Government on the recommendations contained in the Ninth Report of the Committee on Public Undertakings (Sixth Lok Sabha)]

On

CENTRAL INLAND WATER TRANSPORT CORPORATION—MISMANAGEMENT IN ORGANISATION, ADMINISTRATION AND FINANCIAL MATTERS

*Presented in Lok Sabha and
Laid in Rajya Sabha on*



**LOK SABHA SECRETARIAT
NEW DELHI**

March, 1979/Chaitra, 1901 (Saka)

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CONTAINED IN THE NINTH REPORT OF THE
CPU (6TH LOK SABHA) ON CENTRAL INLAND
WATER TRANSPORT CORPORATION -
MISMANAGEMENT IN ORGANISATION,
ADMINISTRATION AND FINANCIAL MATTERS.

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(1978-79)

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21. Shri Viren J. Shah
22. Shri Sultan Singh*

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2. Shri T. R. Krishnamachari—*Chief Financial Committee Officer.*
3. Shri T. M. Khanna—*Senior Financial Committee Officer.*

*Elected w.e.f. 26-12-1978 vice Shri Deorao Patil died.

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ON PUBLIC UNDERTAKINGS

(1978-79)

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7. Shri Bhanu Kumar Shastri
8. Dr. Subramaniam Swamy
9. Shri K. N. Dhulap
10. Shri Era Sezhiyan
11. Shri Viren J. Shah

INTRODUCTION

1. the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf, present this Nineteenth Report on Action Taken by Government on the recommendations contained in the Ninth Report of the Committee on Public Undertakings (Sixth Lok Sabha) on Central Inland Water Transport Corporation—Mismanagement in Organisation, Administration and Financial Matters.

2. The Ninth Report of the Committee on Public Undertakings was presented to Lok Sabha on the 26th April, 1978. The replies of Government to all recommendations contained in the Report were received in three batches on 8th November, 27th December, 1978 and 15th January, 1979. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings and this Report adopted by them at their sitting held on the 7th March, 1979. The Report was finally adopted by the Committee on Public Undertakings on the 12th March, 1979.

3. An analysis of the Action Taken by Government on the recommendations contained in the Ninth Report of the Committee is given in Appendix VII.

4. The Committee's examination of the CIWTC had revealed that corruption and malpractice was rampant in the Corporation. Such a situation would not have been allowed to continue if only the top management was itself above board. The least that should be done in this situation is to speedily initiate action against those who have accumulated ill-gotten wealth as well as those who continue to suppress the information in this regard.

5. The elected representatives of the people who are directly answerable to them and run the risk of being rejected by the people in case of failure to deliver the goods, would prove to be more effective in keeping the machinery of undertakings in trim, than those who practically run no risk of losing the office even if there is gross failure and mal-functioning. It is hoped that in future they will be associated with the management of Public Enterprises.

NEW DELHI;
March 21, 1979.
Phalgun 30, 1900 (S).

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

CHAPTER I

REPORT

This Report of the Committee deals with the Action Taken by Government on the recommendations contained in the (Ninth) Report of the Committee on Public Undertakings (1977-78) (on Central Inland Water Transport Corporation—Mismanagement in Organisation, Administration and Financial Matters) which was presented to Lok Sabha on the 26th April, 1978.

1.2. Action Taken notes have been received from Government in respect of all the Sixty Three recommendations contained in the said Report. These have been categorised as follows:—

- (i) *Recommendations|observations that have been accepted by the Government*

Serial Nos. 1, 2, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 23, 25; 26, 29, 30, 31, 32, 33, 34, 38, 39, 40, 41, 45; 46, 47, 48, 49, 50, 52, 53, 54, 55, 57 and 62(39).

- (ii) *Recommendations|observations which the Committee do not desire to pursue in view of Government's replies*

Serial Nos. 5, 6, 19, 21, 24, 35, 36, 42, 43, 44, 51, 58, 59, 60; 61 and 63 (16)

- (iii) *Recommendations|observations in respect of the replies of Government have not been accepted by the Committee*

Serial Nos. 4, 7 and 27 (3)

- (iv) *Recommendations|observations in respect of which final replies of Government are still awaited*

Serial Nos. 3, 22, 28, 37 and 56 (5)

1.3. The Committee will now deal with the action taken by Government on their recommendations.

A. ROLE OF GOVERNMENT DIRECTORS ON THE BOARDS OF PUBLIC UNDERTAKINGS.

Recommendation (Serial No. 1, Paragraph No. 1. 96)

1.4. Commenting on the importance of the role of Government Directors on the Boards of Public Undertakings, the Committee

made the following observations:—

"As indicated in para 150 of Committee's second Report (1973)—Reckless and Fraudulent Sale of Vessels—the two Central Government Directors merely acquiesced in the proposals submitted by the then Chairman-cum-Managing Director without bothering about details or their financial implication for the undertaking and the Exchequer. The Committee feel that Government should not have such officers on the Board of Public Undertakings who do not exercise their independent judgement and are apt to be influenced by the principal executive of the Corporation. It should be their specific responsibility to effectively act as the eyes, ears and hands of the Central Government, keep a close watch on the performance of undertakings and take timely corrective steps when and where called for.

The instructions issued by the Bureau of Public Enterprises in 1969-70 regarding the duties and responsibilities of Board of Directors do not clearly bring out the role expected of Government Directors. The Committee recommended that these should now be spelt out clearly and unambiguously and necessary instructions issued by the Bureau of Public Enterprises expeditiously."

1.5. The Government in their reply stated:

"Government have recently examined, in detail, the role and contribution of Government Directors on the Boards of Public enterprises. Government consider that the principal role of Government Directors should be to provide a link between Government and the enterprises. In the performance of this link role, they should avoid getting involved in petty matters and contribute more in the area of general policy formulation overall performance evaluation and improvement, investment appraisal, financial management and industrial relations. In order to ensure that Government Directors discharge this responsibility more effectively, it is proposed to draw up a list of matters on which the Government Directors, particularly those representing the Finance and Administrative Ministries should concentrate on.

1.6. The appointment of Government Directors, especially, those from the Administrative Ministry and the Finance Ministry, is generally done on an *ex-officio* basis. Normally,

the Government Directors are not below the rank of a Director to the Government of India. Appointments of Directors and above in Government of India are made in accordance with well established procedure, with the approval of the highest authority. There is, therefore, enough safeguard in the existing system to ensure that the Government Directors are those who can discharge their responsibility satisfactorily and while taking care of the interests of Government are capable of contributing to the improved working of the enterprises, Government, therefore, does not consider it desirable to disturb the present arrangements on the basis of their performance in one particular undertaking."

1.7. The importance of the role expected of Government Directors on the Boards of Management of autonomous public enterprises cannot be overemphasised. Unfortunately no guidelines have as yet been laid down to make their participation in the Boards really effective and meaningful. It is only now after the Committee had pointed out a glaring instance of how the Government Directors have been passive witnesses to if not accomplices in serious irregularities committed by the Board that the Government propose "to draw up a list of matters on which the Government Directors, particularly those representing the Finance and administrative Ministries should concentrate on". The Committee have definite reasons to believe that so far the performance of Government Directors on the Boards of public undertakings has hardly been satisfactory and it leaves much to be desired. The Committee require that the proposed list of matters requiring concentration by Government Directors should be finalised forthwith having due regard to various issues brought out in the Reports of the Committee.

B. LEGAL POSITION REGARDING QUORUM OF THE MEETINGS OF THE BOARD OF DIRECTORS.

Recommendation (Serial No. 2, Paragraph 1.97)

1.8. The Committee were intrigued by the grant of extension of services to three superannuated officers of the Corporation at a meeting of the Board of Directors which was attended only by three members. Clarifying the position the Government stated the following:

"When the 69th Meeting of the Board of Directors was held on 28th October, 1977 only 3 members attended the meeting. At that time the total membership of the Board of

Directors was 11 but there were 2 vacancies which were caused due to the transfer of 2 Government Directors for new assignments in different Departments. Out of the 9 members in position only 3 were present. The then Secretary of the Corporation was of the view that according to Article 34 of the Articles of Association 1/3 members being present the meeting was legal. However, the opinion of the Ministry of Law, Justice and Company Affairs (Deptt. of Legal Affairs) was obtained which advised that 1/3 memberships for the purpose of quorum would have to be 1/3 of the total membership of the Board of Directors, as the Directors had not sent their resignations and no such resignation had been accepted and these officers had been appointed individually and not by virtue of their office. The CIWTC was consequently advised accordingly. The Corporation has since cancelled the decisions taken in that meeting of the Board of Directors."

1.9. In principle Government Directors ought to present the Government as a whole, though they may be drawn from the Ministry of Finance and the Administrative Ministry concerned. In this case the persons appointed as Government Directors on the Board having been transferred to different Departments their place on the Board has been deemed as vacated for the purpose of quorum which was unlawful and subsequently on the advice of the Department of Legal Affairs the decision taken at the relevant meeting of the Board had to be cancelled. The Committee desire that the Legal position should be brought to the notice of all the public undertakings. Incidentally steps should be taken to improve the attendance at the meetings of the Boards of Directors and the members who are unable to regularly attend the meetings should be weeded out.

C. COMPOSITION OF BOARDS OF DIRECTORS

Recommendation (Serial No. 3, Paragraph No. 1.98)

1.10. Suggesting improvement in the composition of the Boards of Directors and in the selection of Directors the Committee observed:—

"The Committee strongly feel that the present pattern of manning the Boards of Public Undertakings requires serious consideration by the Government as admitted by

the Director General. Bureau of Public Enterprises during evidence. In the opinion of the Committee these Boards should consist of a combination of seasoned and dedicated administrators who can devote the required time and energy to the job and people's representatives i.e., Members of Parliament and Legislatures who have no vested interests and who can freely focus attention on irregular and unbusiness like transactions and dealing of the undertakings by their easy approach and public contacts. It would also be advantageous if workers' representatives of proven honesty and integrity are also inducted into the Boards of Public Undertakings. Private businessmen or representatives of producers or consumers, where considered necessary, may be associated with advisory or consultative committees as in the case of Railways, rather than taking them on the decision-making or Governing Boards to remove any possibility of their taking business advantages of the information available to the Boards or leaking out the same. The Committee would recommend that the matter may immediately be examined by Government in all its ramifications and necessary steps taken within three months of the presentation of this Report to make drastic changes in the methods of selection of Board Members and to infuse fresh blood in the Boards of all the Public Sector Undertakings."

1.11. The Government have furnished the following reply to the observation of the Committee:—

"The appointment of full-time Directors is made by Government on the basis of the recommendations of the PESB. The PESB recommends suitable persons after considering persons with the requisite qualification from among those eligible in the public sector, the Government services and the private sector. Selections are made on the basis of merit with reference to specific job requirements. In regard to the appointment of part-time Directors, the administrative Ministries draw as a rule on such persons in public life, public and private industry, labour representatives and organisations on the basis of their ability to contribute constructively to the performance of the Corporation. In the case of those drawn from the private sector care is taken to ensure that there is no conflict of interests.

As a policy, Government have decided it would not be correct to appoint Members of Parliament and State Legislatures to the Boards of public enterprises. This decision was taken as it was felt that the appointment of the representatives of the people on the Boards of Public Enterprises would compromise their responsibility to Parliament and Legislature in regard to the evaluation of performance of these organisations. There is however, no objection to former members of Parliament and State Legislatures being considered for such appointments.

Government have accepted the principle that workers representatives should be given a place on the Boards of Directors. A Committee has been appointed on Workers Participation in Management and Equity under the Chairmanship of the Minister of Labour and Parliamentary Affairs. This Committee would *inter-alia* recommend measures to improve the participation of workers in the Boards of Directors of Public enterprises."

1.12. The Committee are not convinced with the argument advanced by Government against the appointment of Members of Parliament and State Legislature on Boards of Public Enterprises. The Committee feel that the resistance stems from the fear that the people's representatives might make things inconvenient for bureaucrats and technocrats and "browbeat" them by bringing to light at highest level the mal-functioning and mal-administration in the undertakings. In the opinion of the Committee the elected representatives of the people who are directly answerable to them and run the risk of being rejected by the people in case of failure to deliver the goods, would prove to be more effective in keeping the machinery of undertakings in trim, than those who practically run no risk of losing the office even if there is gross failure and mal-functioning. The Committee require that this question should be remitted to an objective study in the light of the practice of appointing them to the governing bodies of autonomous institutions such as I.C.A.R., Tea Board, Tobacco Board etc.

1.13. The Committee wish to stress that workers' participation in the management of Public Undertakings is very important. They require that pending finalisation of Report of the Committee appointed by Government on workers' participation in management, Standing Advisory Committees consisting of workers representatives from shop level to Board level should be constituted.

D. PROBE INTO GRANT OF EXTENSIONS OF SERVICE TO OFFICIALS

Recommendation at Serial No. 4 (Paragraph No. 1.99)

1.14. Dealing further with the grant of extension of service to three officials of the Corporation at an illegal meeting of the Board, the Committee recommended:—

“(1) Any payments on account of pay and allowances that may have been made to the 3 officials (namely Dr. I. A. Mukherjee, S/Shri H. K. Mukherjee and D. N. Guha) as a result of extension of their services in an illegal meeting of the Board held on 28th October 1977, should be recovered from those responsible for such an illegal decision.”

1.15. In their reply the Government stated as under:—

“(1) The CIWTC Board at its 70th meeting held on 29th December, 1977 meeting cancelled all business transacted in the 69th meeting held on 28th October, 1977 and decided to discontinue the services of Dr. A. L. Mukherjee and Shri N. K. Mukherjee by giving them due notice. The Board also decided not to give any extension of service or re-appointment to Shri D. N. Guha. Actions have been taken on the basis of the above decisions of the Board of Directors.” Since Shri N. K. Sarkar who was then Secretary of the Corporation has already left the organisation and there could have been *bona fide* view that 2 Government Directors who had been transferred from previous Departments should not be counted in the total strength of the Board for the purpose of working out the quorum, the question of recovery of payments on account of pay and allowances to these officers for the period for which they remained in service as a result of the decision in the 70th meeting does not arise.”

1.16. Since the extension of service granted to three officials at the illegal meeting of the Board was subsequently countermanded at a duly constituted meeting, mala fide intention would seem to have been established. The Committee do not therefore agree with the view that a bona fide mistake was committed. They would accordingly require a probe into the circumstances in which the extension of service of the officials were processed.

E. PRIOR APPROVAL OF GOVERNMENT FOR EXTENSION OF SERVICE

Recommendation at Serial No. 18 (Paragraph No. 1.113)

1.17. Suggesting prior approval of the Secretary of the Administrative Ministry for extension of service of officers of Public Undertaking, the Committee observed:—

“The Committee feel that no person is indispensable or so outstanding as to justify his continuance in service beyond the date of superannuation. However, in very rare cases where the extension of service may be justified for scientific and technical posts the public undertakings should seek the approval of the Secretary of the Ministry.”

1.18. The Government in their reply stated:—

“The cases of extension of service/re-employment of persons beyond the age of superannuation in the Public Enterprises fall under the following two categories:

- (a) Posts, appointments to which are made by Government or require the approval of Government in accordance with the provisions of the relevant Articles of Associations/Statutes.
- (b) Posts, appointments to which can be made by the competent authorities in the Public Enterprises.

Prior approval of the Central Government is also necessary in the case of appointments of persons who have attained the age of 58 years, whether they be from public or private sector, where the pay (including Pension and Pensionary equivalent of retirement benefits) proposed to be fixed for such persons, exceeds Rs. 2500/- per mensem or where minimum of the pay scale proposed to be given to such persons is Rs. 2500/- or more.

2. Under the extant instructions, the administrative Ministries, in regard to the cases of type, indicated in para 1(a) above, are required to follow the procedures and principles laid down by the Ministry of Home Affairs for such purposes in respect of the Central Government Servants vide their O.M. No. 26011/1/77-Estt. (B) dated 18th May, 1977 .

In so far as the cases of 2nd type, as indicated in (b) above, the Board principles followed by the Government in this respect have been brought to the notice of the Public Enterprises through the Administrative Ministries vide BPE's O.M. No. BPE/G-033/78/MAN/2(52)/78-BPE (GM-I) dated 27th October 1978.

So that they could adopt similar principles in respect of the cases of extension of service/re-employment of superannuated persons in posts falling within the powers of the Public Enterprises. Subject to this, Government consider that the powers to grant extension in such posts should be left with the Boards of Directors of Public Enterprises."

1.19. The Committee note that prior approval of the Central Government is necessary in the case of appointments of persons who have attained the age of 58 years where the pay exceeds Rs. 2,500 per month. In their view it should not be confined to initial appointments alone but should equally apply to every extension of service of the existing personnel who have crossed 58 years.

F. DISCLOSURE OF ASSETS ACQUIRED BY THE OFFICIALS

Recommendation (Serial No. 28, Paragraph No. 1.123)

1.20. The Committee noticed that the officers of the C.I.W.T.C. were not regularly furnishing the property returns and were apprehensive that the assets acquired by some of them may be disproportionate to their incomes. The Committee therefore recommended that the C.B.I. might immediately move in the matter and institute enquiries with a view to find the truth.

1.21. In reply the Government have stated as follows:—

"The Chairman-cum-Managing Director, CIWTC was asked to have the property returns filed by officers of the Corporation examined by the Chief Vigilance Officer of the Corporation and to indicate the names of officers whose assets according to these property returns are *prima facie* disproportionate to their known sources of income. The CMD has intimated that out of 476 employees, drawing a basic salary of Rs. 500/- p.m. and above, 388 employees have not so far submitted the Declarations of Assets despite office order to this effect. Necessary action against

these employees is under contemplation by CMD. The Declaration of Assets received from the remaining employees have been scrutinised by the CMD and he has found that 15 employees have apparently accumulated assets disproportionate to their known income. The matter is now under consideration in consultation with the CMD. Thereafter, the cases where assets are *prima facie* found to be disproportionate to the known sources of income will be referred to CBI for enquiry, as the CBI can take up for investigation only a matter where *prima facie* the facts indicate commission of an offence notified for investigation by the Special Police Establishment.

1.22. The Committee are distressed to learn that out of 476 employees drawing a basic salary of Rs. 500 per mensem and above, only 88 have so far submitted declarations of assets despite a reminder from the Management. A scrutiny of the 88 returns is stated to have revealed that 15 employees have apparently accumulated assets disproportionate to their known income. The Committee's apprehensions have thus come true. This revelation and the continued defiance shown by as many as 388 officials in not submitting the return of property are an indicator of the extent of corruption and malpractice in the organisation of the CIWTC. Such a situation would not have been allowed to continue if only the top management was itself above board. The least that should be done in this situation is to speedily initiate action against those who have accumulated ill-gotten wealth as well as those who continue to suppress the information in this regard. The Committee therefore expect the present management to act with alacrity and be ruthless in bringing to book the delinquents. It should be the responsibility of the Board of Directors and the Government to ensure this.

G. VAST INCREASE IN EXPENDITURE DURING 1976-77

Recommendation (Serial No. 36, Paragraph No. 2.90)

1.23. The Committee observed that though the Corporation was losing heavily from year to year, its overhead expenses rose from Rs. 71.12 lakhs in 1975-76 to Rs. 389.26 lakhs in 1976-77 registering a rise of 450 per cent.

1.24. Clarifying the position the Government stated:—

“The expenses booked in the account of the Corporation as other Expenses (including general charges) for the year 1976-77 amounted to Rs. 421.31 lakhs as against Rs. 71.12

lakhs in 1975-76. The figure of Rs. 389.26 lakhs as shown against 1976-77 has since increased to Rs. 421.31 lakhs after audit and the audited figure has been reflected in the Corporation's 10th Annual Report placed in the Parliament. The increase in overhead expenses is due to the increase in expenditure on diversified activities undertaken during the year, under the following sub-heads:—

	(Rs. in lakhs)
(a) On a/c of High Sea Grain lightening operation.	234.42
(b) on account of increase in Stevedoring business	116.22
(c) On account of increase in I.C.C. Oil Operation	2.80
TOTAL:	353.44

There has been also increase in income from these operations during the year. If the above expenditure of Rs. 353.44 lakhs is deducted from Rs. 421.31 lakhs, the amount of overhead expenditure on other accounts would come to Rs. 67.87 lakhs in 1976-77 as against Rs. 71.12 lakhs in 1975-76. Thus the overhead expenditure in 1975-76 did not increase except on account of the diversified and increased activities of the Corporation."

1.25. The Committee note that the vast increase in expenditure during 1976-77 was on account of Sea Grain Lightening and Stevedoring operations undertaken by the CIWTC in that year. They have dealt with the irregularities and malpractices pertaining to these in their 5th Report (1977-78) and the action taken thereon in their separate Report.

H. SPECIAL AUDIT OF THE CORPORATION

Recommendation (Serial No. 60, Paragraph No. 2.114)

1.26. In view of the unsatisfactory position of the Corporation's accounts and procedures, the Committee required that a special Audit of the account of the Corporation under Section 233A of the Companies Act be undertaken immediately, so that all the accounts and procedures etc. were set right.

1.27. In reply the Government stated as under:—

“The Comptroller and Auditor General of India has been requested to arrange special audit of the accounts of the Corporation conducted by his staff as recommended by the Committee in para 1.23 of its 5th Report. It is not considered necessary to have a special audit of the accounts of the Corporation also done under Section 233-A of the Companies Act (which, as advised by the CAG, can be done only by a Chartered Accountant), as that would involve duplication of work by two agencies.”

1.28. The Committee wish to clarify that they had recommended special audit by the Comptroller and Auditor General of India of certain specific aspects dealt with in Paragraph 1.23 of the Fifth Report (1977-78). Nevertheless they note that Government have requested to C & A G to take up comprehensive appraisal of the CIWTC during the ensuing financial year (1979-80). They would not therefore insist on a special audit under Section 233 (a) of the Companies Act.

CHAPTER II

RECOMMENDATIONS/OBSERVATIONS THAT HAVE BEEN ACCEPTED BY THE GOVERNMENT

Recommendation (Serial No. 1, Paragraph 1.96)

The Committee are deeply concerned to note that the Board of Directors of the Corporation constituted as at present of 7 Government officials (including 2 Central Government representatives and 2 State Government representatives) and 4 non-officials (two representatives of other public undertakings, one industrialist and one representative of tea planters) has been most ineffective in managing the affairs of the Corporation efficiently. In this connection the Committee observed the following disquieting features:

- (1) As indicated in para 1.50 of Committee's second Report (1978)—Reckless & Fraudulent Sale of Vessels—the two Central Government Directors merely acquiesced in the proposals submitted by the then Chairman-cum-Managing Director without bothering about details or their financial implication for the Undertaking and the Exchequer. The Committee feel that Government should not have such officers on the Board of Public Undertakings who do not exercise their independent judgement and are apt to be influenced by the principal executive of the Corporation. It should be their specific responsibility to effectively act as the eyes, ears and hands of the Central Government, keep a close watch on the performance of undertakings and take timely corrective steps when and where called for.

The instructions issued by the Bureau of Public Enterprises in 1969-70 regarding the duties and responsibilities of Board of Directors do not clearly bring out the role expected of Government Directors. The Committee recommended that these should now be spelt out clearly and unambiguously and necessary instructions issued by the Bureau of Public Enterprises expeditiously.

Reply of Government

Government have recently examined, in detail, the role and contribution of Government Directors on the Boards of public enterprises. Government consider that the principal role of Government Directors should be to provide a link between Government and the enterprises. In the performance of this 'link role', they should avoid getting involved in petty matters and contribute more in the area of general policy formulation overall performance evaluation and improvement, investment appraisal, financial management and industrial relations. In order to ensure that Government Directors discharge this responsibility more effectively, it is proposed to draw up a list of matters on which the Government Directors, particularly those representing the Finance and administrative Ministries should concentrate on.

The appointment of Government Directors, especially, those from the Administrative Ministry and the Finance Ministry, is generally done on an *ex-officio* basis. Normally, the Government Directors are not below the rank of a Director to the Government of India. Appointments of Directors and above in Government of India are made in accordance with well established procedure, with the approval of the highest authority. There is, therefore, enough safeguard in the existing system to ensure that the Government Directors are those who can discharge their responsibility satisfactorily and while taking care of the interests of Government are capable of contributing to the improved working of the enterprises, Government, therefore, does not consider it desirable to disturb the present arrangements on the basis of their performance in one particular undertaking.

[Ministry of Shipping & Transport O.M. No. 9—IWT(37)/78-C&E
dated the 15th December, 1978]

Comments of the Committee

Please see paragraph 1.7 of Chapter 1 of the Report.

Recommendation (Serial No. 2, Paragraph 1.97)

What is more intriguing is that important items of business like extension of services or reemployment of superannuated departmental heads were sought to be approved by the management will only three members of the Board including the Chairman-cum-Managing Director. Furthermore on occasions vital matters like purchase of vacuators were approved by circulation which proves

that Chairman-cum-Managing Director was the real man who decided all matters and the Board was a mere 'rubber stamp'.

Reply of Government

When the 69th Meeting of the Board of Directors was held on 28th October, 1977 only 3 members attended the meeting. At that time the total membership of the Board of Director was 11 but there were 2 vacancies which were caused due to the transfer of 2 Government Directors for new assignments in different Departments. Out of the 9 members in position only 3 were present. The then Secretary of the Corporation was of the view that according to Article 34 of the Articles of Association 1/3 members being present the meeting was legal. However, the opinion of the Ministry of Law, Justice & Company Affairs (Department of Legal Affairs) was obtained which advised that 1/3 memberships for the purpose of quorum would have to be 1/3 of the total membership of the Board of Directors, as the Directors had not sent their resignations and no such resignation had been accepted and these officers had been appointed individually and not by virtue of their office. The CIWIC was consequently advised accordingly. The Corporation has since cancelled the decisions taken in that meeting of the Board of Directors.

So far as the approval of the Board of Directors to the proposal for purchase of vacuvators by circulation is concerned, the position has been explained in the reply to Recommendation No. 2 (Para No. 114(iii) of the 5th Report of the Committee.

[Ministry of Shipping & Transport O.M. No. 9—IWT(37)/78-C&E dated the 8th November, 1978]

Comments of the Committee

Please see paragraph 1.9 of Chapter I of the Report.

Recommendation (Serial No. 8 Paragraph 1.103)

The Committee note that besides appointment of Directors Chairman/Managing Director and issue of directions, other matters reserved for prior Government approval are appointment of superannuated officers to posts carrying pay scale of Rs. 2500—3000 and above, implementation of capital expenditure schemes and contracts of the value of Rs. 10 lakhs and of annual five year plans and Capital Budget, disposal of property having original book value of Rs. 10 lakhs and execution of foreign collaboration agreements. All other

Powers, including the appointment of FA&CAO, approval to revenue budget, approval of rules and regulations etc. vest with the Board of Directors of the Corporation.

Reply of Government

The observations are factually correct.

[Ministry of Shipping & Transport O.M. No. 9—IWT(37)/78-C&E
dated the 8th November, 1978]

Recommendation (Serial No. 9 Paragraph 1.104)

In this connection the Committee observed among others, the following unsatisfactory features in the exercise of powers vested in the Corporation:

- (a) As indicated in subsequent paragraphs there have been several cases of grant of extension of services or re-employment of superannuated officers.
- (b) Recruitment and Promotion and Conditions of Service Rules have not been observed in many cases;
- (c) Vessels and property, even those hypothecated to the President of India, worth crores of rupees have been disposed of without seeking Government approval and in complete disregard of normal practices.
- (d) Revenue budget is prepared in a very casual way and there is not much of control over expenditure vis-a-vis the budget estimates, especially on overheads.

Reply of Government

The observations of the Committee have been conveyed to the Directors of the Company so that they may ensure that greater care is exercised in taking decisions on such important matters.

[Ministry of Shipping & Transport O.M. No. 9—IWT(37)/78-C&E
dated the 8th November, 1978]

Recommendation (Serial No. 10 Paragraph 1.105)

The Committee feel that one of the main reasons for extravagant expenditure and sorry state of affairs of CIWTC is the enormous powers that have been conferred by Government on them, who were not worth it. The purpose of giving this maximum possible operational autonomy to the public undertakings was to enable them to be run with the maximum efficiency. But the experience of

CIWTC shows that the management has belied the trust and confidence reposed in them and brought the Corporation to a sorry pass. The same may be true of some other undertakings also.

Reply of Government

It is necessary for functioning of the Corporation with maximum efficiency that it should have adequate operational autonomy. It is hoped that the new Chairman-cum-Managing Director and the Board of Directors of the Corporation will use their powers in the best interest of the Corporation. Government will also keep a watch on the performance of the Company.

[Ministry of Shipping & Transport O.M. No. 9—IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation No. 11 (Paragraph No. 1.106)

The Committee would recommend that Government may examine the desirability of suitably ensuring accountability of the Boards of public undertakings and proper discharge of their responsibilities, which the Committee are distressed to observe has been lacking in the case of CIWTC. For major policy decisions the Government may exercise greater control.

Reply of Government

Pursuant to the acceptance of the Parliamentary Committee recommendations made in their report on National Coal Development Corporation (1967-68), Financial Management, Material Management and the recommendations made by the Administrative Reforms Commission made in their report (October, 1967) on Public Sector Undertakings, instructions were issued by the Government to ensure accountability of the Boards of the Public Sector Undertakings to the Government vide BPE's O.M. dated 7-7-1969 (copy enclosed). The institution of Government Directors is also being utilised by the Government to exercise greater control on major policy decisions undertaken by the Boards of Public Enterprises.

The Committee's observations have been brought to the notice of the Administrative Ministries. The Government have also reiterated the instructions regarding the responsibility of Administrative Ministries in regard to the performance of the Public Enterprises vide its O.M. No. BPE/GL-040/78 MAN2 (52) /78-BPE (GM-I) dated 21st December, 1978 (copy enclosed).

[Ministry of Shipping & Transport O.M. No. 9—IWT(37)/78-C&E dated the 5th January, 1979]

ANNEXURE

No. BPE/GL-040/78/MAN/2(52)/78-BPE(GM-I)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

Mayur Bhavan, New Delhi-110001,
dated the 21st December, 1978.

OFFICE MEMORANDUM

SUBJECT: *Responsibility of the Administrative Ministries in regard to the performance of Public Enterprises.*

The Parliamentary Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) in their Ninth Report on CIWTC—Mismanagement in organisation Administrative and Financial Matters has made the following observations:—

[Recommendation No. 11]

"The Committee would recommend that Government may examine the desirability of suitably ensuring accountability of the Boards of Public Undertakings and proper discharge of their responsibilities, which the Committee are distressed to observe has been lacking in the case of CIWTC. For major policy decisions the Government may exercise greater control." Paragraph No. 1106

Recommendation

The observations of the Committee are unexceptionable. In this context it may be mentioned that detailed instructions had been issued by the BPE vide its O.M. No. 2(35)/68-BPE(GM-I) dated 7-7-1969 advising the Administrative Ministries to develop appropriate arrangements for:

- (i) briefing their representatives on the Boards of Public Enterprises concerned,
- (ii) to prescribe suitable reports and returns to assess their performance, and
- (iii) to conduct periodical appraisal of the enterprises jointly with the BPE.

Ministry of Steel and Mines etc. are requested to ensure that the action as envisaged in the BPE's O.M. dated 7-7-1969, referred to

above is taken by them in respect of all 'Public Enterprises' under their administrative control, to prevent lapses of the type noted by the Parliamentary Committee in their Ninth Report on CIWTC.

Sd./-

(KRISHNA CHANDRA)

Deputy Director

Tel. No. 43730.

To

All Ministries/Departments of the Government of India Copy to.—

1. The Comptroller and Auditor General of India, New Delhi.
2. All F.As., Administrative Ministries
3. Chief Executives of Public Sector Enterprises.
4. Adviser(P), Adviser(C), Adviser(M), Secretary (PESB), Director(I&R), Director(M), DS(C) and PS to AS&DG, Bureau of Public Enterprises.
5. Secretary, Standing Conference on Public Enterprises, New Delhi.

Recommendation (Serial No. 12, Para No. 1.107)

The Committee note that under clause 7 of the scheme of Arrangements approved by Calcutta High Court, CIWTC was required to absorb as many employees of R.S.N. Co. as could reasonably be taken over. When CIWTC started functioning in May 1967, the total number of R.S.N. Employees of all categories stood at 8081. Out of these 5512 employees were absorbed by CIWTC upto 31-12-1977 and remaining 2569 employees were not taken for one pretext or the other.

Reply of Government

The observations, being factual, are noted.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)
78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 13, Paragraph No. 1.108)

The Committee also note that from 1963 to 1977 the Corporation recruited as many as 2192 fresh employees in different categories including 74 employees taken over from Farakka Barrage in

1971 along with the vessels and 385 employees of Public Tea Warehouses operated by Balmer Lawrie & Co. Ltd., and taken over by CIWTC as per Government directives.

Reply of Government

The observations, being factual, are noted.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 14, Paragraph 1.109)

The Committee are surprised to note that no policy directions were issued by the Ministry with regard to providing employment to ex-R.S.N. employees, as was done in the case of tea warehouses employees of M/s Balmer Lawrie & Co. and the matter was left to the sole discretion of the management of the Corporation. The Committee very much deprecate this lapse. The result has been that over 30 per cent of experienced ex-RSN employees remained idle and have undergone severe hardships including starvation for no fault of their own despite the fact that the Corporation resorted to fresh recruitment.

Reply of Government

As recommended by the Committee in Paragraph No. 1.110 the question of issuing instructions to the Chairman-cum-Managing Director, Central Inland Water Transport Corporation Ltd., for ensuring that as many as ex-RSN Company's employees are taken back in employment as early as possible is under consideration. The Ministry of Labour have been requested to accord exemption from the provisions of the instructions relating to appointments through employment exchanges so far as these ex-RSN employees are concerned, before necessary instructions are issued to the Corporation.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 15, Paragraph 1.110)

The Committee require the Ministry as well as the Corporation to look into the matter and ensure that as many as possible ex-RSN company employees are taken back into employment as early as possible.

Reply of Government

As recommended by the Committee in Paragraph No. 1.110 the question of issuing a directive to the Chairman-cum-Managing Director, Central Inland Water Transport Corporation Ltd. for ensuring that as many as ex-RSN Company's employees are taken back in employment as early as possible is under consideration. The Ministry of Labour have been requested to accord exemption from the provisions of the instructions relating to appointments through employment exchanges so far as these ex-RSN employees are concerned before necessary instructions are issued to the Corporation.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 16, Paragraph 1.111)

The Committee note that the Board of Directors approved extension/re-employment of 3 superannuated departmental heads viz., Shri N. K. Mukherjee, Personnel Manager; Dr. A. L. Mukherjee, Chief Medical Officer and Shri D. N. Guha, Deputy Superintendent Engineer at their meeting held on 28-10-1977 which was subsequently declared as null and void for want of valid quorum. The Committee have already touched on this aspect in paragraph 1.7.

Reply of Government

The position has been explained in reply to Recommendation Nos. 2 and 4.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 17, Paragraph 1.112)

What is more intriguing is that during the last 3 years from September 1974 to October, 1977 the Board approved extension of services/re-employment of superannuated officers in about 15 cases and in some of these cases services were extended three to four times. Another method adopted was to re-employ a superannuated officer and go on giving extensions to him.

Reply of Government

The Corporation has since taken a decision against grant of extension of service to superannuated officers unless it is consider-

ed absolutely necessary. No such extensions are considered now and re-employment is completely discouraged. All superannuated officers who had been granted extension/re-employment have since been relieved by CIWTC from service.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 18, Paragraph 1.113)

The Committee feel that no person is indispensable or so outstanding as to justify his continuance in service beyond the date of superannuation. However, in very rare cases where the extension of service may be justified for scientific and technical posts the public undertakings should seek the approval of the Secretary of the Ministry.

Reply of Government

The cases of extension of service|re-employment of persons beyond the age of superannuation in the Public Enterprises fall under the following two categories:

- (a) Posts, appointments to which are made by Government or require the approval of Government in accordance with the provisions of the relevant Articles of Associations|Statutes.
- (b) Posts, appointments to which can be made by the competent authorities in the Public Enterprises.

Prior approval of the Central Government is also necessary in the case of appointments of persons who have attained the age of 58 years, whether they be from public or private sector, where the pay (including Pension and Pensionary equivalent of retirement benefits) proposed to be fixed for such persons, exceeds Rs. 2,500 per mensem or where minimum of the pay scale proposed to be given to such persons is Rs. 2,500 or more.

2. Under the extant instructions, the administrative Ministries, in regard to the cases of type, indicated in para 1(a) above, are required to follow the procedures and principles laid-down by the Ministry of Home Affairs for such purposes in respect of the Central Government servants vide their O.M. No. 26011/1/77-Estt.(B), dated 8th May, 1977 (copy enclosed Appendix—I). In so far as the cases of 2nd type, as indicated in (b) above, the broad principles followed by the Government in this respect have been brought to the notice of the Public Enterprises through the Administrative

Ministries vide BPE's O.M. No. BPE/GL-033/78/MAN/2(52)/78-BPE(BM-I) dated 27-10-1978 (copy enclose—Appendix—II), so that they could adopt similar principles in respect of the cases of extension of service/re-employment of superannuated persons in posts falling within the powers of the Public Enterprises. Subject to this, Government consider that the powers to grant extension in such posts should be left with the Boards of Directors of Public Enterprises.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Comments of the Committee

Please see paragraph 1.19 of Chapter I of the Report.

Recommendation (Serial No. 20, Paragraph 1.115)

The Committee are shocked to learn that there have been as many as over 10 CBI cases against the departmental heads/senior officials of the Corporation for accepting bribe, making huge payments against fictitious vouchers, stealing and pilferage of stores and materials even of such big items as 'Boiler' which was worth over a lakh of rupees, giving contracts and showing undue favours to firms of their relations etc. There may also be a number of other cases investigated by the Company's own Vigilance Organisation.

Reply of Government

The CIWTC has intimated that there are two cases involving three officers of the Central Inland Water Transport Corporation in which the CBI have, as a result of their investigations, found them guilty. One case related to the acceptance of a gift by an officer from a supplier with whom he had official business dealings; this officer was dismissed from service as a result of departmental proceedings. The second case related to the causing of a pecuniary loss to the CIWTC in regard to the award of contract for the demolition of certain buildings belonging to the Corporation; one of the two officers involved in this case, who was employed on a temporary basis, resigned before investigations were completed; departmental proceedings are being initiated by the Corporation against the other officer.

The case relating to the stealing of boiler has been referred to the CBI for investigation.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 23, Paragraph No. 1.118)

The Bureau of Public Enterprises may also examine the matter in a detailed manner with a view to learning lessons and issuing suitable instructions for the guidance of other public undertakings.

Reply of Government

Action against the employees charged guilty of corrupt practices, bribery, etc. is to be initiated by the Management of the concerned Public Enterprises in accordance with the provisions of the relevant Conduct Discipline and Appeal Rules or the certified Standing Orders etc. Rule 5 of the Model Conduct, Discipline and Appeal Rules, copies of which were circulated by the BPE in April, 1974 lists out acts of omission and commission which could be treated as misconduct for initiating disciplinary action against the employees. Rules 12, 13, 14 and 16 of the Model Conduct, Discipline and Appeal Rules also enjoin upon the concerned employee to report to the Management receipts of gifts from friends or relatives in excess of the specified amount, engagement in private trade by his dependents, transactions involving investment—lending, borrowing, purchase and sale of movable and immovable property etc. Contravention of these provisions or similar provisions contained in relevant Conduct, Discipline and Appeal Rules of an enterprise empowers the Management to take disciplinary action against the concerned employee and impose such penalties as they may think fit or as specified in Rule 23 and 27 of the Model Conduct, Discipline and Appeal Rules or their equivalent in the respective CDA Rules of the enterprise. The Management is also empowered under the Conduct, Discipline and Appeal Rules (Rule 21 of the Model CDA Rules refer) to suspend the employees charged with corruption pending finalisation of the enquiry. More or less similar action can be taken by the concerned Management under the Certified Standing Orders in respect of the employees who are governed by the provisions of the Industrial Employment (Standing Orders) Act, 1946. Instructions had also been issued by the Government in April, 1973 advising Public Enterprises to constitute fully-functioning vigilance units in consultation with the Central Vigilance Commission. The Public Enterprises are being advised through Administrative Ministries *vide* BPE's O.M. No. BPE/GL-030/78/MAN/2(52)/78-BPE(GM-1) dated 26-9-78 (copy enclosed Annexure to strictly enforce the provisions of the relevant Conduct, Discipline and Appeal Rules/provisions of the

certified Standing Orders and strengthen their vigilance set-up with a view to prevent corruption among its employees. The Government has also been informed that fully functioning vigilance units have been instituted by the majority of the bigger Public Enterprises. The Chief Vigilance Officers of these units are appointed by the concerned Management in consultation with Chief Vigilance Commission.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E
dated the 8th November, 1978]

Recommendation (Serial No. 25 Paragraph 1.120)

The Committee are deeply concerned to note that none of the officers of CIWTC has been submitting immovable property returns regularly for the last 8 years, despite provisions in their Conduct Rules 1970 for such returns to be rendered "every year" and which were later amended in 1973 to provide for submission of these returns "every five years".

Reply of Government

Necessary steps have since been taken to obtain "Property Returns" from employees drawing a basic pay of Rs. 500/- per month and above.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E
dated the 8th November, 1978]

Recommendation (Serial No. 26 Paragraph No. 1.121)

It is also intriguing that the Corporation did not modify its Conduct Rules to bring them in conformity with the Model Conduct, Discipline and Appeal Rules framed by a Working Group comprising officials of the Central Vigilance Commission CBI and other and circulated by the Bureau of Public Enterprises to all public undertakings in 1974, which called for rendering of such returns "every two years". What is still worse is that though, the instructions issued by the Department of Personnel in 1973, on the basis of which the relevant Conduct Rule was amended by the Corporation to provide for five yearly returns were modified in 1976 calling for rendering these returns "every year" no Corresponding action was taken by the Corporation.

Reply of Government

The Chairman-cum-Managing Director, Central Inland Water Transport Corporation, has intimated that steps are being taken to revise the Conduct Rules of the CIWTC expeditiously to bring them in conformity with the Model Conduct, Discipline and Appeal Rules framed by the Working Group.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E
dated the 8th November, 1978]

Recommendation (Serial No. 29 Paragraph No. 1.124)

The Committee are also not happy that neither the Bureau of Public Enterprises nor the Ministry bothered to see that the model rules and guidelines issued by them were enforced by public undertakings. In fact, no body in this Corporation took much notice of the Bureau of Public Enterprises. It is futile and wastage of time and energy to issue instructions if they are not to be followed up and implemented. The Committee would recommend that Government may now check up the position obtaining in all the public undertakings and issue fresh clear-cut instructions enjoining on all official of public undertakings to give immovable property returns every year in accordance with the latest instructions issued by the Department of Personnel.

Reply of Government

The Government accept the above recommendation. The factual information, recently obtained from the Public Enterprises indicate that out of 141 enterprises, who responded, 117 enterprises have already introduced the system of submission of property returns by their employees at regular intervals. The observations of the Committee have also been brought to the notice of the Public Enterprises through the Administrative Ministries for necessary action. A copy of the instructions issued in this regard vide BPF O.M. No. BPE|GL|78|MAN|2(52)|78-BPE(GM-I), dated the 20th December, 1978 is enclosed.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E
dated the 15th January, 1979]

ANNEXURE

No. BPE/GL-039/78/MAN/2(52)/78-BPE(GM-I)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

Mayur Bhavan, New Delhi-110001,

Dated the 20th December, 1978.

OFFICE MEMORANDUM

SUBJECT:—*Submission of Property Returns by the Employees of Public Enterprises.*

The Parliamentary Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) in their Ninth Report on CIWTC Mismanagement in organisation, Administration and Financial matters has made the following observations:—

Recommendation (Serial No. 29, Paragraph No. 124)

"The Committee are also not happy that neither the Bureau of Public Enterprises nor the Ministry bothered to see that the model rules and guidelines issued by them were enforced by public undertakings. In fact, nobody in this Corporation took much notice of the Bureau of Public Enterprises. It is futile and wastage of time and energy to issue instructions if they are not to be followed up and implemented. The Committee would recommend that Government may now check up the position obtaining in all the public undertakings and issue fresh clear-cut instructions enjoining on all officials of public undertakings to give immovable property returns every year in accordance with the latest instructions issued by the Department of Personnel."

The employees of the Public Enterprises are required to submit returns about their movable, immovable and valuable property to the Public Enterprises at the prescribed intervals, in accordance with the provisions of the Conduct, Discipline and Appeal Rules applicable to them. Rule 16 of the Model Conduct, Discipline and Appeal Rules spells out the items on which information is to be furnished by the

employees to their competent authority. Similar provisions are contained in Rules 18 of the CCS (Conduct) Rules, 1964. The periodicity and the form of submission of the property returns by the employees are to be prescribed by the competent authorities in their respective organisations.

Ministry of Industry etc. are requested to bring the foregoing to the notice of the Public Enterprises under their Administrative control who may be advised to ensure compliance of the relevant provisions of the C.D.A. Rules applicable to their employees with regard to the submission of the property returns. If no such system is in vogue in a particular enterprise, the same may be advised to institute it without any further delay.

Sd/-

(KRISHNA CHANDRA)

Deputy Director

Tel. No. 43730

To

All Administrative Ministries.

Copy to:—

1. The Comptroller & Auditor General of India, New Delhi.
2. All F.As., Administrative Ministries.
3. Chief Executives of Public Sector Enterprises.
4. Adviser (P), Adviser (C), Adviser (M), Secretary (PESB) Director (I&R), Director (M) and DS (C), and RS to AS& DG, Bureau of Public Enterprises.
5. Secretary, Standing Conference on Public Enterprises, New Delhi.

Recommendation (Serial No. 30, Paragraph 125)

The Committee are constrained to note after minute examination within the permissible time, that the management of CIWTC not only proved of any worth, responsibility but comprised of corrupt officials most of whom were disinterested in their respective jobs. It is necessary that the CIWTC is manned by worthy persons with the required background, integrity and honesty. The present set up of officials almost without exceptions need to be replaced gradually but as speedily as possible lest the river transport system stand condemned once again.

Reply of Government

The Joint Steamer Company (RSN Co. Ltd. and IGN & Rly. Co. Ltd.) had been operating steamer services between Calcutta and Assam valley and between Calcutta and Cachar since the middle of the 19th Century. Towards the end of the fifties of this century the Company started incurring losses. They had proposed to wind up the business but the Government of India came forward to acquire controlling interest of the Company in February, 1965. In September, 1965 the Indo-Pak hostilities resulted in total closure of the river transport services in Eastern India. CIWTC was incorporated in 1967 as Government Company and it acquired the assets and some liabilities of the erstwhile RSN Co. Ltd. and started its business under very difficult conditions. In the situation prevailing at that time, the Corporation could operate its services in a very limited scale in the Calcutta Port area only and also internal services within Assam. Only after the emergence of Bangladesh in December 1971, the possibility of re-opening the river services brightened and after going through necessary protocol formalities the services through Bangladesh were resumed in November, 1972. In the intervening period 1965 to 1972, the vessels remained idle resulting in their deterioration. There were other factors which are no less responsible for the decline in the river transport system. These are, among others:—

- (a) extension of the broad-gauge railway up to Bongaigaon in 1965-66.
- (b) completion of the Farakka Project and the opening of the railway and roadway traffic between Calcutta and North Assam region of the country through Farakka in 1971.
- (c) speedy development of the road transport system in the country including the eastern region and introduction of door to door service and quick transit time, as compared to river/rail transport system.
- (d) with the changes in the management of the Joint Steamer Company and those of a number of tea gardens of North-Eastern India which have been patronising the former, the old well established link between the two snapped resulting in the decline in the tea traffic and making the Assam river services uneconomic.
- (e) the vessels were very much advanced in age and required heavy maintenance and repairs, which contributed to operation becoming uneconomic.

(f) the entire organisation was lacking a sense of direction because of uncertainty regarding river services.

(g) acute ways and means position obtaining in the organisation every since its inception in 1967.

In the circumstances explained above, it would not, therefore, seem wholly justified to condemn the officials along though it appears that the management at that time also did not take adequate steps to attract cargo and improve operation of river services.

New Chairman-cum-Managing Director has been appointed since 12-5-1978. Every effort is now being made to gear up the organisation by inducting men of honesty and integrity and replacing officers of doubtful integrity, to the extent possible, in accordance with rules and procedures.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978].

Recommendation (Serial No. 31, Paragraph No. 2.85)

The Committee consider that while the top management of the Corporation is squarely responsible for the mounting losses of the Corporation, the Ministry also cannot be absolved of their responsibility in this matter. Though the Ministry was aware of the deplorable conditions prevailing in the C.I.W.T.C. and had certain studies made by the B.P.E. no effective measures were taken to tone up the administration of the Corporation and to improve its working. Apart from other measures, the least that was expected of the Ministry was to post an imaginative, dedicated and knowledgeable person, with proven integrity and I.W.T. background, as the Managing Director of the Corporation who should have been supported by an honest and strict FA&CAO. This was unfortunately not done. The officers who were posted to these top posts proved unworthy of their onerous responsibilities and rather than improving the working, brought further ruin to the Corporation, as on 31-3-1977. The total loss amounted to Rs. 21.43 crores. They had no intention of improving the river services; on the contrary they were anxious to close down even whatever was existing.

Reply of Government

To tone up the administration of the Corporation as also to improve its working, a new Chairman-cum-Managing Director has since been appointed w.e.f. 12th May, 1978. The CIWTC have

restarted their river services on all the routes where earlier the services were suspended. Steps are being taken to tone up its administration.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37) 78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 32, Paragraph No. 2.86)

The Ministry must at least now, in the light of the observations made by the Committee in their various reports on Central Inland Water Transport Corporation take all necessary measures to revitalise the River Service activities of the Corporation with a view to pulling it out of the "red" within a time-bound programme. For this purpose the Ministry and the B.P.E. should lose no time to select competent personnel to man the Corporation.

Reply of Government

A new Chairman-cum-Managing Director has been appointed since 12-5-1978 by the Ministry of Shipping and Transport in consultation with the B.P.E. Steps are also being taken to replace/appoint a few other competent officers to man senior posts in the Corporation. Necessary steps are being taken to revitalise the river services. The Corporation has been asked to prepare a time bound programme to pull itself out of the red.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37) 78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 33, Paragraph No. 2.87)

The Committee are constrained to observe that the Corporation has not paid its dues of Provident Fund and Employees State Insurance regularly. Arrears of Provident Fund which were as high as Rs. 65.87 lakhs in 1974-75 stood at Rs. 12.66 lakhs in 1976-77 and those of E.S.I. at Rs. 1.37 lakhs. What is really baffling is that apart from the amount of employers' contribution, which was charged to the P/L account, the Corporation also swallowed the employees' contribution for paying the wages of workers which too were paid irregularly and by instalments. This shows utter mismanagement.

Reply of Government

CIWTC has intimated that arrears of Provident Fund and those of Employees State Insurance were due to acute ways and means position of the CIWTC. Since the Corporation is running at a con-

tinuous loss without having sufficient cash inflow to meet its immediate commitment on account of statutory liabilities, the Provident and E.S.I. dues during the year 1978 (upto September, 1978) has accumulated at Rs. 23.05 lakhs (including interest of Rs. 10.73 lakhs) and Rs. 1.50 lakhs respectively. The question of grant of loan from Government to liquidate the Provident Fund and Employees State Insurance contribution is under consideration.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 34, Paragraph No. 2.88)

The Committee cannot help feeling that sorry state of cash shortage was brought about because of "big hole in the reservoir" due to terrific mis-management, thieving, misappropriation and corruption in the Corporation. Why the Ministry slept over this state of affairs in the Corporation is rather intriguing. The Committee urge that the Ministry should completely overhaul the management of C.I.W.T.C. with a firm hand and set things right so as to bring about the working of the Corporation at least to breakeven point at the earliest.

Reply of Government

The various irregularities and malpractices pointed out by the Committee in its Second and Fifth Reports have already been referred to the various agencies, C.B.I., R.B.I., Enforcement Directorate, Income Tax Authorities, Ministry of Finance (Department of Revenue) for thorough investigations. Their reports are still awaited.

2. A new Chairman-cum-Managing Director has been appointed with effect from 12-5-1978. Action is being taken by him to overhaul the management of the Corporation, to the extent possible in accordance with relevant rules and procedures and set things right.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 38, Paragraph No. 2.92)

What is more surprising is that the then Chairman-cum-Managing Director (Shri Chelliah) and other officers did not render any detailed account or submit reports about the benefits derived etc., on their return from foreign tours. In fact, as stated by the Corporation "there is no system for the submission of foreign tour reports

and concerned officers on return, only keep the management informed of the outcome of the tours".

Reply of Government

Instructions have now been issued to the Chief Executives of all Public Sector Undertakings under the Administrative control of the Ministry to send a report to the Ministry immediately on their return to India giving a brief account of the work accomplished by them. The Chairman-cum-Managing Director, CIWTC has intimated that necessary orders have been issued by him to his subordinate officers on suitable lines.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Sl. Nos. 39 and 40, Paragraph Nos. 2.93 & 2.94)

The Committee are also astorished to note that no specific approval of the Ministry is required for the foreign tours of Chief Executives and other officers of public undertakings. According to the instructions issued by the BPE, the Chief Executives, in the cass of their own foreign tours, are merely required to "inform the administrative Ministries" and in the case of other employees they can themselves approve the tours. The instructions are also silent about the rendering of accounts and/or reports about benefits derived etc., by the officers, on return from foreign tours, which in fact is the normal practice followed everywhere. In this connection the Committee would like to invite attention to their recommendation contained in Para 6.32 of their 85th Report (5h Lok Sabha 1975-76 on Hindustan Paper Corporation Ltd.) where-in they recommended that:

"Government should critically scrutinise proposals for foreign tours received from the public undertakings and only if they are satisfied that a proposed tour is absolutely necessary in the larger interests of the public undertaking, they should allow a minimum number of officers to go abroad for a short duration to visit specified places for specific purposes. The officers who go on tour should be asked to submit, on return detailed reports on their tour to the Board of Directors and the administrative Ministry concerned who should evaluate the reports critically. The Committee would like the Bureau of

Public Enterprises to issue suitable guidelines to all the Public Undertakings and also the administrative Ministries concerned in this regard and review the guidelines from time to time in the light of experience gained."

The Committee would reiterate that the matter may immediately be examined by Government and suitable instructions issued after taking into account all the relevant factors.

Reply of Government

With regard to the Committee's observations made in their 85th Report (1975-76) on Hindustan Paper Ltd., it is submitted that Government had duly explained the position *vide* its reply to recommendation No. 48 of the said report. In general the Public Enterprises have, however, reported that the review of cases of foreign tours after 1975-76 has revealed that these were undertaken by their officers|Chief Executives for bonafide official business and with the approval of the competent authorities as per the procedure in force.

2. The Government has, however, once again examined this issue and have advised the Public Enterprises through their Administrative Ministries *vide* its O.M. dated 18-12-1978 as under:—

- (a) the foreign tours of Chief Executives, i.e., Chairman and Managing Directors of the enterprises, in future, may be undertaken only with prior approval of the Secretary of the concerned administrative Ministry. In exceptionally urgent cases, however, where it is not possible to obtain prior approval of the Secretary of the concerned Ministry, *ex post facto* approval may be obtained at the earliest;
- (b) the number and duration of such foreign visits be restricted to three in number or 30 working days in a whole year;
- (c) the Government nominees on the Board of Directors of the concerned public enterprises be entrusted with the task of ensuring observance of the above mentioned limits;
- (d) the foreign tour programmes of other executives|officers of the enterprises may continue to be approved and sanctioned after a detailed and thorough personal scrutiny

in each individual case by the Chairman|Chief Executive of the enterprises as hitherto;fore;

- (e) a statement of foreign visits alongwith reports of the concerned officers, indicating accomplishment of tasks undertaken|executed during such tours, be placed before the Board of Directors of the enterprises in its monthly meetings;
- (f) the Government nominees on the Board will keep a vigilant eye to prevent any wasteful expenditure on foreign travel.

Government are also examining the question of extending the above mentioned restrictions regarding prior approval and number and duration of foreign visits to the Directors of the Public Sector Enterprises.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 15th January, 1979]

Recommendation (Serial No. 41, Paragraph No. 2.95)

The Committee are deeply shocked to note that the Corporation, which has been losing about Rs. 4 crores a year and whose cumulative losses amount to over Rs. 21 crores, is spending Rs. 11 lakhs per year on staff car expenses, mainly for providing facility to their senior officers.

Reply of Government

The Central Inland Water Transport Corporation has intimated that in the Financial Year 1975-76 Rs. 10.81 lakhs has been shown as Staff Car Expenses. In fact this figure includes the total expenses incurred for 60 vehicles of the Company, details of which are as follows:—

	Nos.
Hindustan Ambassador Car	15
Jeep/Station Wagon .	19
Pick-up Van/Mini Bus	3
Ambulance Van	2
Truck/Tractor .	16
Motor Cycle	5
	<hr/> 60 <hr/>

The scrutiny by CIWTC has revealed that an expenditure of Rs. 1.76 lakhs (approx.), was incurred for providing transport facility to the Officers for enabling them to attend their place of work. The balance amount was spent for other official work.

The present Chairman-cum-Managing Director, CIWTC is reviewing the requirements of the Corporation in respect of the vehicle with a view to dispose of some of them which may be surplus.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

**Recommendation (Sl. Nos. 45-48, Paragraphs
No. 2.99 to 2.102)**

The Committee strongly recommend that the officials drawing a salary of more than Rs. 1200/- a month should not be entitled to transport facility of any sort. The surplus transport should be disposed of and drivers and other employees attached with cars should be absorbed in other assignments of the Corporation or by transferring them to some other public undertakings in the same city.

The Committee also recommend that in big cities like Calcutta, Madras, Bombay, Delhi, Bangalore, Hyderabad etc. all public undertakings should join hands and have a pool car system in order to effect economy and also to impose effective check on misuse of cars. This should be done. Public Undertakings can meet their requirements of staff car from the pool. This will also bring in a dual control over the use of staff cars and prevent their misuse to some extent.

To prevent misuse of cars it is very necessary that cars should be painted in particular double colours (like that of taxis) bearing in bold letters the name of the undertaking in conspicuous places (at least six inches with the words Government Undertaking and some emblem). Cars will not be made available for private purposes under any circumstances. Rental business is bogus. A scheme in this behalf worked out properly and enforced in all the public undertakings.

The senior executives of public undertakings should be given a car allowance for maintaining their transport. They might be allowed to use the staff car for official work only and not for coming to and going from residence. Maintenance of huge fleets of cars and misuse of such vehicles causing severe dra-in on public sector

resources must be prevented at any cost. For purchase of cars approvals must be obtained from the full board and while making such proposals the cost of the car, its maintenance costs which should include interest on cost, depreciation, repairs, maintenance, oil and lubricant, wages of drivers, garage, insurance and cost of replacement of items like tyres, tubes, batteries etc. should be clearly stated. The cost of the chauffeur driven car in this country costs nearly about a rupee per kilo metre.

Reply of Government

Government accept the above recommendations. Suitable instructions have been issued on the subject to the Public Enterprises through the Administrative Ministries vide BPE's O.M. No. BPE/ GL-038/78|MAN|2(52)|GM-2 dated the 22nd December, 78 (copy enclosed).

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 15th January, 1979]

Recommendation (Sl. No. 49 & 50, Paragraph Nos. 2.103 & 2.104)

The low paid employees, however, should be helped in the matter of reaching their work site in time and if necessary their cost of transport should be subsidised.

Misuse of staff car when detected should be severely dealt with and higher the officer severer should be the punishment.

Reply of Government

Under the extent instructions the facility of transport could be made available to the low paid employees of the Public Enterprises on subsidised basis in the appropriate cases. A copy of the BPE's instructions dated 6-9-1968 on the subject is enclosed.

2. The Committee's suggestions for dealing with cases relating to the misuse of staff cars are unexceptionable. Suitable mechanism can be evolved by the Administrative Ministries in consultation with the Public Enterprises under their administrative control for dealing with such cases.

3. The Central Inland Water Transport Corporation are at present providing free river transport facilities to their workmen.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 15th January, 1979]

Recommendation (Serial No. 52, Paragraph No. 2.106)

The Committee regret to note that the budget estimates are not being prepared by the Corporation in a detailed manner and on any lines. The Corporation management seems to look upon the budget as a device for obtaining funds rather than an instrument of control and review of performance by the management. This may be true of other public undertakings also. The Committee would recommend that the position may be reviewed by the Bureau of Public Enterprises including the desirability of seeking Government approval to the Revenue Budgets of undertakings and detailed instructions issued in the matter at an early date.

Reply of Government

The Administrative Reforms Commission in their Report on the 'Public Sector Undertakings' (1967) and the Committee on Public Undertakings in their 15th Report on 'Financial Management in Public Undertakings' made certain recommendations regarding submission of capital and revenue budget by the Public Enterprises to Government for approval. The Administrative Reforms Commission had also emphasised the importance of using budget as means to plan, appraise and control performance of the Public Enterprises in their report referred to above. Instructions, impressing upon the public enterprises about the need for preparing the detailed budget, estimates were issued by the Government vide BHE's O.M. No. 1(2)/Adv.(F)/68 dated 1-3-1968 and BPE-1(2)/Adv.(F)/68 dated 11-3-1969. Most of the Public Enterprises now prepare their budget estimates every year for all items of work to be undertaken in that year on the lines indicated in these OMs. The Administrative Reforms Commission had also considered the question as to whether Government approval to Revenue Budgets of the Public Undertakings should be obtained. The Study Team of the ARC which had examined the issue relating to this in detail had observed that:

"Working to a Revenue Budget which has been approved by a higher authority, can also prove to be of very severe constraint on an undertaking that is expected to be run on business and commercial lines. For these reasons, they recommend that a public undertakings, whether it is a Government company or a statutory corporation, should not be required to submit its revenue budget to Government or Parliament for their prior approval unless it is a deficit budget and the Government is expected to make up the deficit."

These conclusions of the Study Team were accepted by the Administrative Reforms Commission and incorporated in their Report on the Public Sector Undertakings (Recommendation 3.1(vii) of the Report dealing with the powers reserved to the Government, refers). The recommendations of the ARC were accepted by the Government and communicated to all administrative Ministries/Public Enterprises *vide* O.M. dated 11-3-69. Government feel that there is no need to revise the position in this regard. All concerned are, however, being requested to ensure that these instructions are complied with.

CIWTC has been asked to ensure compliance with the instructions of BPE referred to above in future.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 53, Paragraph No. 2.107)

The Committee are constrained to observe that while on the one hand the Corporation had been incurring heavy interest charges on loans, on the other it allowed heavy outstandings against sundry debtors which amounted to Rs. 444.22 lakhs as on 31-3-1976, out of which Rs. 54.61 lakhs were considered to be doubtful. The debts outstanding for more than 3 years amounted to Rs. 149.89 lakhs—Rs. 111.59 lakhs from Government Departments and Rs. 38.30 lakhs from private parties.

Reply of Government

Outstanding Sundry Debtors as on 31-3-1978 amounting to Rs. 430.00 lakhs approximately are made up as follows:—

	Rs. lakhs (Approx.)
Central Government Department	112.01
Government Undertakings	166.51
State Government Deptt.	18.06
Autonomous Bodies	116.76
Private Parties	16.66
TOTAL.	430.00

Various efforts are being made for recovery of the dues through constant reminders, personal contacts by the Chairman-cum-Managing Director, CIWTC and by resorting to legal action wherever necessary.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 54, Paragraph 2.108)

The Committee recommend that urgent and effective steps should be taken by the Central Inland Water Transport Corporation and the Ministry to realise the outstanding amounts expeditiously and to rationalise the procedure for ensuring expeditious payments of dues in future.

Reply of Government

Central Inland Water Transport Corporation has intimated that necessary steps are being taken by it to realise outstanding dues as expeditiously as possible. For ensuring expeditious realisation, the following procedure is proposed to be adopted:—

- (i) By issue of telephonic and written reminders.
- (ii) By making personal contacts.
- (iii) By initiating legal action wherever necessary, and
- (iv) by approaching the administrative Ministry of Shipping & Transport where necessary, for getting dues settled early by concerned Government Departments.

This Ministry will take urgent steps as and when references are received in this regard from the Corporation.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 55, Paragraph 2.109)

The Committee take a very serious notice of the following other deficiencies in the accounts and internal audit of the Corporation.—

- (i) No physical verification of stocks and stores has been done since the inception of the Corporation in 1967. Even the stores taken over from R.S.N. Company were not verified at that time. Some physical verification was done in 1973 but it was not found acceptable. Substantial items of stores were pilfered and disposed of for private gains.

It was only in 1977 that a 100 per cent stores verification was started and though results thereof are yet to be known, the management expects discrepancies. What is worse is that there is no regular system of physical verification of stores in the Corporation.

- (ii) There have been a number of cases of misappropriation of stores and cash defalcation/shortages in the Corporation.

- (iii) Voyage accounts of various river services, giving vessel-wise position of sailings, earnings etc., are in arrears since 1975.
- (iv) There have been inordinate delays in the finalisation of annual accounts of the Corporation.
- (v) Internal Audit has not been effectively organised despite instructions of the Bureau of Public Enterprises issued in 1968.
- (vi) Sale proceeds of assets like sale of vessels, land and buildings have not been credited to Government account or deposited in a separate bank account.

Reply of Government

(i) The physical verification of stocks and stores started in 1977 is still in progress. The Corporation has been directed to complete it by 31-12-1978. The Corporation is also taking necessary steps to ensure regular physical verification of stocks and stores in future. Internal audit, vigilance and security have also been strengthened to plug lacuna in the store management and to reduce scope for pilferage.

(ii) It has been intimated by the CIWTC that there have been in all three cases of defalcation/cash shortages in CIWTC. Of these, one case related to the decamping of a peon attached to Bangladesh office of the CIWTC at Narayanganj with Taka 3,000 during 1973, wherein investigations were carried out by the local police viz. Bangladesh Police who dropped the case on the ground that the accused was an Indian national. The second case related to the defalcation/shortage of cash amounting to Rs. 75,146/70 ps detected during the course of finalisation of accounts in 1973. The matter relating to the defalcation/shortage of money is under investigation by police. The ex-Cashier was simultaneously proceeded against departmentally and dismissed from the Corporation in 1976. The third case related to the shortage of cash amounting to Rs. 10,446/10 p. deducted during 1967-68. The peon who was found responsible was dismissed from service.

(iii) Voyage Accounts of various river services are now being prepared and the arrears also are being simultaneously attended to.

(iv) The observation has been noted by CIWTC. The present management has been asked to ensure closing of annual accounts within the scheduled time in future.

(v) CIWTC have reported that a system of Internal Audit is in force in the Corporation as per BPE's directives and regular audit is also being done. Recently the Internal Audit Cell has been strengthened by recruiting one Senior Accounts Officer and two more Assistants to adequately cover the scope and function of this Unit.

(vi) CIWTC has intimated that most of the fixed assets of the Corporation including the vessels are hypothecated under floating charge with both President of India and the State Bank of India. The Solicitors of the Corporation are of opinion that the Company is competent in dealing with the property covered under floating security or charge by way of sale or disposal of any surplus stock of any goods which are deemed as scrap or unfit for use and for any such deal the permission of the holder or holders of the floating charge or security is not necessary. In their opinion floating charge is only an equitable charge and not a specific mortgage of the assets and the holder of the floating security cannot assert that the assets are specific mortgage to him until some event occurs or some act on the part of the holders is done which cause it to change into fixed security. The opinion of the Ministry of Law, Justice and Company Affairs is being obtained.

However, an amount of Rs. 30 lakhs representing a part of the sale proceeds of vessels sold recently has been kept by CIWTC in the "Term Deposit" with the SBI and a further sum of Rs. 24.82 lakhs has been credited to the Cash Credit Account of S.B.I.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 57 Paragraph 2.111)

The Committee note that there are two types of audit to which the Government companies are subjected to i.e. one by Chartered Accountants' firms selected by Comptroller and Auditor General and the other supplementary or test audit by the Audit Boards of the Comptroller and Auditor General. This is the regular feature of audit conducted every year. Further the Committee note that under Section 233A of the Companies Act, Government have the power to direct special audit of accounts of a company whose financial position is such as to endanger its solvency.

Reply of Government

The position being factual, is noted.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 62 Paragraph 2.116)

The Committee noted that the Corporation has a number of properties in Assam and West Bengal. The Committee would strongly recommend, in order to raise the resources, to dispose of such properties to the highest bidder and the Corporation keeping for itself minimum accommodation for future use.

Reply of Government

The Chairman-cum-Managing Director has been asked to dispose of all surplus properties of CIWTC, in accordance with their approved procedure.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-
C&E dated the 8th November, 1978]

CHAPTER III

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

Recommendation (Serial No. 5 Paragraph 1.100)

The Committee feel that special consideration was shown by Government in appointing Shri Chelliah as the Chairman-cum-Managing Director of the Corporation. Prior to this he was Manager, operations in the Shipping Corporation of India and drawing pay of Rs. 2000/- P.M. He was first appointed as Chairman of the Central Inland Water Transport Corporation on 16-6-1975 and then made Chairman-cum-Managing Director w.e.f. 1-1-1976 and given the maximum of scale, i.e., Rs. 3000/- P.M. or a lift of Rs. 1000/- P.M., from the very date of his initial appointment on 16-6-1975. He had qualifications of navigator and had no experience of the inland water transport. As Chairman-cum-Managing Director he was first appointed for a term of one year and then on the recommendation of the former Secretary of the Ministry (Shri M. Ramakrishnayya) appointed for a further term of 4 years.

Reply of Government

A normal tenure of appointment to top posts in Public Undertakings is 5 years. The Public Enterprises Selection Board had recommended the appointment of Shri K. Chelliah for full time Chairman|Chairman-cum-Managing Director of the C.I.W.T.C. He was appointed as full time Chairman of the Central Inland Water Transport Corporation upto 31-12-75 (i.e. the date of superannuation of the then Managing Director, Shri M. Yusuf Khan). He was again appointed for a period of one year as Chairman-cum-Managing Director w.e.f. 1-1-76 after the retirement of the then incumbent of the post of Managing Director. The PESB itself at the time of selection of Shri Chelliah recommended that he might initially take over as Managing Director from Shri M. Yusuf Khan and become Chairman-cum-Managing Director on Shri Khan's retirement. After the expiry of the period of one year on 31-12-76 his continued appoint-

ment as C.M.D. was approved for the remaining period of 4 years. On both these occasions the approval of the Appointments Committee of the Cabinet was obtained before order was issued. While recommending his initial appointment, the PESB had suggested his fixation of pay at Rs. 3000/- P.M. This recommendation was also accepted.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978].

Recommendation (Serial No. 6 Paragraph 1.101)

The first thing that he did after appointment was to hurriedly amend the Delegation of Administrative and Financial Power Rules of the Corporation with the help and support of the Ministry and to assume to himself considerable powers, which as revealed in this and other Reports presented by the Committee on the Corporation, have been misused with impunity. In fact he not only belied the high hopes of pulling the Corporation out of the rut and revitalising its operations but brought the Corporation to a virtual ruin. Various irregularities and malpractices were committed by him and also by his subordinates during the period of his stewardship which have been pointed out by the Committee at various places in the report of the Corporation. In the opinion of the Committee it was an error of judgment to select him for the post. This is a sad reflection on the method of scrutiny and selection of Chief Executive and other top officials of Public Undertakings by the Public Enterprises Selection Board of the Bureau of Public Enterprises.

Reply of Government

It is a fact that financial and administrative powers were enhanced by the resolution of the Board of Directors in its meeting held on 22-7-75. The enhanced delegations had been proposed in the agenda notes on the ground that these would help in more expeditious and efficient working of the various Departments.

Government of India have appointed the Public Enterprises Selection Board (PESB) which is a high level expert body to advise it on appointments to the post of part-time Chairman, Chairman and Managing Director and full-time Directors. The members of the PESB have wide experience of the requirements of public sector management and are expected to bring to their task a high level of objectivity in order to ensure high standard of selection. The procedures followed by the PESB have been formulated so as to achieve this objective. In additions, there is the requirement

or reviewing the performance of those appointed to top post at the end of the first year before confirming the remaining part of their tenure. Government are satisfied with these arrangements for making selection for top posts in public enterprises. The case cited by the COPU may be an exception and cannot be sufficient reason for altering these arrangements, which have generally worked satisfactorily.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 16th December, 1978].

Recommendation (Serial No. 19 Paragraph 1.114)

The Committee are distressed to note that there has been lot of 'bungling' in recruitment and promotion of officers and employees in the CIWTC in contravention of its set rules. While certain employees got undue advantage, some were penalised and dismissed without any reasons or serving a show cause notice to them. In fact, it seems that the management got 'energised' during the period of Emergency.

The Committee would recommend that:

- (1) Government may review all the cases of victimisation, especially during the Emergency in the Corporation with a view to giving necessary relief wherever called for. Cases of violation of Recruitment, Promotion and Conduct rules may also be reviewed with a view to fixing responsibility for giving undue favouritism or becoming vindictive.
- (2) All rules and regulations of public undertakings, especially Recruitment and Promotion Rules, Conduct Rules etc. should have the approval of Government as also any amendments or deviations therefrom.

Reply of Government

(1) There were seven cases of termination of services during the period of Emergency. All these cases have been reviewed by the Corporation and employees concerned reinstated/re-employed.

All cases of promotions/recruitments in violation of the Recruitment, Promotion & Conduct Rules are being reviewed and suitable actions are being taken in such cases.

(2) The Public Enterprises derive their power for framing recruitment and promotions rules, conduct rules etc. from their res-

pective statutes/Articles of Association. Within the limits prescribed therein they enjoy, complete autonomy subject to such policy directions as are issued by the Government from time to time. Following the acceptance of the recommendations made by the Estimates Committee/Parliamentary Committee on Public Undertakings with regard to evolving model principles for recruitment/promotions rules, instructions were issued by the Ministry of Industry, Department of Industrial Development *vide* their O.M. dated 26-11-1964 and 29-1-1969 to all the Administrative Ministries requesting them to advise the Public Sector Enterprises under their control to take necessary steps to finalise their recruitment/promotion rules in line with the model principles in this regard. Deviations from these model principles could be permitted by the Administrative Ministries concerned if called for, keeping in view the peculiar circumstances of the concerned enterprise. B.P.E. also circulated *vide* letter dated 26-4-1974 a set of model conduct, Discipline and Appeal Rules for their adoption with such variations as may be necessitated due to the local circumstances. The Government have been informed that these model principles regarding recruitment and promotions rules as also for the conduct rules are being kept in view by the Public Enterprises while framing their own set of rules. The Administrative Ministries concerned are also consulted on important matters or otherwise required under the relevant statutes/Articles of Association of the Public Sector Enterprises. The arrangement has, by and large, worked well and the Government consider that no additional restrictions should be imposed on the autonomy of the Public Enterprises in this area of management.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978].

Recommendation (Serial No. 21 Paragraph 1.116)

What is worse is that though in some cases the CBI found the persons guilty of major offence, no departmental action to suspend them till the completion of enquiries or atleast make them proceed on leave was taken by the management. On the other hand the top hierarchy seem to have been shielding them by taking recourse to delayed departmental action and allowing them to attend office.

Reply of Government

As already mentioned in reply to Recommendation No. 20 (Paragraph No. 1.115) there are two cases involving three officers of the Central Inland Water Transport Corporation in which the CBI have, as a result of their investigations, found them guilty. One

case related to the acceptance of a gift by an officer from a supplier with whom he had official business dealings; this officer was dismissed from service as a result of departmental proceedings. There was no delay in taking departmental action on receipt of CBI's report. The Second case related to the causing of pecuniary loss to the CIWTC in regard to the award of contract for the demolition of certain buildings belonging to the Corporation; one of the two officers involved in this case, who was employed on a temporary basis, resigned before investigations were completed; departmental proceedings are being initiated by the Corporation against the other officer.

The case relating to the stealing of boiler has been referred to the CBI for investigation.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978].

Recommendation (Serial No. 24 Paragraph 1.119)

The Committee also note that under the Vigilance Manual, after the CBI has investigated a case and given their findings a further enquiry is required to be held by an officer of the Vigilance Commission and it is only after he had given his report that the punishment to the guilty officer could be awarded. The Committee would like the Central Vigilance Commission to review the existing procedure with a view to ensuring quick departmental action and awarding due punishment expeditiously. The role of Calcutta Office of the CBI may be mentioned here as being far from satisfactory.

Reply of Government

The recommendation made by COPU has been brought to the notice of the Ministry of Home Affairs. That Ministry has *inter-alia* intimated as follows:—

“Investigation of a case by the CBI is in the nature of a preliminary fact finding investigation. If, on the basis of the Investigation conducted by the CBI, the disciplinary Authority comes to the conclusion that disciplinary proceedings should be initiated against the officer concerned, specific articles of charge are drawn up by the Disciplinary Authority under the relevant disciplinary rules and served on the officer. For the purpose of imposition of one of the major penalties prescribed in the rules it is

mandatory to hold an inquiry by an Inquiring Authority appointed by the Disciplinary Authority to inquire into the charges framed against the Government servant. In the case of gazetted officers and officers of public sector undertakings drawing a pay of Rs. 1,000/- p.m. and more a Commissioner for Departmental Enquiries working under the Central Vigilance Commission is generally appointed as the Inquiring Authority to inquire into the charges framed against the officer. Thus, while the CBI investigation is a preliminary fact finding investigation on the basis of which the Disciplinary Authority comes to a conclusion whether there is any ground for departmental action against the officer, the Inquiring Authority appointed by the Disciplinary Authority holds an inquiry into the specific charges framed against the government servant under the relevant disciplinary rules and is mandatory. The two inquiries are thus meant for different purposes and are different in nature. This Department is not aware of the background in which the Committee has observed that the role of the Calcutta Office of the CBI may be mentioned as being far from satisfactory."

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978].

Recommendation (Serial No. 35 Paragraph 2.89)

The Committee also see no valid reasons for entrusting the work of updating the P.F. accounts of the Corporation to private auditors (M/s Sake & Co.) who were first paid an annual fee of Rs. 7,500/- for this work and later the fee was raised to Rs. 10,000/- because "they incurred losses". This only shows the inefficiency of the organisation of the FA&CAO in the Corporation.

Reply of Government

Central Inland Water Transport Corporation Ltd. Provident Fund started functioning with 2/3 years' arrears arising out of late receipt of exemption certificate from the Fund Commissioner (West Bengal). The arrear work could not be liquidated even by engaging staff on overtime basis due to acute shortage of competent staff. The various labour Unions demanded immediate submission of individual P.F. Accounts. There was virtual ban on the recruitment of clerical staff. In order to clear the arrears it was decided at that point of time to entrust the job

to an outside agency. Since Messrs Sake & Co, who were the Corporation's Statutory Auditors, were fully conversant with the work and their charges were very much less than the overtime amount paid to the staff, it was decided to engage them to complete the work.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November,1978]

Recommendation (Serial No. 36, Paragraph 2.90)

The Committee regret to observe that though the Corporation was losing heavily from year to year, its overhead expenses rose from Rs. 71.12 lakhs in 1975-76 to Rs. 389.26 lakhs in 1976-77 registering a rise of 450 per cent.

Reply of Government

The expenses booked in the account of the Corporation as other Expenses (including general charges) for the year 1976-77 amounted to Rs. 421.31 lakhs as against Rs. 71.12 lakhs in 1975-76. The figure of Rs. 389.26 lakhs as shown against 1976-77 has since increased to Rs. 421.31 lakhs after audit and the audited figure has been reflected in the Corporation's 10th Annual Report placed in the Parliament. The increase in overhead expenses is due to the increase in expenditure on diversified activities undertaken during the year, under the following sub-heads:—

	(Rs. in lakhs)
(a) On account of High Sea Grain Lightening operation .	234.42
(b) on account of increase in Stevedoring business .	116.22
(c) On account of increase in I.O.C. Oil Operation	2.80
TOTAL	353.44

There has been also increase in income from these operations during the year. If the above expenditure of Rs. 353.44 lakhs is deducted from Rs. 421.31 lakhs, the amount of overhead expenditure on other accounts would come to Rs. 67.87 lakhs in 1976-77 as against Rs. 71.12 lakhs in 1975-76. Thus the overhead expenditure in 1975-76 did not increase except on account of the diversified and increased activities of the Corporation.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November,1978]

Comments of the Committee

Please see Paragraph 1.25 of Chapter I of the Report.

Recommendation (Serial No. 42 Paragraph No. 2.96)

The Chairman-cum-Managing Director and the Principal Adviser have been provided free staff car facility and in addition allowed use of staff cars for private purposes upto 500 km. against payment of a nominal amount of Rs. 100/- p.m. and beyond that by paying 50 paise per k.m. The principal Adviser had been enjoying this facility in utter disregard of the guidelines issued by the Bureau of Public Enterprises in this behalf.

Reply of Government

Free staff car facilities provided to the Chairman-cum-Managing Director of the Company is as per guidelines issued by the Bureau of Public Enterprises.

2. As regards the car facilities enjoyed by Principal Adviser, the CIWTC has intimated that the Board of Directors while sanctioning the creation of the post of Principal Adviser and reappointment thereto of Shri M. Yusuf Khan for one year on his retirement from services approved that the Principal Adviser (Shri M. Yusuf Khan) would continue to enjoy the facility of transport and use as in his previous appointment as Managing Director. This condition was incorporation in order of appointment of Shri M. Yusuf Khan as Principal Adviser. The Corporation has been asked not to allow this facility in future to any officer who is not authorised for the same according to the guidelines issued by the BPE without prior approval of the Ministry.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 43, Paragraph No. 2.97)

Ninety-six other departmental heads and senior officers are using staff cars, jeeps etc., for coming from their residence to office and back by paying nominal charges of Rs. 16, 30 and 50 per month according to the status of the officers. Even assuming that 3 officers shared the car|jeep at a time, the total charges recovered from them would, on an average, amount to Rs. 100 or Rs. 150 p.m. as against the maintenance and running charges of a jeep amounting to roughly Rs. 4,000 per month.

Reply of Government

Under the guide-lines issued by the BPE, provision of transport from office to residence on the basis of recovery of cost is to be restricted to officers and should apply to cars and mini buses.

The CIWTC have intimated that the jeeps are primarily being maintained by the company for carrying men and materials inside the docks etc. and are not being maintained for picking up or dropping officers from and to their residence.

The Chairman-cum-Managing Director has now intimated that he has reviewed the staff car facilities being accorded to the officers coming from their residences to office and back and the same has been withdrawn from September, 1978. Only the facility for using company's buses and mini buses plying on fixed routes are allowed to the officers of Rajasthan Dockyard for coming from residence to place of work and back on payment of Rs. 16 per month per head. The rate of hire charges of Rs. 16 being recovered from the officers of Rajasthan Dockyard is not adequate, yet such facility is essential for the employees who have to report for work outside the Municipal jurisdiction and is also provided at subsidised rates by other public sector undertakings like the GRSE. In view of this, it has not been considered expedient to revise these charges.

[Ministry of Shipping and Transport, O.M. No. 9-IWT (37) |
78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 44, Paragraph No. 2.98)

There is no reason why the senior officers should be provided with transport facility at Company's expense. There is also no justification for allowing private use of staff cars by the Chief Executives. The large-scale use of the vehicles of the Corporation either free or on nominal charges by the officers and staff in the opinion of the Committee is defrauding the Company or consuming its resources in a different way. That this has been allowed by the Chief Executive without regard to its adverse financial effect, is highly improper and irresponsible. The Committee condemn this.

Reply of Government

The position regarding provision of staff car with facility for its use for private purposes upto 500 kms. against payment of Rs. 100 p.m. and transport to senior officers on recovery of charges has been indicated in the reply to Recommendation Nos. 42 and 43.

[Ministry of Shipping and Transport, O.M. No. 9-IWT (37) |
78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 51, Paragraph No. 2.105)

The Committee are also surprised to note that considerable expenditure has been incurred by CIWTC on hired cars especially during the visits of Chairman-cum-Managing Director|Principal Adviser to Delhi. During the one year 1976-77, tourist luxury cars were hired in Delhi on 23 occasions involving a total expenditure of Rs. 4849, i.e., an average of over Rs. 200 each time. The Committee are shocked to note that the Chairman-cum-Managing Director of the Company, which was losing about Rs. 4 crores of public money a year should resort to riding a luxury tourist car. This action is totally condemned.

Reply of Government

The Central Inland Water Transport Corporation has intimated that as per their T.A. Rules, officers are entitled to taxi fare while they are on tour carrying Co's papers, subject to sanction by appropriate authority. Cars were hired for Chairman-cum-Managing Director and Principal Adviser during their official tours to New Delhi in lieu of taxi fare. They have pointed out that only Ambassador Cars called DLY cars, and not luxury cars called DLZ cars (either air conditioned or non-air conditioned) were hired in New Delhi.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37) | 78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 58, Paragraph No. 2.112)

The Committee are perturbed to observe that though the Corporation has been incurring heavy losses since 1967 and various irregularities and malpractices have occurred in its functioning only petty matters have been brought to light in the Audit Reports appended to Accounts and there have no special para in Comptroller and Auditor General's Audit Reports (Commercial) in this Corporation so long. Had this been done, the Committee and the Parliament could have had an opportunity of examining the affairs of the Corporation before it came on the brink of disaster. In fact the Audit Board has only been a "rubber stamp" to whatever was observed by the private audit firms.

Reply of Government

The Audit Board takes up for appraisal the working of only those organisations that are selected for such appraisal from time to time.

The Comptroller and Auditor General had suggested appraisal of CIWTC by the Audit Board for 1970-71 but Government requested for its deferment till 1971-72 as Government had constituted a Committee to study the working of the Corporation in detail with a view to assessing the economic viability of all its activities and it was felt that that report of the Committee would be of great use to the Audit Board in making an appraisal of the working of the Corporation. Thereafter, the Corporation has not been selected for appraisal by the Audit Board, for the reasons mentioned by the Comptroller and Auditor General as incorporated in Government reply to recommendation No. 59. The Comptroller and Auditor General has been requested that appraisal of CIWTC by the Audit Board may be taken up next year soon after 1-4-1979.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 59, Paragraph 2.113)

The Committee would like Comptroller and Auditor General to examine how this has happened. The Committee also trust that the Comptroller and Auditor General would take appropriate steps in this direction and ensure that losing public undertaking and those against whom there are serious allegations in the Press, Parliament or otherwise, receive urgent attention and special scrutiny.

Reply of Government

The recommendations were brought to the notice of the Comptroller and Auditor General. The latter has informed the fact that the CITWC was incurring heavy losses since its inception has been mentioned in Part I of the Reports of the Comptroller and Auditor General of India submitted to Parliament every year. The latter has also informed that the last submitted report of 1978 brings out the fact that cumulative loss as on 31-3-1977 was Rs. 2143.87 lakhs as against the paid up capital of Rs. 760.75 lakhs as on that date.

2. The C & AG has *vide* note enclosed (Annexure) explained the three distinct phases in regard to reporting of Government audit on public sector undertakings. It will be seen from the enclosed note that C & AG has *inter alia* observed that:

"Nil comments by the Director of Commercial Audit, Calcutta in regard to these reports, year after year till the accounts for 1975-76, meant that so far as the accounts were concerned, the Government Audit did not have any additional

points to comment, over and above what had been brought out by the Statutory Auditors in their Report. Nothing more can be read into the Certificate of the Statutory Auditors or the comments of the Indian Audit Department on these accounts."

As regards the question of ensuring that losing public enterprises and those against whom there are serious allegations in the press, Parliament or otherwise should receive urgent attention and special scrutiny by the Audit, the Comptroller and Auditor General has informed as follows:—

"The Audit Board takes up for appraisal the working of only those organisations that are selected for such appraisal from time to time. The Central Inland Water Transport Organisation has not been selected for such appraisal so far. In fact, it was suggested for appraisal by the Audit Board for 1970-71, but Government requested deferment of the same *vide* confidential letter No. SY-21 (4) /70, dated 22nd April, 1970 from the Ministry of Shipping and Transport (Transport Wing) for the reasons stated therein. The deferment was duly intimated to the Committee on Public Undertakings also *vide* copy of this office letter to Committee on Public Undertakings—No. 1082-CA.III/227-69 dated 12-6-1970 not enclosed. In view of the already selected items still pending, no fresh items were added to the organisations selected recently. The reference to the Audit Board is not correct in the circumstances indicated above."

[Ministry of Shipping and Transport, O.M. No. 9-IWT(37)/78-C&E, dated the 8th November, 1978]

Annexure

There are three distinct phases in regard to reporting of Government audit on Public Sector Undertakings. These are:—

- (i) A review of the balance-sheet and profit and loss account as certified by the professional auditors, appointed by the Government on the advice of the C.A.G., with a view to seeing whether there is anything to comment upon or supplement the points made in the report of the Statutory Auditors. This is undertaken whenever a company is selected for such a review.

- (ii) *Efficiency-cum-propriety* audit, the results of which are reflected in the form of audit paragraphs|reviews included in the Reports of the C.A.G. submitted to the President under Article 151 of the Constitution. This is done after the points noticed during audit inspections are examined, the comments of the Management and the Ministry concerned obtained and any further information collected.
- (iii) In the wake of the recommendations of the Administrative Reforms Commission, the Audit Board was constituted with effect from 1st April 1969 under the aegis of the C.A.G. for undertaking appraisal of the working of public sector undertakings selected for such appraisal from time to time.

2. In regard to the first item, what the Statutory Auditors certify is that the accounts give a true and fair view of the financial working of the organisation. Subject to any remarks from the accounting point of view that the Statutory Auditors may offer, C.A.G.'s comments given under Section 619A(4) of the Companies Act are with reference to any additional points or comments that Audit may have over and above those of the Statutory Auditors, or relate to the qualifications on the Statutory Auditors' Reports all that has been mentioned in the Statutory Auditors' Reports of this Corporation was as far as the accounts are concerned, that these did reflect a fair and true view subject to the qualification in their Report.

Nil comments by the Director of Commercial Audit Calcutta in regard to these reports, year after year till the accounts for 1975-76, meant that so far as the accounts were concerned, the Government Audit did not have any additional points to comment, over and above what had been brought out by the Statutory Auditors in their Report. Nothing more can be read into the certificate of the Statutory Auditors or the comments of the Indian Audit Department on these accounts.

3. As regards the second phase of audit referred to in para 1 above, the points taken up by the Director of Commercial Audit in the inspection reports, after inspecting the offices of the Corporation from year to year, are in different stages of correspondence. The inspection reports issued by the Director of Commercial Audit in respect of this undertaking are available in the office of the Corporation itself. These reports have also brought out a number of objections but these are being further processed by the Director of Commercial Audit, Calcutta, for possible inclusion in the Audit Report. However, in Part-I of the C.A.G.'s Audit Report submitted to the

President and laid on the table of the Parliament from year to year, the fact that this Corporation has been incurring heavy losses has been specifically mentioned. For instance, in the Report of 1978 Part-I introduction which was presented to the Parliament on 31st August, 1978, Paragraph 6.03 and 6.04 make a specific mention of the losses. The latter brings out that the cumulative loss incurred by the Corporation up to March 1977 was Rs. 2,143.87 lakhs as against the paid up capital of Rs. 760.75 lakhs as on that date.

4. As regards the appraisal reports, the following is the position:—

In view of the fact that this Corporation was incurring losses, it had been selected for appraisal by the Audit Board during 1970-71. However, the appraisal of this undertaking had to be deferred at the specific request of the Ministry of Shipping and Transport communicated in their letter No. SY-21(4)/70, dated 22nd April 1970. (Not enclosed) The Ministry in the said letter had mentioned that they had constituted a committee to study the working of this Corporation in detail with a view to assessing the economic viability of all its activities and to close such of them as were not economically viable. The selection and deferment of this undertaking was duly intimated to the Lok Sabha Secretariat. Thereafter, this undertaking could not be selected for appraisal by the Audit Board as appraisals of a number of undertakings already selected (including giant undertakings like Hindustan Steel Limited and Fertilizer Corporation of India Limited) had been pending. This position was also intimated to the Lok Sabha Secretariat.

Recommendation (Serial No. 60, Paragraph Z114)

Further, in view of the unsatisfactory position of the Corporation's accounts and procedures, the Committee require that a special Audit of the account of the Corporation under Section 233A of the Companies Act be undertaken immediately, so that all the accounts and procedures etc., are set right.

Reply of Government

The Comptroller & Auditor General of India has been requested to arrange special audit of the accounts of the Corporation conducted by his staff as recommended by the Committee in para 123 of its 5th Report. It is not considered necessary to have a special audit

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of the accounts of the Corporation also done under Section 233-A of the Companies Act (which, as advised by the CAG, can be done only by a Chartered Accountant), as that would involve duplication of work by two agencies.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Comments of the Committee

Please see paragraph 1.28 of Chapter-I of the Report.

Recommendation (Serial No. 61, Paragraph 2.115)

The Committee are very much disappointed with the performance of the private audit. The Committee are positive that no useful purpose could be served by private auditors in the case of public sector undertakings. The Committee, therefore, strongly recommend that the system of employing private auditors for auditing public sector undertakings be done away with and the entire audit work be taken over by the Comptroller and Auditor General.

Reply of Government

The issue of multiplicity of audit including statutory audit by professional private auditors was reviewed by the Administrative Reforms Commission in their Report on Public Sector Undertakings (1967). The outcome of this review was that since most of the public enterprises have been set up as Limited companies under the Companies Act and audit by professional auditors being a statutory requirement, it is not possible to do away with the professional audit. Multiplicity of audit can be avoided by entrusting regulatory audit to professional auditors and performance audit to the Comptroller & Auditor General. The regulatory audit by the professional auditors is done in accordance with the directives/guidelines laid down by the C.A.G. If the performance of any particular auditor is not considered satisfactory by the CAG, he has the discretion not to appoint him in future. Government therefore does not see any reason to deviate from the practice prevailing at present.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 63, Paragraph 2.117)

In order to reduce its overhead expenses the Corporation should shift its head office to three places or distribute its offices at three

places, viz., (1) Rajabagan Dockyard (2) Jagannath Ghat and (3) T.T. Shed, Fairlie Place. The building conditions permitting could be sub-let at the present market rate preferably to the Central Government offices/Undertakings which will bring some money to the Corporation every month.

Reply of Government

The Central Inland Water Transport Corporation has intimated that the Corporation has taken steps to sub-let the space, surplus to their requirement, out of the space occupied by its Head Office in the 4-Fairlie Place to other Central Government Undertakings with a view to secure regular income for the Company as also to effect economy in its expenditure towards the rent of the premises. A portion of the Head Office premises has been sub-let to Government undertakings like the HSL, CRTC as also the Calcutta Port Trust, the rent received from the above organisations meets a substantial part of the rent payable by CIWTC to the landlord.

Company's registered Office in the existing premises (4-Fairlie Place) are situated at the most convenient site of Dalhousie Square which is the commercial complex of Calcutta where most of the registered Offices of the Central and State Governments and private companies like CPT, SCI, Coal India, HSL, Customs, Solicitor's Office, Company Law Board Office etc. etc. with whom the C.I.W.T.C. has to deal, are also situated. The basic object of the Company is "inland Water Transport", which are being operated mainly from CIWTC's Juggernath Ghat situated very near to their present registered Office. Apart from the above, the cost of conveyance will also increase substantially if the registered office is either shifted to Juggernath Ghat or T.T. Sheds or Rajabagan Dockyard since all the operating units cannot be housed in one place. Moreover, the capital expenditure involved for shifting office elsewhere will be sizeable.

3. Out of total floor areas of 23,714 sq. ft. the CIWTC have already sub-let 9,957.24 sq. ft. (i.e. 6,871.64) sq. ft. to HSL, 2,302 sq. ft. to CPT and 783.60 sq. ft. to CRTC) fetching a total rent of Rs. 9,957.24 per month. The C.I.W.T.C. has been paying a sum of Rs. 16,008.33 paise per month for the entire area of 23,714 sq. ft. occupied by their Head Office. Out of this, monthly rent of Rs. 9,957.24 is already being recovered from other subtenants by the CIWTC and thus the CIWTC is at present bearing only a sum of Rs. 6,050.76 per month. Moreover,

the CIWTC have also approached to its tenants i.e. C.P.T. and H.S.L. to enhance their rent and if it materialises, the net rent payable by the Corporation will be reduced still further.

4. The Board of Directors of the Corporation at their 73rd meeting held on 21-7-1978 took the above facts into consideration and approved that *status quo* may be ~~maintained~~.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-
C&E dated the 8th November, 1978]

CHAPTER IV

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF THE REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE

Recommendation (Serial No. 4, Paragraph 1.99)

The Committee would further recommend that:—

- (1) Any payments on account of pay and allowances that may have been made to the 3 officials (namely Dr. I.A. Mukherjee, S/Shri H.K. Mukherjee and D. N. Guha) as a result of extension of their services in an illegal meeting of the Board held on 28-10-1977, should be recovered from those responsible for such an illegal decision.
- (2) Since important business is transacted at the Annual General Meetings of the Public Undertakings, Central Government officials appointed to represent the President of India at such Meetings should be persons of sufficiently higher status, rather than of Under Secretary level as has been done in the case of Central Inland Water Transport Corporation.
- (3) Minutes of every Board meeting of the Public Undertakings should be numbered so as to facilitate future references apart from removing any possibility of tampering with them. The Secretary of the Corporation agreed that this needed to be done.

Reply of Government

- (1) The CIWTC Board at its 70th meeting held on 28-12-77 meeting cancelled all business transacted in the 69th meeting held on 28-10-77 and decided to discontinue the services of Dr. A. L. Mukherjee and Shri N.K. Mukherjee by giving them due notice. "The Board also decided not to give any extension of service or re-appointment to Shri D. N. Guha. Actions have been taken on the basis of the above decisions of the Board of Directors." Since Shri N.K. Sar-

kar who was then Secretary of the Corporation has already left the organisation and there could have been bonafide view that 2 Government Directors who had been transferred from previous Departments should not be counted in the total strength of the Board for the purpose of working out the quorum, the question of recovery of payments on account of pay which allowances to these officers for the period for which they remained in service as a result of the decision in the 70th meeting does not arise.

(2) Government has decided that in future nomination of the officers to represent the President of India at the Annual General Meetings of the Public Enterprises should be restricted to the officers who are of the rank of Joint Secretaries and Directors in the Administrative Ministries concerned.

(3) Under Section 193 of the Indian Companies Act, every company including a Government company is required to cause minutes of all proceedings of every general meeting and all proceedings of every meeting of its Board of Directors or of every committee of the Board, to be kept by making within thirty days of the conclusion of every such meeting concerned, entries thereof in books kept for that purpose with their pages consecutively numbered. Each page of every such book is also to be initialled or signed and the last page of the record of proceedings of each meeting in such books is to be dated and signed. The Act also provides that the default in complying with the provisions of this Section would be punishable with fine which may extend to Rs. 50/-. The Public Enterprises registered as Public/Private Limited Companies are also required to comply with the provisions of this Section.

BPE have intimated that the meetings of the Boards of Directors of the Statutory Corporation are held in accordance with the provisions of the respective statutes. Except in a few cases, the Government have been informed that the minutes of the Board of Directors in the Public Enterprises organised as Statutory Corporations are also being serially numbered. Those Enterprises which are not following this practice have taken note of the Committee's recommendations.

In so far as the meetings of the Board of Directors of the CIWTC are concerned the minutes of each meeting are itemwise serially numbered and chronologically recorded in a leather bound Minute Book which is kept in company's safe custody.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Comments of the Committee

Please see paragraph 1.16 of Chapter I of the Report.

Recommendation (Serial No. 7, Paragraph No. 1.02)

The Committee further note that the posts of part-time Chairman and whole-time Managing Director were combined by Government in two-thirds of public sector enterprises on the plea that the part-time Chairman began interfering in the day-to-day affairs of the Managing Director leading to divided control and conflicts in the working of the enterprise. The Committee are not at all convinced with this argument for combining the two posts of Chairman and the Managing Director. While it may or may not have some advantages of avoiding a "divided house" but its inherent disadvantages that the "man becomes an autocrat and the Corporation is ruined", as happened in the case of CIWT, out-weight the advantages, if any. Furthermore, the arrangement suffers from the drawback that there is no person to sit on judgement as to how the whole time executives are functioning. If the principal executive is also the Chairman of the Governing Board it is obviously difficult for other members of the Board to find fault with his acts of omissions and commission. Thus the system becomes devoid of any checks and balances. In most of the big private sector enterprises in the country the practice seems to be to have these two separate functionaries. The Committee, therefore, require that the normal practice in the public sector enterprises should be to have a full-time Managing Director and a part-time Chairman as the head of the Board. The Committee would recommend that the matter may immediately be examined by Government in all its ramifications so as to bring in the desired changes.

Reply of Government

The policy in regard to the appointment of Chief executives of public enterprises has been reviewed by Government from time to time. The Administrative Reforms Commission in their report (1967) on Public Sector Undertakings had recommended that the public enterprises should be headed by a full-time Chairman-cum-Managing Director. Government decided, that as a normal rule, there should be a full-time Chairman and Managing Director. However, there might be exceptions where the Chairman might be only a part-time one. In such cases, there should be a full-time Managing Director.

This policy was reviewed again in 1976-77. The particular point made by the COPU in regard to the danger of excessive concentration of power as a result of combining the two posts was also examined. The Boards of public enterprises, in Indian situation have policy-cum-executive responsibilities. A good deal of the responsibility for overall policy formulation and direction, the evaluation of performance etc. vest with the Government i.e., the administrative Ministry, Finance Ministry and the Planning Commission which is not the case in the private sector. The Government has also the responsibility to evaluate the personal performance and contribution of the chief executives. Government has adequate powers to check any abuse of authority on the part of the chief executive whether he is Chairman-cum-Managing Director or Managing Director. There is, therefore, no such danger of excessive powers being concentrated in the Chairman and Managing Director as apprehended by the COPU. It may not be correct to generalise on such dangers based on the COPU's findings on an individual case. As a normal rule, therefore, the balance of advantage, based on experience, would be to combine the two posts of Chairman and Managing Director. The Government however, recognised that there may be exceptional circumstances where it would be preferable to separate the office of Chairman and Managing Director.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 15th December, 1978]

Comments of the Committee

The Committee are not quite satisfied with the reply of the Government and they propose to deal with the question of separation of the posts of Chairman and Managing Director in the context of their horizontal examination of the structure, the size and the composition of the Boards of Managements of the Public Enterprises in a separate Report.

Recommendation (Serial No. 27 Paragraph 1.122)

This is yet another instance of disregard of Rules by the management of the Corporation. In fact it seems that the top hierarchy of the Corporation being corrupt themselves was not interested in enforcing the rules which naturally would have applied to them as well.

Reply of Government

The position has been explained in the reply against Recommendation Nos. 25 and 26.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH FINAL REPLIES OF GOVERNMENT ARE STILL AWAITED

Recommendation (Serial No. 3, Paragraph 1.98)

The Committee strongly feel that the present pattern of manning the Boards of Public Undertakings requires serious consideration by the Government as admitted by the Director General, Bureau of Public Enterprises during evidence. In the opinion of the Committee these Boards should consist of a combination of seasoned and dedicated administrators who can devote the required time and energy to the job and people's representatives i.e., Members of Parliament and Legislatures who have no vested interests and who can freely focus attention on irregular and unbusiness like transactions and dealing of the undertakings by their easy approach and public contacts. It would also be advantageous if workers' representatives of proven honesty and integrity are also inducted into the Boards of Public Undertakings. Private businessmen or representatives of producers or consumers, where considered necessary, may be associated with advisory or consultative committees as in the case of Railways, rather than taking them on the decision-making or Governing Boards to remove any possibility of their taking business advantages of the information available to the Boards or leaking out the same. The Committee would recommend that the matter may immediately be examined by Government in all its ramifications and necessary steps taken within 3 months of the presentation of this Report to make drastic changes in the methods of selection of Board Members and to infuse fresh blood in the Boards of all the Public Sector Undertakings.

Reply of Government

The appointment of full-time Directors is made by Government on the basis of the recommendations of the PESB. The PESB recommends suitable persons after considering persons with the requisite qualification from among those eligible in the public sector, the Government services and the private sector. Selections are made on the basis of merit with reference to specific job requirements. In

regard to the appointment of part-time Directors, the administrative Ministries draw as a rule on such persons in public life, public and Private industry, labour representatives and organisations on the basis of their ability to contribute constructively to the performance of the corporation. In the case of those drawn from the private sector care is taken to ensure that there is no conflict of interest.

As a policy, Government have decided it would not be correct to appoint Members of Parliament and State Legislatures to the Boards of public enterprises. This decision was taken as it was felt that the appointment of the representatives of the people on the Boards of public enterprises would compromise their responsibility to Parliament and Legislature in regard to the evaluation of performance of these organisations. There is, however, no objection to former members of Parliament and State Legislatures being considered for such appointments.

Government have accepted the principle that workers representatives should be given a place on the Boards of Directors. A Committee has been appointed on Workers Participation in Management and Equity under the Chairmanship of the Minister of Labour and Parliamentary Affairs. This Committee would *inter-alia* recommend measures to improve the participation of workers in the Boards of Directors of public enterprises.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 15th December, 1978]

Comments of the Committee

Please see paragraphs 1-12 to 1-13 of Chapter I of the Report.

Recommendation (Serial No. 22, Paragraph 1.117)

The Committee would recommend that the Ministry should take expeditious action to rid the Corporation of all the persons found guilty or of doubtful integrity, especially at the higher echelon. The Committee are also aware that some of the top officers of the Corporation have either reverted to their parent public undertakings/offices or joined other public undertakings/private concerns or retired/may be retiring. No time should be lost in taking prosecution proceedings against them wherever necessary. The case of Capt. Khatri should be examined with the object of launching of criminal prosecution against him.

Reply of Government

The various irregularities pointed out by the Committee in their Second Report have been referred by the Ministry of Shipping &

Transport to the C.B.I., Ministry of Finance (Dept. of Revenue), and Enforcement Directorate for investigations. Similarly, the irregularities pointed out by the Committee in their Fifth Report have been referred by this Ministry to the C.B.I., Ministry of Finance (Dept. of Revenue), Customs, Authorities, Income Tax Authorities, Enforcement Directorate and Reserve Bank of India for investigations. Their reports are awaited.

2. Necessary action will be taken against persons found guilty on receipt of CBI's findings. Capt. Khatri has been dismissed from Corporation's services on 28-2-78. The question of launching Criminal prosecutions against him will obviously be examined by C.B.I. on completion of their investigation.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 28, Paragraph No. 1.123)

From the property returns now filed by the officers of the Corporation, the Committee are apprehensive that the assets acquired by some of them may be disproportionate to their incomes. The Committee would, therefore, recommended that the CBI may immediately move in the matter and institute enquiries with a view to find the truth.

Reply of Government

The Chairman-cum-Managing Director, CIWTC was asked to have the property returns filed by Officers of the Corporation examined by Chief Vigilance Officer of the Corporation and to indicate the names of officers whose asset according to these property returns are *prima facie* disproportionate of their known sources of income. The CMD has intimated that out of 476 employees, drawing a basic salary of Rs. 500/- p.m. and above, 388 employees have not so far submitted the Declarations of Assets despite office order to this effect. Necessary action against these employees is under contemplation by CMD. The Declaration of Assets received from the remaining employees have been scrutinised by the CMD and he has found that 15 employees have apparently accumulated assets disproportionate to their known income. The matter is now under consideration in consultation with the CMD. Thereafter, the cases where assets are *prima facie* found to be disproportionate to the known sources of income will be referred to CBI for enquiry, as the CBI

can taken up for investigation only a matter where *prima facie* the facts indicate commission of an offence notified for investigation by the Special Police Establishment.

[Ministry of Shipping and Transport O.M. No. 9-IWT(37)/78-C&E dated the 8th November, 1978]

Recommendation (Serial No. 37, Paragraph 2.91)

Expenses on travelling allowance along registered a phenomenal rise of 110 per cent during the last 2 years, i.e., from Rs. 1.00 lakh in 1974-75 to Rs. 3.97 lakhs in 1976-77. This increase is mainly accounted for by the 30 foreign tours undertaken by 17 officers of the Corporation. The then Chairman-cum-Managing Director (Shri Chelliah) alone undertook 5 tours (2 to U.S.A. and one each to U.K., Saudi Arabia and Norway) and the expenditure thereon was Rs. 1.38 lakhs. In some of these cases no business interests of the Corporation were served and these would appear to be merely pleasure trips.

Reply of Government

The Corporation have intimated that most of the tours were undertaken to Bangladesh in connection with their normal river transport business.

As regards tours undertaken by CIWTC officials to places other than Bangladesh, an expenditure amounting to Rs. 2.11 lakhs approximately was incurred. These tours were undertaken for new ventures like deep sea grain lightening which resulted in an appreciable increase in the value of production from Rs. 664.15 lakhs in 1975-76 to Rs. 1075.92 lakhs in 1976-77 and foreign exchange earnings to the tune about 6.48 lakhs U.S. Dollars. The foreign tour to Saudi Arabia was undertaken in connection with a contract for Port Management at Yanbo which was later passed on to the Dredging Corporation of India as per decision of the Government. The visit to Norway was for negotiation of Corporation's agreement with the Norwegian Government for building Fishing Trawlers in Rajabagan Dockyard of CIWTC which was nearly finalised but fell through at the last minute. Thus the foreign tours of top officials of CIWTC, were undertaken to diversify and promote the Corporation's business. In so far as the foreign trips of Shri Chelliah are concerned the matter is being examined by the Government.

[Ministry of Shipping and Transport, O.M. No. 9-IWT(32)/78-C&E, dated the 8th November, 1978]

Recommendation (Serial No. 56, Paragraph 2.110)

Though the Ministry are stated to have issued instructions to the Corporation to rectify some of these shortcomings; the Committee feel that the remedy does not lie there. In fact the present Financial Adviser and Chief Accounts Officer of the Corporation, who is the custodian of finances and accounts of the Corporation, has proved to be thoroughly inefficient, ineffective and dishonest and is not at all equal to the tasks. Without his tacit concurrence, most of the shady deals which have been highlighted by the Committee in this and other reports, would not have fructified at all. The Committee recommend that suitable action should be taken against him for the lapses he has committed.

Reply of Government

The various malpractices and irregularities committed by the officers of CIWTC and pointed out by COPU in their reports, have been referred to CBI for investigation. The report of the CBI is awaited. The question of taking action against the present FA & CAO can be considered only after the report of the CBI has been received. In the meanwhile; departmental action against him has been initiated on the report of CBI on account of his failure for verifying antecedents of contractors as also for not bringing out the larger implications while putting up to Col. Sarin the report of the Committee set up for considering quotations for demolition of 1st floor of Stores Building and 1st floor of G. M. Building at Rajabagan Dockyard and the removal of salvage.

[Ministry of Shipping and Transport, O.M. No. 9-IWT (37) / 78-C&E, dated the 8th November, 1978]

New Delhi,
March 21, 1979.
Pahlgun 30, 1900 (S).

JYOTIRMOY BOSU,
Chairman,
Committee on Public Undertakings.

APPENDIX I

(Reply to Recommendation No. 18)

No. 26011/1/77-Estt (B)

GOVERNMENT OF INDIA/BHARAT SARKAR

MINISTRY OF HOME AFFAIRS/GRIH MANTRALAYA

Department of Personnel and Administrative Reforms

(Karmik Aur Prashasnik Sudhar Vibhag)

New Delhi, the 18th May, 1977.

OFFICE MEMORANDUM

SUBJECT:—*Grant of extension/re-employment to Central Government employees beyond the age of super-annuation—Issue of consolidated instructions—regarding.*

The instructions on the grant of extension of service/re-employment to Central Government employees beyond the age of superannuation have been issued by the Ministry of Home Affairs (the Department of Personnel and Administrative Reforms) from time to time over a period of years starting from 1945 onwards. The existing instructions, being spread over a number of memoranda, have been summarised and given below in a consolidated form.

The age of retirement of different categories of Central Government employees has been laid down in the Fundamental (Amendment) Rules, 1975 notified *vide* Notification No. 7(7)-EVA/74 dated 7-2-1975 of the Ministry of Finance (Department of Expenditure) (Extracts from these rules have been given in Annexure I). On attaining the age indicated in the above rules, retirement is automatic and in the absence of specific orders to the contrary by the competent authority a government servant must retire on the due date. The date of superannuation of a government servant is known in advance and ordinarily there should not be the question of failure to make arrangements for his release sufficiently in advance. It is the responsibility of the administrative authority concerned to ensure that the government servants under their control so retire.

It would be appreciated that in each case of extension or re-employment, it is not only the next man who misses promotion but often several people miss consequential promotions all along the hierarchial strata. Thus, one person getting re-employment|extension means deferment of promotion for six or seven persons. Too many cases of extension in service or re-employment are apt to cause frustration and affect the morale of the staff in general. Keeping in view these circumstances the following criteria and procedure have been evolved with a view to ensure that extensions|re-employments of superannuated officers are resorted to only in really exceptional|circumstances.

The procedure indicated in the following paragraphs should also be followed by the Ministries|Departments in regard to posts in statutory|autonomous bodies and Public Sector Undertakings the initial appointments to which are required to be made by or with the approval of the President|Central Government. Ministries|Departments of the Government of India should bring to the notice of the autonomous bodies the instructions mentioned in and request them to consider whether similar principles should not be adopted by them for other appointments.

I. CRITERIA FOR EXTENSION|RE-EMPLOYMENT

(1) No proposal for extension of service|re-employment beyond the age of superannuation should ordinarily be considered.

(2) Extension of service|re-employment can be justified only in very rare and exceptional circumstances. Even in such cases, 60 years of age should be the deadline for non-scientific|non-technical posts and 62 years in the case of scientific|technical personnel. This should not be construed to mean that extensions of service|re-employment can be granted to non-scientific|non-technical personnel upto the age of 60 years and to scientific|technical personnel upto the age of 62 years more or less as a matter of course. The overriding consideration for the grant of extension of service|re-employment is that it must be clearly in the public interest and in addition satisfy one of the following two conditions:—

(i) that other officers are not ripe enough to take over the job;
or

(ii) that the retiring officer is of outstanding merit.

Test (i) would be satisfied only if there is shortage in a particular specialisation, or if it is not possible to find a suitable successor or if the officer is engaged on a work or project of vital importance

which is likely to produce results in a year or two. If officers in the next lower post are not eligible for promotion on the ground that they have not put in the minimum service in the lower grade prescribed under the rules, no promotions can be made to the higher grade, unless such officers put in the requisite length of service. But officers who are eligible for promotion to the post against which extension|re-employment is recommended, should not be rejected solely on the ground that they do not have as much experience as the retiring officer. They should be considered for promotion according to the recruitment rules and if they are found suitable they should be promoted to the Posts being vacated by the retiring officers.

Test (ii) would not be satisfied by the mere fact that the specialist (e.g., a scientific or technical officer) is fit in all respects or is otherwise able to discharge effectively the duties of the post held by him.

(3) No extension of service|re-employment should be considered on the ground that a suitable successor is not available unless it is established that action to select a successor had been taken well in advance, but the selection could not be finalised in time for justifiable reasons.

(4) A proposal for the grant of extension of service|re-employment based merely on the consideration that the officer's predecessor had been given extension|re-employment should obviously not be accepted.

(5) Honorary appointment in Public Sector Undertaking in the case of honorary appointment:—

e.g. appointments on the Board of Directors of Public Sector Undertakings the limit may be 65 years provided the appointment is really honorary and does not carry any substantial remuneration.

(6) Appointment of retired officers even in honorary posts of Chairman and Members of the Board of Management including the Managing Director and the Financial Adviser (if the Financial Adviser is a Member of the Board of Management) of any State Government owned corporation, company or Enterprises or of various public sector undertakings should not, as a general rule, be proposed for the approval of the Appointments Committee of the Cabinet. However, where the Administrative Ministry|Department consider that there are exceptional circumstances which would justify

the appointment of a retired officer, a detailed justification should be given for the consideration of the Appointments Committee.

7. Criteria for higher officers:

While making proposals for extension of service|re-employment in higher posts, it is all the more necessary to apply higher standards of efficiency to persons whose appointments to the higher posts are recommended for approval of the Appointments Committee of the Cabinet. The number of top posts is bound to be very limited and a few persons should not have them for too long.

II. PROCEDURE FOR PROCESSING CASES OF EXTENSION OF SERVICE

General Procedure:

(1) A systematic review of the officers approaching the age of superannuation should be conducted well in advance so that whenever necessary suitable persons are selected in time to replace, such officers and given training beforehand thereby minimising the number of proposals for extension|re-employment.

(2) Proposals for grant of extension of service to the officers working in posts outside the cadre to which they permanently belong should have a specific concurrence of the cadre authority.

(3) The proforma given in Annexure II may be utilised in the Ministry|Department while considering the case of extension|re-employment of any officer or member of the staff.

(4) Whenever any officer is considered for grant of extension or re-employment, his character roll and personal file should be carefully scrutinised and all other relevant information that may be available should be taken into account to judge whether the officer had good reputation for integrity and honesty. In cases where the officer is not considered to have good reputation for integrity and honesty, he should not be considered eligible for grant of extension|re-employment in service. The appropriate authority in the Administrative Ministry should furnish a certificate of Integrity along with the Annexure II as follows where it proposes to grant extension of service|re-employment:

"Having scrutinised the character roll and Personal file of Shri|Smt.|Kum..... and having taken into account all other relevant available information, I certify that he|she has a good reputation for integrity and honesty."

(5) Consultation with Ministry of Finance would be necessary for following cases:—

- (a) the extension of service of Group D employees
- (b) extension in a non-technical post where the period exceeds one year at a time;
- (c) extension in a scientific|technical post where the period exceeds two years at a stretch.

Ministry of Finance need not be consulted regarding re-employment cases unless the terms and conditions deviate from the instructions contained in the Ministry of Finance's Office Memorandum No. 8(34)-E.III|57, dated 25-11-1957 (as amended from time to time). The powers of the Ministry of Finance will be exercised by the Integrated Finance Adviser attached to the different Ministries|Departments. In accordance with the Department of Expenditure Office Memorandum No. 18(1)-E.II(B)|62, dated the 4th April, 1962 reference to the Establishment Division of the Department of Expenditure would not be normally necessary and the Integrated Finance Adviser could dispose of such cases keeping in view the general instructions on the subject.

Group 'D' Employees:

(6) In respect of Group 'D' employees working in a Ministry or in an Attached|Subordinate Office, such proposals should be submitted to the Secretary of the Administrative Ministry concerned. In so far as Union Territories are concerned, the powers of extension of service|re-employment will be exercised by Lt. Governor, Chief Commissioners or Administrators, as the case may be. Consultations with the Ministry of Finance will also be necessary for the extension of service of the Group 'D' Employees.

Group 'C' Employees:

(7) Proposals in respect of Group 'C' employees should be submitted to the Minister in charge of the Administrative Ministry for approval. In so far as the Union Territories are concerned, the powers of extension of service|re-employment will be exercised by Lt. Governors, Chief Commissioners or Administrators as the case may be.

Group 'A' and 'B' appointments (other than ACC Appointments)

(8) Proposals for grant of extension of service|re-employment in Group 'A' and Group 'B' posts up to the age of 60 years could be

approved by the Minister in Charge of the Administrative Ministry. In the case of Union Territories the powers could be exercised by Lt. Governor, Chief Commissioners or Administrators as the case may be.

(9) Proposals for grant of extension of service/re-employment in Group 'A' and 'B' posts beyond the age of 60 years should be referred to the Establishment Division of the Department of Personnel and Administrative Reforms for their concurrence before such proposals are approved by the Minister in charge of the Administrative Ministry. Even initial appointments of persons on a purely temporary basis against Group 'A' and Group 'B' posts would require the concurrence of the Establishment Division if the appointment is made after the individual attains 60 years. In the case of Union Territories also grant of extension/re-employment to Group 'A' and Group 'B' officers beyond the age of 60 years should be referred to the Establishment Division of the Department of Personnel through the Ministry or Department administratively concerned.

10. The proposals for extension/re-employment which are required to be referred to Establishment Division of the Department of Personnel and Administrative Reforms should be forwarded with a self-contained note in the proforma at Annexure II at least six weeks prior to the actual date on which the individual concerned is normally required to vacate the post. Where the Administrative Ministry is not able to follow the time limit a detailed note explaining the circumstances why the proposals could not be referred in time should be forwarded along with the proposal.

11. Concurrence of the Union Public Service Commission would be necessary in cases of re-employment for more than one year in Group 'A' and 'B' posts. The Commission need not be consulted for granting extension of service in cases of Group 'A' and Group 'B' officers.

12. Wherever necessary, the approval of the Union Public Service Commission or the Finance Ministry should first be obtained before referring the case to the Establishment Division of the Department of Personnel.

13. In the case of All India Service officers. Ministries/Department of the Government of India should obtain the concurrence of the State Government and the Department of Personnel and Administrative Reforms before submitting their cases to the Minister in charge.

ACC Appointments:

14. Proposals for the grant of extension of service/re-employment in posts, the initial appointment to which required the approval of the Appointments Committee of the Cabinet should first be discussed with the Cabinet Secretary before their formal submission to the Appointments Committee of the Cabinet Committee. Thereafter, such proposals should be referred in a self-contained note to the Establishment Officer for getting the approval of the Appointments Committee of the Cabinet.

15. The proposals should be sent to the Establishment Officer in the proforma given in Annexure III at least two months prior to the actual date on which the individual concerned is normally required to vacate the post.

16. If the proposal is in respect of officers beyond the age of 60 years, the case should first be sent to the Establishment Division of the Department of Personnel in the proforma given in Annexure II at least six weeks before it is due to be sent to the Establishment Officer.

17. Where the Administrative Ministry is not able to follow the time limits indicated above, detailed note explaining the circumstances why the proposal could not be referred in time should be forwarded along with the proposal.

18. In the case of All India Service Officers, Ministries/Departments of the Government of India should obtain concurrence of the State Government and the Department of Personnel before sending the case to the Establishment Officer.

19. The concurrence of the Union Public Service Commission would be necessary in cases of re-employment for more than one year in a Group 'A' post. Such concurrence, wherever necessary, should also be obtained before sending the case to the Establishment Officer. The Commission need not be consulted for granting extension of service.

20. Cases which require the approval of the ACC should be referred to the Establishment Officer of the Department of Personnel only after obtaining the concurrence of the Ministry of Finance or the Union Public Service Commission wherever they may be necessary.

III. All India Service Officers:

When the State Government wishes to grant extension to a member of the All India Service serving under them, they can grant extension upto a period of 6 months on their own and beyond that period with the approval of the Central Ministry controlling that cadre. As regards the grant of extension of service/re-employment of members of All India Service serving under the Central Government, the State cadre to which the officer belongs and the Central Ministry controlling that cadre are to be consulted before the case is submitted to the Appointments Committee of the Cabinet.

IV. Central Secretariat Service Officers:

All cases of extension of service/re-employment of officers belonging to the CSS/CSSS/CSCS beyond the age of 58 years are required to be referred to the CS Division of the Department of Personnel and Administrative Reforms for prior approval.

V. Re-Employment of Military Pensioners:

Re-employment of military pensioners who have not reached the age of superannuation for Central Government employees will not be governed by these instructions.

VI. Central Government Employees who took part in National Movement:

Persons who took part in the National Movement and were thereby prevented from availing themselves of the normal opportunities for entry into Government service have been granted age concessions in the matter of entering into government service (*vide* MHA's Office Memorandum No. 15/21/48-Estt. dated 29.11.1948 and No. 6/1/51-MGS dated 14.2.1951). They have also been allowed subject to certain conditions, to add to their service qualifying for superannuation, pension (but not for any other class of pension), the actual period not exceeding 1/4th of the length of their service or the actual period by which their age at the time of recruitment exceeds 25 years, or the period of 5 years whichever is least. However, as regards the question of grant of extension of service/re-employment beyond the age of superannuation, they will be governed by the same orders as are applicable to other Central Government employees.

VII. Curtailment of the period of Extension|Re-employment:

A situation might arise where the grant of extension of service/re-employment beyond the age of superannuation for a specified period might have to be cancelled or modified at a later date for administrative reasons. As the Government is committed to retaining the officer for a specified period, it cannot dispense with his service before the expiry of that period except on disciplinary grounds. It is, therefore, necessary that in every case the order granting an extension of service/re-employment should include a clause providing for termination of service after three months/one month's notice at any time within the period of extension/re-employment.

VIII. Promotion:

No Government servant who is on extension of service after the prescribed date of retirement should be promoted to another post during the period of extension of service.

IX. Pay:

The pay of superannuated Government servant re-employed in Central Civil Department will be regulated in accordance with the instructions contained in Ministry of Finance Office Memorandum No. 8(34)-E.III/57, dated 25-11-1958 (as amended from time to time).

X. Returns:

(1) The order to facilitate the maintenance of a close watch and overall control over the extent of extension or service/re-employment of superannuated Government servants, all Ministries/Departments are required to submit quarterly returns to the Establishment Division of the Department of Personnel and Administrative Reforms in the prescribed proforma (Annexure IV).

(2) The returns are to be submitted separately for (a) technical and scientific and (b) non-technical and non-scientific personnel. The returns will be for the quarters (i) January-March, (ii) April-June, (iii) July-September and (iv) October-December and should be consolidated in each Ministry/Department for all officers under its control and sent to the Department of Personnel and Administrative Reforms within one month from the close of each quarter (e.g., the return for the quarter ending 31st March, should be sent to the De-

partment of Personnel and Administrative Reforms latest by 30th April).

(3) Cases of extension/re-employment in posts appointments to which could be made by the competent authorities in Public Sector Undertakings/autonomous bodies themselves under the rules, regulations or bye-laws of the Public Sector Undertakings/autonomous bodies need not be included.

The Hindi version of this O.M. will follow.

Sd/- R. RAGHAVACHARI,
Director.

To

All Ministries/Departments of the Government of India
Copy to:—

1. All Sections of the Deptt. of Personnel and A.R., etc., etc.

ANNEXURE I

Extracts taken from Notification No. 7(7)-E.V(A)/74, dated the 7th February, 1975 from the Ministry of Finance (Department of Expenditure).

Except as otherwise provided in this Rule, every Government servant shall retire from service on the afternoon of the last day of the month in which he attains the age of fifty-eight years.

2. A workman who is governed by these Rules shall retire from service on the afternoon of the last day of the month in which he attains the age of sixty years.

NOTE.—In this clause, a workman means a highly skilled, skilled, semi-skilled, or unskilled artisan employed on a monthly rate of pay in an industrial or work-charged establishment.

3. A ministerial Government servant who entered Government service on or before the 31st March, 1933, and held on that date:—

- (i) a lien or a suspended lien on a permanent post, or
- (ii) a permanent post in a provisional substantive capacity under clause (d) of Rule 14 and continued to hold the same without interruption until he was confirmed in that post,

shall retire from service on the afternoon of the last day of the month in which he attains the age of sixty years.

NOTE.—For the purposes of this clause the expression "Government service" includes service rendered in a former Provincial Government."

"(e) A Government servant in Group D services or post shall retire from service on the afternoon of the last day of the month in which he attains the age of sixty years.

Provided that a Group D employee of the Secretariat Security Force who initially enters service on or after the 15th day of September 1969, shall retire from service on the afternoon of the last day of the month in which he attains the age of fifty-eight years".

(i) The date on which a Government servant attains the age of fifty-eight years or sixty years as the case may be shall be determined with reference to the date of birth declared by the Government servant at the time of his appointment and accepted by the appropriate authority on production, as far as possible, of confirmatory documentary evidence such as Matriculation Certificate or extracts from Birth Register. The date of Birth so declared by a Government servant and accepted by the appropriate authority shall not be subject to any alteration after the preparation of his service book and in any event, after the completion of probation period or declaration of quasi-permanency, whichever is earlier. An alteration in the date of Birth of a Government servant can be made at a later stage only with the sanction of a Ministry or Department of the Central Government or an Administrator of a Union Territory under which the Government servant is serving, if it is established that a *bona fide* clerical mistake has been committed in recording the date of Birth in the Service Book.

A Government servant whose date of birth is the first of a month shall retire from service on the afternoon of the last day of the preceding month on attaining the age of fifty-eight or sixty years, as the case may be."

ANNEXURE II

Proforma for sending proposals for approval of Ministry of Home Affairs or for internal use in a Ministry/Department for grant of extension/re-employment to Government servants beyond the age of superannuation.

1. Designation of the post.
2. Duration of the post.
3. Scale and terms of the post and perquisites attached, if any.
4. Whether financial sanction for the creation of the Post/continuance of post for the duration shown at (2) has been obtained.
5. Method of recruitment.
6. Name and the terminal date of appointment of the outgoing incumbent of the post.
7. Name of the officer proposed for appointment and the service to which he belongs.
8. Full service particulars of the officer with date of birth and pay drawn.
9. Names of other officers considered.
10. If promotion post, whether copies of proceedings of a D.P.C. are being enclosed? If not, why not?
11. Whether character roll of the officers proposed and those considered are being sent. If not, why not?
12. If the proposal involves extension/re-employment, please indicate:
 - (i) (a) Whether the post is scientific/technical or non-scientific/non-technical.
 - (b) Whether the officer is to be granted extension of service/re-employment.
 - (c) Periods of extension/re-employment granted earlier to the officer, if any.
 - (d) Date from which extension/re-employment is to be granted.

- (e) Period of extension of service/re-employment.
- (ii) Justification for grant of extension/re-employment if the post is scientific/technical.
- (iii) Justification for grant of extension/re-employment if the post is non-technical/non-scientific.
- (iv) (a) The date from which it was known that vacancy would occur.
- (b) Action taken to select a successor with chronological details.
- (c) If selection is being made, reasons why this could not be finalised in good time.
- (d) If proposal involves extension/re-employment, can some officiating or *ad-hoc* arrangements be made, pending fresh appointment by proper selection? If not, why not?
- (v) If the case is referable to A.C.C., whether the case has been discussed with Cabinet Secretary? If so, his reaction to the proposal.
- (vi) Whether orders of the Minister-in-charge have been obtained?

13. Whether the prescribed Integrity certificate, from the appropriate authority, is enclosed.

ANNEXURE III

No. F. 34(3)-EO/67

GOVERNMENT OF INDIA

Ministry of Home Affairs

Office of the Establishment Officer

New Delhi, the 13th April, 67.

OFFICE MEMORANDUM

SUBJECT:—Approval of the Appointments Committee of the Cabinet Procedure regarding:

The proposals for the consideration of the Appointments Committee of the Cabinet are at present required to be submitted in the proforma prescribed *vide* Ministry of Home Affairs Office Memorandum No. F. 34(2)-EO/65 dated the 4th August, 1965. This proforma no longer covers all relevant aspects of cases coming before the Appointments Committee of the Cabinet and further reference have to be made by the Establishment Officer frequently involving delays in finalisation of the proposals. It has, therefore, been decided that proposals for the Appointment Committee of the Cabinet should, in future, be made in the revised proforma enclosed. The Ministry of Finance etc. are requested to bring this to the notice of all concerned.

(Sd/-)

(C. P. GUPTA)

ESTABLISHMENT OFFICER.

To

All Ministries etc.

1. Designation of the post.
2. Duration of the post.
3. Scale and terms of the post and perquisite attached, if any.

4. Whether financial sanction for the creation of the post/ continuance of the post for the duration shown at (2) has been obtained.
 5. Method of recruitment.
 6. Name and the terminal date of appointment of the outgoing incumbent of the post.
 7. Names of other officers considered.
 8. If promotion, post, whether copies of proceedings of a D.P.C. are being enclosed. If not, why not?
 9. Whether character roll of the officer proposed and these considered are being sent. If not, why not?
 10. If the proposal involves extension/re-employment, please indicate—
 - (i) the date from which it was known that vacancy would occur.
 - (ii) action taken to select a successor with chronological details.
 - (iii) if selection is being made, reason why this could not be finalised in good time; and
 - (iv) if proposal involves extension/re-employment can some officiating or *ad-hoc* arrangements be made, pending fresh appointment by proper selection? If not, why not?
 11. Whether the prescribed Integrity certificate from the appropriate authority, is enclosed.
-

ANNEXURE IV

Quarterly return showing cases of extension/re-employment granted during the quarter ending 31st March/30th June/30th September/31st December.

Sl. No.	Name and designation of the post held (before date of superannuation)	Date of birth	Date of Superannuation	Details of post in which extension/re-employment has been granted			Whether the Officer has been granted extensions/re-employment
				Designation	Classification of post	Whether scientific/technical or non-scientific/non-technical	
1	2	3	4	5	6	7	8

In the Ministry/Department.

In the attached/subordinate offices.

In public sector undertakings (in which employees are treated as Government servants).

NOTE :—The reasons for grant of extension/re-employment should be indicated in details and a mere statement that it was granted in public interest will not be sufficient.

Date from which granted extension/re-employment	Period of extension/re-employment	Detailed reasons for grant of extension/re-employment (Pl. see note)	Steps taken for providing substitute and when he is likely to be available	Detailed reasons for not arranging substitute in time	Remarks
9	10	11	12	13	14

APPENDIX II

(Reply to Recommendation No. 18)

No. BPE/GL-033/78/MAN/2 (52)/78-BPE (GM-I)

Government of India

Ministry of Finance

Bureau of Public Enterprises

Mayur Bhavan (7th Floor), Con. Circus,

New Delhi, the 27th October, 1978.

OFFICE MEMORANDUM

SUBJECT:—*Extension of service/re-employment of super annuated employees in the Public Enterprises.*

The Parliamentary Committee on Public Undertakings (1977-78) (Sixth Lak Sabha) in their Ninth Report on Central Inland Water Transport Corporation—"Mismanagement in Organisation, Administration and Financial matters," while examining the cases of extension/re-employment of superannuated employees in the CIWTC has made the following observations:

"The Committee feel that no person is indispensable or so outstanding as to justify his continuance in service beyond the date of superannuation. However, in very rare cases where the extension of service may be justified for scientific and technical posts the public undertakings should seek the approval of the Secretary of the Ministry."

2. Cases of extension of services/re-employment of persons beyond the age of superannuation in Public Enterprises fall under the following two categories:—

- (a) Posts, appointments to which are made by Government or require the approval of Government in accordance with the provisions of the relevant Articles of Associations/Statutes.

- (b) Posts, appointments to which can be made by the competent authorities in the Public Enterprises.

Prior approval of the Central Government is also necessary in the case of appointments of persons who have attained the age of 58 years whether they be from public or private sector, where the pay, (including Pension and Pensionary equivalent of retirement benefits) proposed to be fixed for such persons, exceeds Rs. 2500/- per mensem or where minimum of the pay scale proposed to be given to such persons is Rs. 2500/- or more.

3. With regard to the cases of the type indicated in para 2(a) above, it has been decided that the Administrative Ministries while processing such cases should follow the principles and procedures laid down in the Ministry of Home Affairs, Department of Personnel & A.R.O.M. No. 26011/1/77-Estt(B), dated the 18th May, 1977 in respect of the Government servants (Copy enclosed). So far as the cases of the 2nd category, indicated in para 2(b) above, are concerned, the Ministry of Steel & Mines, etc. are requested to advise the Public Enterprises under their administrative control to lay down similar principles and procedures for processing the cases of extension of service/re-employment of superannuated employees in posts under them.

Encl: as above.

(KRISHNA CHANDRA)

Deputy Director

Tele. No. 43730.

To

All administrative Ministries/Departments of Government of India.

Copy to:

- (i) The Comptroller and Auditor General of India.
- (ii) Adviser (C) | Adviser (P) | Director (I&R) | Secretary (PESB) | Director (M) | DS (C) | RS to AS&DG, BPE.
- (iii) All IFAs in the Administrative Ministries.
- (iv) Secretary, Standing Conference of Public Enterprises, Janpath, New Delhi.
- (v) All Chief Executives of Public Enterprises.

KRISHNA CHANDRA,

Deputy Director.

Tele. No. 43730.

APPENDIX III

(Reply to Recommendation No. 23)

No. BPE|GL-030|78|MAN|2(52)|78-BPE(GM-I)

GOVERNMENT OF INDIA

Ministry of Finance

Bureau of Public Enterprises

Mayur Bhavan, New Delhi-110001.

Dated the 26th September, 1978.

OFFICE MEMORANDUM

SUBJECT: *Departmental action against the employees charged with corruption, bribery, etc.*

The Parliamentary Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) in their Ninth Report on Central Inland Water Transport Corporation—Mismanagement in Organisation, Administration and Financial Matters has noted that departmental action was not instituted against the officers charged for accepting bribe, making huge payments against fictitious vouchers, stealing and pilferage of stores and materials etc.

The matter has been examined in all its aspects. It is noted that the action against the officers charged of corruption, bribery, pilferage of stores, etc. is to be initiated by the Management of the concerned enterprises in accordance with the provisions of the relevant Conduct, Discipline and Appeal Rules/the certified Standing Orders whichever is applicable to them. Rule 5 of the Model Conduct, Discipline and Appeal Rules, copies of which were circulated by the BPE vide its O.M. dated 26-4-1974 lists out acts of omission and Commission which could be treated as misconduct. Similarly, contravention of the provisions of Rules 12, 13, 14 and 16 of the Model Conduct, Discipline and Appeal Rules or their equivalent rules in the Conduct, Discipline and Appeal Rules adopted by the concerned enterprise empowers the Management to invoke the provisions of Rule 21 of Model Conduct, Discipline and Appeal Rules or its equivalent rule of the Conduct, Discipline and Appeal Rules of the concerned enterprise to put the employee charged with corruption under suspension. Penalties enumerated in Model

Rules 23 and 27 or their equivalent Rules in CDA Rules of the Public Enterprises could be imposed on the employees found guilty of corruption, bribery etc. after completing the formalities of Departmental enquiries. Similar action can be taken under the relevant provisions of the certified Standing Orders in respect of the employees who come within the purview of the Industrial Employment (Standing Orders) Act, 1946.

The Ministry of Steel and Mines etc. are requested to advise the Public Enterprises under their administrative control to strictly enforce the provisions of the certified Standing Orders/Conduct, Discipline and Appeal Rules. The Enterprises should initiate action against their employees in cases of corruption, bribery, etc. as per the provisions of the relevant rules applicable to them. The findings of enquiries conducted against these employees should be reported to the Board of Directors, Administrative Ministries and the Central Vigilance Commission. The Vigilance set-up in the Public Enterprises should also be strengthened in consultation with the Chief Vigilance Commissioner and loop-holes in the relevant Departmental Rules dealing with purchase and sales etc. plugged.

Sd/-

(KRISHNA CHANDRA)

Deputy Director.

Tel. No. 43730.

To

All Administrative Ministries.

Copy to:

- (i) The Comptroller & Auditor General of India.
- (ii) Advisor (C), Adviser (P&M), Adv.(F), Adv.(P).
Director (M), Director (I&R), PS to AS&DG, BPE.
- (iii) All IFA in the Administrative Ministries.

APPENDIX IV

(Reply to Recommendation Nos. 39 & 40)

No. BPE|GL-018|77|MAN|9(31)|76-BPE(GM-I)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

Bureau of Public Enterprises

Mayur Bhavan, Con. Circus,

New Delhi, the 18th December, 1978.

OFFICE MEMORANDUM

SUBJECT:—Tours abroad of incumbents of top posts in public enterprises.

The undersigned is directed to refer to this Ministry's O.M. of even number dated 8th August, 1977, on the subject mentioned above. Under these instructions the public sector enterprises were empowered to authorise their executives to undertake foreign travel and apply to the Reserve Bank of India for the necessary foreign exchange. The Chief Executives, i.e. Chairmen and Managing Directors were, however, required to intimate the Ministry concerned in advance about their foreign tours so that the Ministry may, in case necessary, give any appropriate instructions regarding the time and purpose of such visits.

2. The frequency of foreign travel by executives of the public sector enterprises and expenditure thereon, when recently subjected to a review, disclosed a substantial increase in the incidence of foreign travel as well as expenditure incurred thereon suggesting the need for a stricter control. It may be mentioned that the Committee on Public Undertakings have also commented on the quantum of foreign travel by officers of the P.S.Es. This need not be viewed merely as a device to save money|foreign exchange. It has also to be viewed from the angle of absence of senior officers

from their headquarters for long periods, undoubtedly, to the detriment of the regular work. It has, therefore, been decided that:

- (a) the foreign tours of Chief Executives, i.e. Chairman and Managing Directors of the enterprises in future may be undertaken only with prior approval of the Secretary of the concerned administrative Ministry. In exceptionally urgent cases, however, where it is not possible to obtain prior approval of the Secretary of the concerned Administrative Ministry, ex post facto approval may be obtained at the earliest;
- (b) the number and duration of such foreign visits be restricted to three in number or 30 working days in a whole year;
- (c) the Government nominees on the Board of Directors of the concerned public enterprises will be entrusted with the task of ensuring observance of the above mentioned limits;
- (d) the foreign tour programmes of other executives/officers of the enterprises shall continue to be approved and sanctioned after a detailed and thorough personal scrutiny in each individual case by the Chairman/Chief Executive of the enterprise as hitherto;ore;
- (e) a statement of foreign visits along with reports of the concerned officers, indicating accomplishment of tasks undertaken/executed during such tours, will be placed before the Board of Directors of the enterprise in its monthly meetings;
- (f) the Government nominees on the Board will keep a vigilant eye to prevent any wasteful expenditure on foreign travel.

3. The Ministry of Industry, etc. are requested to convey the foregoing decisions of the Government to the Public Sector Enterprises under their administrative control for ensuring compliance.

Sd/-

(S. M. PATANKAR)

Adviser (Finance)

To

All Ministries/Department of the Govt. of India.

Copy to:

1. The Comptroller & Auditor General of India, New Delhi.
2. All F.As., Administrative Ministries.
3. Chief Executives of Public Sector Enterprises.
4. Adviser (P), Adviser (C), Adviser (M), Secretary (PESB)
Director (I&R), Director (M) and DS(C), and PS to AS&
DG, Bureau of Public Enterprises.
5. Secretary, Standing Conference on Public Enterprises,
New Delhi.

APPENDIX V

(Reply to Reports 45—48)

No. BPE/GL-038/78/MAN/2(52)/78-GM-I

GOVERNMENT OF INDIA

Ministry of Finance

Bureau of Public Enterprises

Mayur Bhavan, New Delhi-1,

Dated the 22nd December, 1978

OFFICE MEMORANDUM

SUBJECT:—Pooling of staff cars in metropolitan cities like Delhi, Bombay, Calcutta, Madras etc.

The Parliamentary Committee on Public Undertakings (1977-78) (Sixth Lok Sabha) in their Ninth Report on CIWTC—Mismanagement in organisation Administration and Financial Matters—has made the following observations with regard to the pooling of the staff cars system etc., in the metropolitan cities by the Public Enterprises:—

Recommendations

45. The Committee strongly recommend that the officials drawing a salary of more than Rs. 1200 a month should not be entitled to transport facility of any sort. The surplus transport should be disposed of and drivers and other employees attached with cars should be absorbed in other assignments of the Corporation or by transferring them to some other public undertakings in the same city.

Paragraph No. 2.99

46. The Committee also recommend that in big cities like Calcutta, Madras, Bombay, Delhi, Bangalore, Hyderabad etc., all public undertakings should join hands and have a pool car system in order to effect economy and also to impose effective check on misuse of cars. This should be done. Public Undertakings can meet their requirements of staff car from the pool. This will also bring

in a dual control over the use of staff cars and prevent their misuse to some extent.

Paragraph No. 2.100

47. To prevent misuse of cars it is very necessary that cars should be painted in particular double colours (like that of taxis) bearing in bold letters the name of the undertaking in conspicuous places (at least six inches with the words Government Undertaking and some emblem). Cars will not be made available for private purposes under any circumstances. Rental business is bogus. A scheme in this behalf worked out properly and enforced in all the public undertakings.

Paragraph No. 2.101

48. The senior executives of public undertakings should be given a car allowance for maintaining their transport. They might be allowed to use the staff car for official work only and not for coming to and going from residence. Maintenance of huge fleets of cars and misuse of such vehicles causing severe drain on public sector resources must be prevented at any cost. For purchase of cars approvals must be obtained from the full Board and while making such proposals the cost of the car, its maintenance costs which should include interest on the cost, depreciation, repairs, maintenance, oil and lubricant, wages of drivers, garage insurance and cost of replacement of items like tyres, tubes, batteries etc., should be clearly stated. The cost of the chauffeur driven car in this country costs nearly about a rupee per kilo metre.

Paragraph No. 2.102

2. The observations made by the Parliamentary Committee have been considered in all their aspects. It has been decided that Public Enterprises located in the metropolitan cities like Madras, Bombay, Delhi, Bangalore, Calcutta, Hyderabad etc., should institute a pool car system, as recommended by the Committee, in order to effect economy and also to impose effective check on the misuse of cars. The modalities of the pool car system are to be worked out by the public enterprises themselves, after due consultation with all concerned. To prevent misuse of cars, it has also been decided that the staff cars belonging to the Public Enterprises should be painted in two colours (like that of taxis), viz., black being used for the main body of the car while white for its top. While all new cars purchased by the public enterprises should be in two colours as indicated above, the existing fleet could be repainted in black and white in phases or as and when the cars become due for repainting. The staff car should also carry prominently plate in front

and at the rear indicative of the fact that they are the staff cars of the specified Public Enterprise. The Public Enterprises should also work out a scheme with a view to prevent misuse of the staff cars for private purposes. Proposals for the purchase of staff cars should be submitted to the Boards for approval, giving details therein of the cost of the cars and their maintenance cost including the items specified by the Parliamentary Committee. The officials drawing a salary of more than Rs. 1200 p.m. should not be extended the transport facility; instead the public enterprises could consider whether any conveyance allowance could be given in the proper cases. The surplus transport should be disposed if and drivers and other employees attached with the cars could be given other assignments after imparting necessary training, if need be.

3. Ministry of Industry etc. are requested to bring the foregoing to the notice of the Public Enterprises under their administrative control for necessary action.

Sd/-
(KRISHNA CHANDRA)
Deputy Director
Tel. No 43730

To

All Administrative Ministries of the Govt. of India.

Copy to:—

- (i) The Comptroller & Auditor General of India.
- (ii) Adviser (P)/Adviser(C)/Adviser(F)/Secretary (PESB)/Director(M)/DS(C)/PS to AS & DG, BPE.
- (iii) IFAs in the Administrative Ministries/Depts.
- (iv) All Chief Executives of Public Enterprises.
- (v) Secretary, Standing Conference of Public Enterprises, New Delhi.

APPENDIX VI

(Reply to Recommendation Nos. 49850)

No. 2(142)/68-BPE(GM)

GOVERNMENT OF INDIA

MINISTRY OF FINANCE

DEPARTMENT OF EXPENDITURE

New Delhi, the 6th Sept., 1968

OFFICE MEMORANDUM

SUBJECT:—*Guidelines for Dearness Allowance, Travelling Allowance etc. in Public Enterprises.*

The Administration Reforms Commission in their Report on "Public Sector Undertakings" have recommended (recommendation No. 3) that a common policy should be evolved for the wages, salaries and other terms and conditions of service among employees of constituent units of each Sector Corporation envisaged by the Commission. Although it has been decided that not to accept the recommendation, with regard to the setting up of Sector Corporations in general, it has been accepted with regard to salaries, allowances etc., that while it may not be practicable to work out a uniform pattern for all public sector undertakings, yet where rationalisation is possible, this should be effected. In this context and taking into account the variations in the scales of allowances adopted by the different Public Enterprises, the question of drawing up guidelines for the enterprises in respect of different allowances has been under consideration. It has now been decided that guidelines as set out below in respect of (i) dearness allowance (ii) city compensatory allowance, (iii) house rent allowance (iv) project allowance (v) conveyance allowance, and (vi) travelling allowance should be communicated to the Public Enterprises. In doing so it should be pointed out to them that even though they are not binding on the enterprises, Government would expect them to take the norms, etc., indicated therein carefully into account and that deviations, if any, therefrom should be decided at the Board level. Wherever there are provisions in the Articles of Association re-

quiring that the terms and conditions of employees would need the approval of Government, they would naturally have to be followed.

Dearness Allowance.—Dearness Allowance of the employees of Public Enterprises should be linked either to the Central Government rates (or) to the rates suggested by the Wage Board, and they should choose the one or the other. Those who have already adopted the Wage Board rates should not adopt the Government rates, even though the Government rates prove more favourable at some later date. Enterprises, which are at present on Government rates, may at some later date wish to go over to Wage Board rates when such Wage Boards are established for the industry concerned in future. If so, once the option is exercised and the employees are allowed D.A. according to the recommendations of the Wage Boards, there should be complete de-linking from Government rates thereafter.

City Compensatory Allowance: The considerations regarding high costs of living etc. in cities would apply equally to employees of Government and Public Enterprises. The Public Enterprises should not, therefore, make any departure from Government rates.

House Rent Allowance: It has been observed that some of the enterprises have been following the Central Government rates for the grant of house rent allowance, while some have found it necessary to grant enhanced H.R.A. to their employees, particularly those stationed at the major cities like Delhi and Bombay. In this context it will be relevant to point out that though employees of Central Government at the major cities are entitled to General Pool Accommodation, this facility is evidently not available for 100 per cent of the employees. The principle cannot also be accepted that all the employees of Public Enterprises should be provided with residential units, although construction of townships or colonies has been undertaken by many of the Public Enterprises. In the circumstances the principle of full-reimbursement of the excess of house rent paid, over the 10 per cent of pay, cannot be accepted.

Taking into account all the factors, it has been decided that while Public Enterprises should not deviate from the house rent allowance admissible under Central Government rules in places other than 'A' class cities, 25 per cent of basic pay should be the ceiling rates for the house rent allowance payable by the employees, to all employees of Public Enterprises irrespective of pay, stationed at the major 'A' class cities of Delhi, Calcutta and Madras. In Bombay, the corresponding ceiling, of H.R.A. could be 30 per cent of pay for all the employees.

Hiring of houses should not normally be resorted to any payment of house rent allowance as admissible under the rules of companies should be the normal practice. In the case of key officials, however, if it becomes inevitable to hire houses, the ceiling for monthly rental should be 10 per cent of pay plus H.R.A. admissible at the station, taking into account also the enhanced rates for Delhi, Calcutta, Madras and Bombay for hiring houses at these places. In the other places, 10 per cent of pay plus H.R.A. admissible at the Govt. rates plus a further margin of 8 per cent of pay could be allowed.

In the case of permanent accommodation in townships, recovery of rent should be 10 per cent of pay or standard rent, whichever is lower.

Project Allowance: Even at present the project allowance is granted by the Public Enterprises only during the construction stage when the amenities of housing, marketing centres, etc., are not available to the extent required. However, there is a tendency among certain Public Enterprises to perpetuate the allowance which is supposed to be progressively reduced as the amenities develop over a period of years.

It has been decided that the instructions being followed by Government from time to time, in regard to the grant of allowance and quantum therefore should be communicated to the enterprises. The Boards of Directors should then take appropriate decisions in regard to the grant of allowance in project areas, their continuance, etc.

Conveyance Allowance: At present the concession of the use of Company's car for private purposes is normally admissible only to Chief Executives concerned. Even in this case, non-duty journeys should not exceed 500 kms. a month. For this facility, recovery at specified rates is also envisaged.

In addition to Chief Executives, whole time Functional Directors as well as incumbents of other top level appointments which are within the purview of Government may be allowed the above facility of the Company's car. But in respect of these posts, wherever it is considered that this concession should be allowed, it should be written into the terms of the appointment.

As regards other senior appointments, made by the Boards themselves, the concession of a car for exclusive use should not be ex-

tended to the concerned officers; it would however, be for the Boards to consider whether any conveyance allowance should be given in appropriate cases.

While the ceiling of 500 kms. in regard to non-duty runs may be adequate in industrial townships, a measure of flexibility would have to be allowed in major cities like Bombay, Calcutta, Delhi, etc.

Provision of transport from office to residence on the basis of recovery of costs should be restricted to officers, and should apply to cars and mini-buses. Where transport in the shape of buses is provided to other employees, this may have to be on a subsidised basis in appropriate bases.

Travelling Allowance: Most of the enterprises have framed their own T.A. rules, some of which are on a more liberal scale compared to Central Government rates. Having regard to the nature of activities of the enterprises, the non-availability of the facilities of Government guest houses, staff cars, etc., in all cases to the employees of Public Enterprises, it has been decided that the rates of daily allowance need not be pegged to Central Government rates. However, there should be no deviation from Government rates in regard to reimbursement of travelling expenses by air|train, i.e., class and mode of travel, incidentals during such travel, etc.

2. For achieving rationalisation of the scales of allowances, etc., to the extent possible, and a measure of uniformity in the approach to labour problems, amongst the enterprises located at the same place, it has been decided that it would be useful to have suitable Regional Committees/Councils, consisting of representatives of the concerned Public Enterprises, at the places like Ranchi, Bangalore, Hyderabad, Madras, Durgapur, Calcutta and Bombay for considering common problems and advising the concerned undertakings from time to time.

3. Ministry of Petroleum and Chemicals etc. are requested to suitably communicated the above guidelines to the public Enterprises under their administrative control. It is also requested that a copy of the rules obtaining in the various Public Enterprises on the subjects indicated in para 1 may in due course be forwarded to the Bureau of Public Enterprises for facilitating dissemination of information in these areas. The amendments carried out by the enter-

prises in regard to these rules would also have to be intimated to the Bureau for this purpose.

Sd/- P. K. BASU

Director, Bureau of Public Enterprises

To

All Ministries/Departments of the Govt. of India.

Copy to:

- (i) All/F.As in the Expenditure Department.
- (ii) Adviser(P)/Adviser(C)/Adviser(F)/D.S(I&R), Bureau of Public Enterprises.

Sd/- P. K. BASU

Director, Bureau of Public Enterprises.

APPENDIX VII

(Vide Para 3 of Introduction)

*Analysis of action taken by Government on the recommendations contained
in the ninth Report of the Committee on Public Undertakings
(Sixth Lok Sabha)*

I.	Total Number of Recommendations made	63
II.	Recommendations that have been accepted by Government <i>vide</i> recommendations at	
	Serial Nos. 1, 2, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 20, 23, 25, 26, 29, 30, 31, 32, 33, 34, 38, 39, 40, 41, 45, 46, 47, 48, 49, 50, 52, 53, 54, 55, 57 and 62	39
	Percentage to total	62%
III.	Recommendations which the Committee do not desire to pursue in view of Governments reply <i>vide</i> recommendations at	
	Serial Nos. 5, 6, 19, 21, 24, 35, 36, 42, 43, 44, 51, 58, 59, 60, 61, and 63	16
	Percentage to total	25%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee <i>vide</i> recommendations at	
	Serial Nos. 4, 7 and 27	3
	Percentage to total	5%
V.	Recommendations in respect of which final replies of Government are still awaited <i>vide</i> recommendations at	
	Serial Nos. 3, 22, 28, 37 & 56	5
	Percentage to total	8%