

FIFTIETH REPORT
COMMITTEE ON PUBLIC
UNDERTAKINGS
(1988-89)

(EIGHTH LOK SABHA)

ACCOUNTABILITY AND AUTONOMY OF PUBLIC
UNDERTAKINGS

(Ministry of Industry, Department of Public Enterprises)

[Action Taken by Government on the recommendations contained
in the 32nd Report of the Committee on Public Undertakings (Eighth
Lok Sabha)]



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Presented to Lok Sabha on.....

Laid in Rajya Sabha on.....

LOK SABHA SECRETARIAT
NEW DELHI

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PUBLIC UNDERTAKINGS (1988-89)

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COMMITTEE ON PUBLIC UNDERTAKINGS
(1988-89)

CHAIRMAN

Shri Vakkom Purushothaman

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2. Shri Saifuddin Chowdhary
3. Shri K. P. Singh Deo
4. Shri S. G. Gholap
5. Shri Virdhi Chander Jain
6. Shrimati Sheila Kaul
7. Shri Mohd. Mahfooz Ali Khan
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Rajya Sabha

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22. Shri Virendra Verma

SECRETARIAT

1. Shri R. D. Sharma—*Director*
2. Shri Rup Chand —*Senior Financial Committee Officer*

**ACTION TAKEN SUB-COMMITTEE OF THE
COMMITTEE ON PUBLIC UNDERTAKINGS
(1988-89)**

1. Shri Vakkom Purushothaman—*Chairman*
2. Shri K. H. Ranganath—*Convener*
3. Shri K. P. Singh Deo
4. Shri Virdhi Chander Jain
5. Shrimati Sheila Kaul
6. Shri Mohd. Mahfooz Ali Khan
7. Shri Lal Vijay Pratap Singh
8. Prof. Saif-ud-din Soz
9. Shri Kamal Morarka

INTRODUCTION

I, the Chairman, Committee on Public Undertakings having been authorised by the Committee to submit the Report on their behalf present this Fiftieth Report on Action Taken by Government on the recommendations contained in the Thirty-second Report of the Committee on Public Undertakings (Eighth Lok Sabha) on Accountability and Autonomy of Public Undertakings.

2. The Thirty-second Report of the Committee on Public Undertakings (1987-88) was presented to Lok Sabha on 25 August, 1987. Replies of Government to all the recommendations contained in the Report were received by 10 November, 1988. The replies of Government were considered by the Action Taken Sub-Committee of the Committee on Public Undertakings on 14 December, 1988. The Committee also considered and adopted this Report at their sitting held on 14 December, 1988.

3. An analysis of the action taken by Government on the recommendations contained in the Thirty-second Report (1987-88) of the Committee is given in Appendix-V.

NEW DELHI;

December 28, 1988

Pausa 7, 1910 (S).

VAKKOM PURUSHOTHAMAN

Chairman,

Committee on Public Undertakings

CHAPTER I

REPORT

The Report of the Committee deals with the action taken by the Government on the recommendations contained in the Thirty-second Report (Eighth Lok Sabha) of the Committee on Public Undertakings on Accountability and Autonomy of Public Undertakings which was presented to Lok Sabha on 25 August, 1987.

2. Action taken replies have been received from the Government in respect of all the 17 recommendations contained in the Report. These have been categorised as follows:—

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

Sl. Nos. 3—7, 9, 13, 14, 16 and 17.

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

Sl. No. 11

(iii) *Recommendations/observation in respect of which replies of the Government have not been accepted by the Committee:*

Sl. Nos. 8 and 12

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

Sl. Nos. 1, 2, 10 and 15

3. The Committee desire that the final replies in respect of recommendations for which only interim replies have been given by Government should be furnished to the Committee expeditiously.

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

A. Review of BPE guidelines

Recommendation S. No. 5 (Para 2.9)

4. While observing that the flood of guidelines issued by the Bureau of Public Enterprises caused confusion and diluted respon-

sibility, the Committee had felt that there was lack of clarity in regard to the nature of these guidelines. The Committee recommended that the guidelines issued by BPE should be reviewed to distinguish between those which ought to be regarded as mandatory and the others in respect of which the public undertakings would have flexibility in following them.

5. The Government have stated in their reply that the review of the BPE's guidelines has been taken up. The Commission on Economic Efficiency, Productivity and Exports has examined the matter and submitted its report to the Government which is under consideration.

6. The Committee desire that the Government should take an early decision on the Report submitted by the Commission on Economic Efficiency, Productivity and Exports and clearly distinguish the guidelines which are mandatory from those which are in the nature of model rules and where the public undertakings have flexibility in following them.

B. Modification of Management Information System

Recommendation S. No. 7 (Para 2.12)

7. The Committee had observed that there was an enormous inflow of reports, returns and statements from the public enterprises to the administrative Ministries including the reports required to be submitted under the Management Information System introduced in 1975. In September, 1984, the BPE advised the administrative Ministries to conduct a review of the working of their Management Information System to streamline the same. The Committee had recommended that in the light of this review, the Management Information System should be suitably modified with a view to reduce the large number of incoming reports, returns and statements significantly. Thereafter, there should be no addition to such reports and returns except after clearance at the level of Secretary to the administrative Ministry.

8. The Government while accepting the recommendation, have stated that the Bureau of Public Enterprises have once again advised all the administrative Ministries to undertake a thorough review of their Management Information System and make necessary modifications to the information formats prescribed earlier and streamline the same as per present requirements.

9. The Committee note that while the Government have accepted the recommendation and advised the administrative Ministries

again to undertake a thorough review of the Management Information System, but the same does not appear to have been modified as yet. The Committee would, therefore, stress that a modified Management Information System should be evolved and circulated soon to the administrative Ministries with a view to reduce the number of reports, returns and statements to be submitted by the public enterprises.

C. Holding of Performance Review Meetings by Ministries

Recommendation S. No. 8 (Para 2.13)

10. Under the Management Information System introduced in 1975, Quarterly Performance Review Meetings are required to be held by the Administrative Ministries in respect of enterprises under their control. The Committee desired to be specifically informed whether there were any Ministries who have not been holding the Performance Review Meetings regularly during the last three years.

11. In their reply, the Government have stated that most of the Administrative Ministries have informed that the Performance review meetings of the Public Sector Undertakings under their administrative control are being held regularly. However, according in the new role assigned to BPE, it is neither to participate in these meetings nor to monitor the holding of such meetings.

12. The Committee has specifically desired the Government to intimate as to whether there are any Ministries who have not been holding the Performance Review Meetings regularly. The Committee are, however, constrained to observe that instead of furnishing the desired information, Government have given a vague reply that Performance Review Meetings are being held regularly by most of the Administrative Ministries and BPE does not monitor the holding of such meetings. The Committee cannot but deprecate the manner in which the recommendation of the Committee has been dealt with. The Committee desire that information regarding Ministries who have not held Quarterly Performance Review Meetings regularly during the last three years should be furnished to them without any further delay.

D. Bringing out of White Paper on Public Sector

Recommendation S. No. 10 (Para 2.15)

13. The Committee on Public Undertakings had emphasised in 1982 in an earlier Report (49th Report—7th Lok Sabha) the urgent

need to bring out White Papers, as were being brought out in U.K. as periodical stock taking. In February, 1987 Lok Sabha was informed that the Government would bring before Parliament a White Paper on the public sector. The Committee recommended in their 32nd Report (8th Lok Sabha) that the proposed White Paper on Public Sector should be brought out as early as possible.

14. The Government have now stated in their reply that "the White Paper will be placed before Parliament as early as possible."

15. The Committee are constrained to observe that inspite of their recommendation made as far back as in 1982 and the assurance given in Lok Sabha in February, 1987, Government have not so far placed before Parliament the proposed White Paper on Public Sector. The Committee once again stress that in order to make a proper judgement of the performance of Public Undertakings, a framework of principles of Government's general, economic, financial and social strategy towards them is necessary. They would, therefore, reiterate that the proposed White Paper on Public Sector should be finalised and placed before Parliament without any further delay.

E. Conversion of PESB into statutory authority

Recommendation S. No. 12 (Para 2.17)

16. The Committee had drawn attention of the Government to their earlier recommendation contained in their 49th Report (1981-82) and reiterated the need for formation of an All India Management Service and also for the conversion of Public Enterprises Selection Board into a statutory independent authority.

17. Government in their reply have stated that the pros and cons of setting up of an All India Management Service for the top posts in the public enterprises have been examined and in the light of past experience, it has been felt that it would not be appropriate to constitute such service. It has also been stated that the Public Enterprises Selection Board has been made more effective and for that purpose the Government had issued a Resolution on 3 March, 1987.

18. As for the recommendation of the Committee regarding conversion of the Public Enterprises Selection Board into a statutory independent authority, the Government have merely stated that the Public Enterprises Selection Board has been made more effective and for that purpose a resolution has been issued on 3 March, 1987.

The Committee feel that the Government have not given serious thought to the recommendation of the Committee as the resolution had been issued before their recommendation was made. In Committee's view the present Public Enterprises Selection Board cannot be a substitute to a statutory independent authority. They, therefore, reiterate their earlier recommendation.

F. Nomination of Government Directors

Recommendation S. No. 16 (Para 2.23)

19. While observing that there were cases where the same Government official had been nominated to the Boards of several undertakings, the Committee had recommended that the Government should ensure that in no case the same official of the Ministry or Department is appointed a Government nominee Director on the Boards of more than 2 enterprises.

20. The Government have stated in their reply that the recommendation of the Committee has been accepted. But the Government have felt that the decision cannot be applied rigidly in all situations. Though the attempt would be to follow this principle, there may be Ministries where, with reference to its officers strength on the one hand and the number of public sector undertakings to be serviced on the other, the same officer has to be on the Board of a number of enterprises.

21. The Committee agree with the view of the Government that there may be a few Ministries where, keeping in view the officers strength and the number of public undertakings to be serviced, the same officer has to be appointed on the Board of a number of enterprises. The Committee would, however, like their recommendation to be implemented in letter and spirit and desire that deviation from this principle should be made only in exceptional cases.

CHAPTER II

RECOMMENDATIONS THAT HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation No. 3 (Paras 2.6 and 2.7)

The powers of the public enterprises are being exercised by the Board of Directors. These powers are governed by the provisions contained in the Companies Act and also the specific provisions made in this regard in the Memorandum and Articles of Association of the concerned enterprises. The Board of Directors are stated to have been given all the necessary powers for carrying out the activities of Company in an expeditious manner. But to ensure accountability of enterprises to Government and through the same to the Parliament, certain powers have been reserved for the Government/President. The Committee have, however, been informed that instead of issuing formal directives on specific matters, informal devices are more frequently used by the Government, ostensibly for securing accountability. The Committee deprecate this trend of resorting to informal means of control instead of utilising the formal control system as it results not only in the erosion of autonomy of public undertakings but also dilutes their accountability.

The Committee would, therefore, suggest that on the analogy of the following provision contained in the Articles of SAIL and NTPC, provision should be incorporated also in the Articles of other public enterprises, where it does not exist :

“Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall incorporate the contents of those directives in the annual report of the company and also indicate their impact on financial position of the company.”

Reply of the Government

This recommendation is acceptable to the Government. It has been found that the Articles of Association of some public enterprises already contains such a provision while others do not. The administrative Ministries/Departments have now been requested to advise the public enterprises under their administrative control

to incorporate a provision at the appropriate place in the Articles of Association of such public enterprises vide Ministry of Industry, Bureau of Public Enterprises O.M. No. 2(100)/87-GM dated 18-2-1988 (copy reproduced below).

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU), dated 14th April, 1988]

Copy of B.P.E. O.M. dated 18-2-1988 addressed to all Ministries re. Power of President to issue directives—Provisions in the Articles of Association—regarding.

As the Ministry of Agriculture and Rural Development, etc., are aware the Articles of Association of the public enterprises contains an article to the effect that the President may from time to time issue such directives or instructions as may be considered necessary in regard to conduct of business and affairs of the company and in like manner may vary or annual any such directive or instruction.

2. The Committee on Public Undertakings (1987-88), in their 32nd Report on "accountability and autonomy" of public undertakings, have recommended that all directives issued by the President the Article of Association of some public enterprises already contents of those directives should be incorporated in the annual report of the Company.

3. This recommendation was considered and it has been found that the Article of Association of some public enterprises already contains such a provision while others do not. It has now been decided that the following provision may be incorporated, at the appropriate place, in the Articles of Association of all such public enterprises which do not have this provision:—

Provided that all directives issued by the President shall be in writing addressed to the Chairman. The Board shall, except where the President considers that the interest of the national security requires otherwise, incorporate the contents of directives issued by the President in the annual report of the Company and also indicate its impact on the financial position of the Company.

4. The Ministry of Agriculture and Rural Development, etc., are therefore, requested to advise the public enterprises under their administrative control accordingly.

Recommendation No. 4 (Para 2.8)

The Committee have been informed that since April, 1986 the schemes/projects involving expenditure exceeding Rs. 5 crores and upto Rs. 20 crores are to be considered by Expenditure Finance Committee and those involving expenditure of Rs. 20 crores and above would be considered by the Public Investment Board/Cabinet. The Committee have also been informed that side by side the powers of the Boards of the Public Enterprises have also been increased since August, 1986. Earlier, the enterprises were given powers for investment without prior Government approval upto Rs. 2 crores, Rs. 5 crores and Rs. 10 crores based on the value of their gross block. These limits have now been raised to Rs. 5 crores, Rs. 10 crores and Rs. 20 crores respectively. While appreciating the Government's decision in this regard, the Committee feel that there is need for further upward revision of these financial powers particularly in relation to large companies and holding companies having several subsidiaries. They would, therefore, recommend that as also agreed to by the Secretary, Department of Public Enterprises, the question of delegation of powers to the Boards of Undertakings should be further reviewed so as to enable them to implement plan schemes/projects expeditiously. The Committee endorse the recommendation of the Economic Administration Reforms Commission that once the investment decisions have been approved and necessary funding provided, the management of public enterprises should be allowed to go ahead without seeking any further clearances from Government. This will not undermine accountability but on the otherhand it will enable the Government to take the management of enterprises to task if satisfactory results are not achieved. Necessary instructions in this regard be issued to all Ministries/Departments dealing with public enterprises.

Reply of the Government

Enhanced powers have been delegated to Public Sector Enterprises who have entered into Memoranda of Understanding with Government. A copy of the Office Memorandum issued in this regard is reproduced below.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 4th Nov., 1988]

Copy of BPE O.M. dt. 19-10-1988 addressed to all Ministries .re. Delegation of Powers to Public Sector Undertakings Signing Memoranda of Understanding with the Government.

Government have been considering for quite some time the question of giving greater autonomy to the Public Sector Enterprises consistent with their accountability. As one of the measures to give greater autonomy to public sector enterprises, Government have entered into Memoranda of Understanding with the number of public sector enterprises. For the year 1988-89, MOUs have been signed with eleven public sector undertakings (SAIL, ONGC, EHEL, NTPC, Indian Airlines, Air India, HMT, HEC, MMTC, STC, Maruti Udyog). More PSUs will be signing Memoranda of Understanding from 1989-90 onwards.

2. Government have decided to delegate enhanced financial and administrative powers to MOU signing companies as indicated below:—

(i) *Wage Revision*

These enterprises can finalise wage revisions within the broad guidelines laid down by the BPE and if any enterprise proposes to give benefits beyond these guidelines prior approval of the Government should be obtained.

(ii) *Incentive Schemes*

Where Productivity Linked Incentive Schemes are in operation and the employees are also paid bonus under the provisions of the Bonus Act, there is an existing ceiling of 32 per cent of both bonus and such incentives. MOU signing companies can evolve incentive schemes within the broad guidelines laid down by BPE subject to the condition that the total of bonus and incentive shall not exceed to the 35 per cent of the wages.

(iii) *Voluntary Retirement Scheme*

A Voluntary Retirement Scheme applicable to all public sector enterprises has separately been finalised and communicated to all public sector enterprises. MOU signing companies are authorised to implement schemes of voluntary retirement even departing from the parameters of the model Voluntary Retirement Scheme provided the compensation to be paid can be found from the internal resources of the company.

(iv) Transfer of Functional Directors

At present, Functional Directors are appointed with the approval of ACC against specific posts. MOU signing companies shall have powers to transfer Functional Directors from one charge to another in consultation with the Secretary of the administrative Ministry and with the prior approval of the Minister.

(v) Foreign Tours of Functional Directors

At present, foreign tours of CMDs as well as Functional Directors require prior approval of the administrative Ministry. It has now been decided that while the CMDs would continue to obtain the approval of Ministries for tours outside the country, the chief executives can authorise business visits abroad of Functional Directors.

3. If any company has already been delegated powers higher than what is mentioned in para 2 above, it will continue to exercise such higher powers.

4. Orders regarding enhanced financial powers to incur capital expenditure and expenditure in foreign exchange will be issued separately.

Recommendation No. 5 (Para 2.9)

The Committee have been informed that the flood of guidelines issued by the BPE has caused confusion and diluted responsibility and the practice of issuing guidelines as distinct from directives on matters of general applicability of all public undertakings needs to be reviewed. The Committee have also been informed by the Government that BPE only communicates the decisions of Government taken at the level of Cabinet/Cabinet Committee/Committee of Secretaries etc. and as such these guidelines have to be followed and implemented by public sector enterprises. Where, however, there are model rules, the undertakings can make minor modifications therein. The Committee have however gathered an impression that there is a lack of clarity in regard to the nature of guidelines issued by BPE. As suggested by the high-powered Committee on Companies and MRTP Acts (Sachar Committee) and also recommended by the Committee on Public Undertakings (1981-82) in their 49th Report on Management and Control Systems, the Committee would like to reiterate that the guidelines issued by BPE should be reviewed to distinguish between those which ought to be regarded as mandatory and the others in respect of which the public undertakings will have flexibility in following them.

Reply of the Government

The review of the BPE's guidelines has already been taken up. The Commission on Economic Efficiency, Productivity and Exports had examined the matter and submitted its report to the Government.

The Report of the Commission is under consideration of the Government.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU), dated 25th April, 1988.]

Comments of the Committee

(Please see paragraph 6 of Chapter I of the Report.)

Recommendation No. 6 (Paras 2.10 and 2.11)

The Committee have been informed that the Government has accepted in principle the proposal made by the Arjun Sengupta Committee regarding Memorandum of Undertaking (Annual Performance Plan) to improve the performance of the Public Sector. To begin with, such Memorandum of Understanding has been signed by the Government with ONGC in March 1987. The Committee have also been informed that the Government has decided to enter into such Memorandum of Understanding with five other public enterprises viz. Steel Authority of India, Bharat Heavy Electricals Ltd., Coal India Ltd., National Thermal Power Corporation and National Textile Corporation. It is proposed to sign such Memorandum of Understanding with other public sector undertakings also. The purpose behind the adoption of Memorandum of Understanding is to lay down levels of annual performance of the enterprise and to enable a clear fixation of accountability for the performance. The memorandum of Understanding would contain production targets, financial targets, investment decisions, delegation of powers by the Government etc. It is expected that within the parameters fixed under Memorandum of Understanding, the public sector enterprises would have full operational autonomy.

The Committee appreciate the concept of the Memorandum of Understanding (Annual Performance Plan) as in the Committee view, it would result in better efficiency of the concerned Undertaking. The Committee hope that earnest efforts would be made to achieve the objectives set forth in the Memorandum of Understanding and the Government would introduce expeditiously this concept in other public sector enterprises also. The Committee

desire that the performance in relation to Memorandum of Understanding should be fully evaluated at the end of the year and also reflected in the Annual Report of the concerned undertaking. The Committee also recommend that non-fulfilment of the performance targets contained in the MOU should be probed into and responsibility fixed therefor.

Reply of the Government

It has been decided that evaluation of the performance in relation to undertakings who have signed Memorandum of Understanding (MOU) will be done by a High Level Body under the Chairmanship of Cabinet Secretary and this will be serviced by the Bureau of Public Enterprises.

So far as fixing of responsibility is concerned, a systematic process of evaluation of an adequately framed Memorandum of Understanding will take care of the question automatically.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU), dated 27th April, 1988]

Recommendation No. 7 (Para 2.12)

The Committee have observed that the Public Undertakings are required to report to the administrative Ministries their performance in regard to production, sales, inventory etc. in the prescribed formats. Under the Management Information System introduced in 1975, for on-going projects, as many as 14 reports have been prescribed of which 3 are to be submitted yearly, 4 half yearly, 2 quarterly and 5 monthly. Apart from this, BPE also gets certain reports directly from the public enterprises. 4 forms have been prescribed under which BPE handles flash results every month under the headings financial targets and achievements, production targets and achievements and cash flow position. Once a year, detailed material is also called for the preparation of the Budget and the Annual Plan for the ensuing year. Thus, throughout the year there is an enormous inflow of reports, returns and statements from the public enterprises to the Ministries and much of their time is spent on furnishing returns and statements. The Committee are informed that in September, 1984, the BPE advised the administrative Ministries to conduct a review of the working of their management information system to streamline the same. The Committee recommend that in the light of review carried out by the administrative Ministries, the Management Information System should be suitably modified with a view to reduce the large number of incoming reports, returns and statements significantly. Thereafter, there should be no addition

to such reports and returns except after clearance at the level of Secretary to the administrative Ministry concerned.

Reply of the Government

The recommendation is accepted. Bureau of Public Enterprises have once again reiterated to the administrative Ministries the instructions contained in the earlier communications on Management Information System—report to Government by public enterprises vide this Office O.M. No. BPE/7(3)/85-Finance, dated 8th October, 1987. (Appendix I)

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU), dated 14th April, 1988]

Comments of the Committee

(Please see paragraph 9 of Chapter I of the Report)

Recommendation No. 9 (Para 2.14)

The Public Enterprises are required to finalise their annual accounts within six months from the date of closing of their accounting year under the provisions of the Companies Act, as also the Statutes under which some of them have been set up. They are also required to present their accounts, after audit by the statutory Auditors and review by the Comptroller and Auditor General of India, to their shareholders for adoption at the Annual General Meeting. However, the Committee note that out of 234 enterprises, only 154 undertakings had held their Annual General Meeting by the 30th September, in respect of the year 1984-85. As for the year 1985-86, only 156 undertakings out of 236 had held their Annual General Meeting by the end of September 1986. This resulted in delay in laying the Annual Reports of these undertakings before the Parliament. The Committee takes a very serious view of this lapse as the annual reports are the only regular source of information about the performance of Public Enterprises to the Parliament. It is the considered opinion of the Committee that the delay in finalisation of accounts and consequent delay in placing the annual reports before Parliament results in diluting the accountability of Undertakings to Parliament. The Committee would like the Government to ensure that the Public Undertakings finalise their annual accounts, get them audited and cause their annual reports to be placed before Parliament well in time.

Reply of the Government

The Recommendation is accepted. Based on the recommendation made by the Committee on Papers laid on the Table of the Rajya Sabha in their 18th Report, Bureau of Public Enterprises have already advised the administrative Ministries concerned with Public Sector Undertakings vide O.M. No. BPE|14(45)|85-Fin. dated 12th June, 1985 (Appendix II) to ensure that there is no delay in the finalisation of annual accounts and presentation of the same to the Parliament.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 9th May, 1988]

Recommendation No. 13 (Para 2.18)

The Committee note that the guidelines issued in August, 1977 provided that appointment to top posts would normally be made for a period of five years or till super-annuation, whichever is earlier. Recommendation to this effect was also made by the Committee on Public Undertakings (1981-82) emphasising that "frequent changes of Chief Executives should be avoided and there should be a minimum tenure of 5 years subject of course to satisfactory performance." The Sengupta Committee also recommended in their Report (December, 1984) that the tenure of the Chief Executives and the full-time directors should be 5 years. But such appointments continued to be approved initially for a period of 2 years. The Secretary, Department of public Enterprises admitted in evidence that "this had led to some amount of uncertainty". It was only in May, 1988 that the Government decided that the Chief Executives/Functional Directors in Public Sector Undertakings will be considered for appointment for a period of 5 years, on contract basis, with a provision that the Government will have option to terminate their services with 3 months' notice. The Committee hope that henceforth this decision would be implemented by Government in letter and spirit. The Committee would also like to stress that in future all cases of premature termination or further extension of the terms of appointments of a Chief Executive/Functional Director etc. should invariably be decided by the Appointments Committee of the Cabinet. They also recommend that PESB should also be consulted before submitting such matters to ACC for decision. The Government may also consider the feasibility of strengthening PESB with sufficient

expertise to assess properly the performance of Chief Executives/Functional Directors, etc.

Reply of the Government

Under the existing procedure cases of non-extension of tenure of Board-level appointees who have not reached the age of superannuation are referred to the Public Enterprises Selection Board for Joint appraisal and recommendations are submitted to the Appointments Committee of the Cabinet. In case of premature termination of appointments, these cases are decided by the administrative Ministries with the approval of the Appointments Committee of the Cabinet.

The Public Enterprises Selection Board has been made more effective and resolution was issued on 3rd March, 1987 (copy enclosed). The Public Enterprises Selection Board shall consist of one part-time or full time Chairman and three full-time members. The Chair-person and members shall be persons who have had a long and distinguished career in management of public or private corporations or public administration and have a proven record of achievements, preferably, in the field of personnel, finance, production or Marketing. The three full time members of the PESB shall:

- (a) A distinguished former Chief Executive of a PSE;
- (b) A distinguished behavioural scientist with experience in selection of top management personnel;
- (c) A distinguished former civil servant with experience in management of PSEs or in areas of finance, industry or economic affairs.

Presently, the Board consists of 7 members, one part-time Chairman, one full-time Member and 5 part-time Members, who are persons with a wide background and experience in Government and public sector management. The Board has the necessary expertise to assess properly the performance of the Chief Executives/Functional Directors etc.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 27th April, 1988].

Recommendation No. 14 (Paras 2.19—2.21)

According to a non-official the practice of appointing Government Directors to the Board of Public Undertakings has turned out to be a potent device for Ministries to erode autonomy of enterprises and impose their will.

Further, the Government Directors, in spite of their being in minority, are in a position more often than not to veto all decisions which do not accord with their views. Whatever decisions suits the Government is made by the Government Directors to appear better for the company. Besides, they take one view in the Board and another in the Ministry. The Government have also stated that they felt that Public Sector Boards have been burdened with Government nominee Directors without corresponding benefits to the public undertakings. Government has also issued instructions in June 1986 that Ministries/Departments should not have more than one nominee Director on the Board of a Public Undertaking.

In the Committee's view the appointment of Government Directors on the boards of public undertakings cannot be dispensed with altogether as it is the Government which is ultimately responsible to Parliament and Government Director is an important link between the Government and the public undertaking. This was also admitted before the Committee by the Chairman of a leading Public Undertaking. However, as decided by the Government, the Ministry/Department should not have more than one nominee Director on the Board of a Public Undertaking. The Committee would also like to emphasise that the autonomy of public undertakings should at no cost be allowed to be eroded because of the presence of Government Directors on the Boards.

Reply of the Government

The Government accepts the recommendation. The recommendation has been brought into the notice of the administrative Ministries/Departments concerned with the Public Enterprises for their information and guidance *vide* Ministry of Industry, Bureau of Public Enterprises O.M. No. 2(107)/87-GM dated 18-2-1988 (copy reproduced below).

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 14th April, 1988].

copy of BPE O.M.
 dt. 18-2-1988 addressed to all Ministries re.
 Nominee Directors on the Public Sector Boards.

The Committee on Public Undertakings (1987-88) in their 32nd Report on "accountability and autonomy" of Public Undertakings have recommended that the Ministry/Department should not have more than one nominee Director on the Board of a Public Undertaking. The Committee has also emphasised that the autonomy of Public Undertakings should at no cost be allowed to be eroded because of the presence of Government Directors on the Board.

2. The Government's decision that a Ministry should not have more than one nominee Director on the Board of a Public Undertaking was conveyed to all the administrative Ministries *vide* BPE O.M. No. 18/7/86-GM dated 25-6-1986. Further, the role of the Government Directors was indicated in BPE O.M. No. 18(1)/84-GM dated 19-9-1984, wherein it was, *inter-alia*, mentioned that the Government Director should identify himself with the objectives and goals of the enterprise, engage in joint thinking on equal terms and not assume a superior status.

3. The recommendations of Copy are, however, brought to the notice of the Ministries/Departments concerned with the Public Enterprises for their information and guidance.

Recommendation No. 16 (Para 2.23)

The Committee are constrained to point out that in spite of the recommendations of the Committee on Public Undertakings (1978-79), there are still cases where the same Government official has been nominated to the Boards of more than 2 undertakings. Such officer cannot obviously do full justice to his work in Government or in the boards of the enterprises. The Committee would, therefore, like the Government to ensure that in no case the same official of the Ministry or Department is appointed a Government nominee Director on the Boards of more than 2 enterprises.

Reply of the Government

A similar recommendation relating to restricting the appointment of part-time official nominees to the Boards of Public Sector Undertakings in a way so that nominated persons do not have to serve on a more than two or three boards had also been made by the Administrative Reforms Commission in its report on Public Sector Undertakings (October, 1967). While considering the recommendation,

Government had decided no Government official should normally serve as a part-time Director in more than two Boards. Thus, Recommendation No. 16 made in the 32nd Report of the Committee on Public Undertakings (1987-88) on Accountability and Autonomy of Public Undertakings has already been accepted by the Government. However, it is felt that the decision cannot be applied rigidly in all situations. Though the attempt would be to follow this principle, there may be Ministries where, with reference to its officers strength on the one hand and the number of public sector undertakings to be serviced on the other, the same officer has to be on the Board of a number of enterprises.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 9-5-1988]

Comments of the Committee

(Please see paragraph 21 of Chapter I of the Report)

Recommendation No. 17 (Paras 2.24 and 2.25)

The Committee note that while dealing with organisational structure of Public Undertakings, Arjun Sengupta Committee has felt that certain forms of organisation rather than others can be more conducive to the efficient functioning of public enterprises through a proper division of authority and responsibility between the Government and public enterprises. According to that Committee, there should be clear division of responsibility between the Government and the Management of these enterprises. The Ministry should be responsible for the formulation of policy and the management for the implementation of that policy. The inter-action between them should be such as to facilitate the exercise of overall Government Supervision without impairing the efficiency of operation of the enterprise. Such an organisational structure should keep the operations of an enterprise at 'arms length' from the Government and promote decentralised decision making within the enterprise. Considering these aspects the Sengupta Committee felt that the holding company form of company organisation would meet these specifications and it would minimise the inter-face between the Ministry and the subsidiary Companies without sacrificing the essential need for coordination of the operation of the companies. The Holding Company would also specify its plan for investments, production, capacity utilisation, profits, dividends etc. for a five year period and, therefore, enter into a 'Memorandum of Understanding' with the Government on Mutually agreed basis.

The Committee are informed that in pursuance of the above recommendation of the Arjun Sengupta Committee, the Government have set up two holding companies viz. Bharat Yantra Nigam Ltd. at Allahabad with six subsidiaries and Bharat Bhari Udyog Ltd. at Calcutta with eight subsidiaries. The Committee note that the subsidiaries of the holding companies would be separate legal entities. The Committee trust that as envisaged by the Sengupta Committee, the Government would ensure that the policies of the Holding Company are in line with the national plan objectives and general policies of the Government but the Government would have no direct dealings with the subsidiary companies. The Committee also hope that necessary authority for ensuring the fulfilment of targets, consistent with operational efficiency would be delegated to the subsidiary companies. The Committee, however, recommend that the performance of the 'holding company' concept should be carefully evaluated before its acceptance as instrument to enforce public accountability and autonomy.

Reply of the Government

The Government accepts the recommendation. This has been brought into the notice of the administrative Ministries/Departments for their information and guidance *vide* Ministry of Industry, Bureau of Public Enterprises O.M. No. 2(110)/87-GM dated 8.3.1988 (copy reproduced below).

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 14th April, 1988]

*Copy of BPE O.M. dt. 8-3-1988 addressed to all Ministries.
re. Setting up of Holding Companies.*

The Committee on Public Undertakings (1987-88) in their 32nd report on accountability and autonomy of Public Undertakings has made the following recommendations:

"The Government would ensure that the policies of the Holding company are in line with the National Plan Objectives and general policies of the Government but the Government would have no direct dealings with the subsidiary companies. The committee also hope that necessary authority for ensuring the fulfilment of targets, consistent with operational efficiency would be delegated to the

Subsidiary companies. The committee, however, recommend that the performance of the 'holding company' concept should be carefully evaluated before its acceptance as instrument to enforce public accountability and autonomy".

This recommendation was considered by the Government and the same has been accepted. The same is now brought to the notice of the administrative Ministries for their information and guidance.

CHAPTER III

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

Recommendation No. 11 (Para 2.16)

The Committee note that at present the Public Enterprises Selection Board is responsible for making recommendations in respect of appointments to top level posts including full-time Chief Executive| Functional Directors on the Boards of public sector enterprises except the financial institutions. The Appointments are made with the approval of Appointments Committee of the Cabinet. However, the Committee are constrained to point out that in spite of the importance which the public sector has acquired in the national economy, no clear-cut guidelines to the PESB have been issued regarding the criteria to be followed in the selection of persons for top posts in public enterprises except laying down the procedure for such selections. The Committee recommend that such guidelines should be formulated soon.

Reply of the Government

Guidelines in regard to criteria to be followed by the Government as well as Public Enterprises Selection Board while making appointments to top level posts including full-time Chief Executives and Functional Directors on the Board of Public Enterprises are already in existence. The criteria followed by PESB while considering selection for such posts, are mainly suitability of the person for a particular post, keeping in view the job description and specification of the post, performance at the interview, their confidential reports and appraisals wherever applicable, their overall performance, significant contribution in the light of their activity, their qualities of leadership, dynamism, initiative, vision and their ability to pursue and analyse problems.

Besides keeping in view the need to develop a cadre of professional managers within the public sector, preference is given to the internal candidates employed in the PSUS for appointment to Board level posts unless remarkably better candidates are available from

outside. If internal candidates are not available preference is given to candidates working in other PSUs. Mobility of managerial personnel within one public sector group as well as within public sector as a whole is encouraged subject to certain limitations. In special cases recruitment is also made from the organised services under the Central Government. Such cases would be rare because of special circumstances, it is considered necessary to place a member of an organised service in a public sector enterprises or where because of the nature of the enterprises or its poor health, it should be difficult to attract good professional managers on a tenure basis.

[Ministry of Industry, Department of Public Enterprises. Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 25th April, 1988]

CHAPTER IV

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

Recommendation No. 3 (Para 2.13)

The Management Information System introduced in 1975 envisaged holding of Quarterly Performance Review Meetings by the Administrative Ministries in respect of enterprises under their control. The Committee on Public Undertakings (1981-82) in their 49th Report had noticed that the Ministries were not holding regularly these quarterly Performance Review Meetings. Even though the instructions for holding such meetings are stated to have been reiterated, the BPE has not monitored its implementation so far. The Committee would like to be specifically informed whether there are any Ministries who have not been holding the performance review meetings regularly during the last three years.

Reply of the Government

Most of the Administrative Ministries/Depts. have informed that the Performance Review Meetings of the Public Sector Undertakings under their administrative control are being held regularly. BPE has been restructured in 1986 and according to new role assigned to it, it is neither to participate in the quarterly Performance Review Meetings nor to monitor the holding of such meetings.

[Ministry of Industry, Department of Public Enterprises,
Bureau of Public Enterprises, O.M. No. 2(24)/87-FIN(PPU)
dated 4th November, 1988].

Comments of the Committee

(Please see paragraph 9 of Chapter I of the Report)

Recommendation No. 12 (Para 2.17)

The Committee are also constrained to draw the attention of Government to the recommendations made by the Committee on Public Undertakings (1981-82) in their 49th Report recommending the desirability of forming an All India Management Service for

top posts and also the desirability of converting the Public Enterprises Selection Board into a statutory independent authority capable of going into also the service and disciplinary matters to advise Government. The Committee would like to reiterate their earlier recommendation for the formation of All India Management Service and also for the conversion of PESB into a statutory independent authority.

Reply of the Government

The pros and cons of setting up of an All India Management Service for the top posts in the Public Sector Enterprises have been examined. In the light of the past experience, it has been felt that it would not be appropriate to constitute an All India Management Service for the top posts in Public Setcor Enterprises.

The Public Enterprises Selection Board has been made more effective and for that purpose the Government of India had issued a Resolution on 3rd March, 1987, a copy of which was laid on the table of both the Houses of Parliament. (APPENDIX III).

[Ministry of Industry, Department of Public Enterprises,
Bureau of Public Enterprises O.M. No. 2(24) |87-Fin. (PPU)
dated 25th April, 1988].

Comments of the Committee

(Please see Paragraph 18 of Chapter I of the Report)

CHAPTER V

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

Recommendation No. 1 (Paras 2.1 and 2.2)

During evidence of various officials and non-official witnesses, there was a unanimity of views favouring a degree of autonomy financial and administrative to public sector enterprises, to enable them to function freely and in a competitive environment. It was, however, felt that since the accountability of the executive to Parliament is recognised as the basic concept of democratic form of government, both Public Undertakings as well as their administrative Ministries/ Departments in their turn are accountable to Parliament for their performance.

The Committee consider that autonomy and accountability must co-exist being directly inter-related. The autonomy carried to an extreme would totally frustrate the principle of accountability, while accountability also carried to an extreme would nullify the concept of autonomy. The Committee also feel that since the Public Enterprises are to be judged by their total results, they should have a certain degree of operational autonomy and should be free to function without undue let or hinderance. Their freedom should be scrupulously honoured so long as they function economically and efficiently. But autonomy inherent in any form of public enterprises, does not mean abdication of Government responsibility and authority nor does it mean abrogation of parliamentary superintendence. Therefore, the Government, in public interest, must exercise a certain degree of control as it is ultimately accountable to Parliament. As against excessive control, the Government should restrict itself to issuing policy directives, exercising strategic control and for making necessary coordinating arrangements to fulfil its responsibility for the effective implementation of socio-economic programmes of the nation. In the Committee's view, it is necessary to have a proper balance between the requirements of accountability of the enterprises to Parliament and their need for freedom in day to day administration. The areas of powers and authority between the public undertakings and the administrative Ministries should, therefore, be clearly delineated.

Reply of the Government

These recommendations would be kept in view in finalising the White Paper to be placed before Parliament.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 4th Nov., 1988]

Recommendation No. 2 (Paras 2.3, 2.4 and 2.5)

From the material placed before the Committee, the committee have gathered an impression that even though management of public enterprises enjoys on paper large autonomy, sometimes more than that enjoyed by private sector management, but in actual practice informal and formal involvement of Ministries and Departments takes place in areas wholly within the decision making powers of public enterprises management.

In this connection, the Committee would like to draw the attention of the Government to the recommendations made by the Economic Administration Reforms Commission that "Public Enterprises should be distanced from the Ministry and the latter confined to periodical reviews of overall performance with regard to overall objectives. The constant stream of instructions, request for information, summons of meetings, telephone calls should be drastically curtailed. The detailed supervision of operational matters should be stopped. Efforts should be made to get away from the tendency on the part of administrative Ministry to treat public enterprises as subordinate offices."

The Committee feel concerned over the growing tendency on the part of the Ministry to interfere into the working of the enterprises. They, therefore, desire that necessary ground rules should be laid down to restrict the Government directions only to matters of policy without transgressing into the spheres of detailed administration.

Reply of the Government

These recommendations would be kept in view in finalising the White Paper to be placed before Parliament.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU), dated 4th Nov., 1988]

Recommendation No. 10 (Para 2.15)

The Committee on Public Undertakings (1981-82) in their 49th Report had emphasised the urgent need to bring out White Papers, as are being brought out in U.K. as a periodical stock taking. In the Budget Speech (1987-88), the Lok Sabha was informed that the Government would bring before Parliament a White Paper on the public sector. The Government have informed the Committee in their written reply that action has been initiated to prepare the draft of White Paper. The Committee hope that the proposed White Paper on Public Sector would be brought out as early as possible.

Reply of the Government

The White Paper will be placed before Parliament as early as possible.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 4th Nov. 1988]

Comments of the Committee

(Please see Paragraph 15 of Chapter I of the Report)

Recommendation No. 15 (Para 2.22)

The Committee agree to the recommendation of the Economic Administration Reforms Commission that there should be a clear charter for the role of the Government Director which should recognise that he would function equally as a Director of the Company and as a representative of the Government. While playing partly a representative role on behalf of the Government on the Board, he should not reserve his position on matters before the Board but should try to join the Board consensus. The Committee regret to point out that though the recommendation has been accepted by Government, the Administrative Ministries have simply been asked to "brief the Government Directors on the Boards of their Undertakings suitably" and no clear charter for their role seems to have been drawn up so far. The Committee desire that this should be done forthwith. They also suggest that a procedure should be evolved whereby the performance of the Government Director is assessed in consultation with the Chief Executive of the undertaking concerned.

Reply of the Government

..

Government has earlier accepted the recommendation of Economic Administration Reforms Commission regarding the Role of Government Directors and suitable instructions to brief Government Directors had accordingly been issued. The recommendation regarding evaluation of performance of the Government Director in consultation with the Chief Executive of the undertaking concerned is under consideration. The finalisation of Government views will have to await the presentation of White Paper in the Parliament and out-come thereof.

[Ministry of Industry, Department of Public Enterprises, Bureau of Public Enterprises O.M. No. 2(24)/87-Fin. (PPU) dated 27th April, 1988.]

NEW DELHI;

December, 28 1988.

Pausa 7, 1910 (Saka).

VAKKOM PURUSHOTHAMAN

Chairman.

Committee on Public Undertakings.

APPENDIX I

(Vide reply to recommendation at S. No. 7, page 13)

Public Enterprises Bhavan,
Block No. 14. CGO Complex,
Lodhi Road, New Delhi-3.
Dated the 8th October, 1987.

OFFICE MEMORANDUM

*Copy of BPF O.M. dt. 8-10-1987 addressed to all Ministries re.
Management Information System—Reporting to Government by
Public Enterprises.*

7

A reference is invited to this Office O.M. No. BPE/16(14) Adv (F) 84 dated 22nd September, 1984 (Annexure) regarding monitoring of the performance of Public Enterprises wherein all the administrative Ministries/Departments were advised to undertake review of their Management Information System and to make necessary modification to the information formats earlier prescribed [vide O.M. No. BPE GL-003 75/I and R/16(4)/72 dated 11th March, 1975.]

2. The Committee on Public Undertakings in their 32nd Report on Accountability and Autonomy of Public Undertakings have observed as under:—

“The Committee have observed that the Public Undertakings are required to report to the administrative Ministries their performance in regard to production, Sales, inventory etc. in the prescribed formats. Under the Management Information System introduced in 1975, for on-going projects, as many as 14 reports have been prescribed of which 3 are to be submitted yearly, 4 half yearly, 2 quarterly and 5 monthly. Apart from this BPE also gets certain reports directly from the public enterprises. 4 forms have been prescribed under which BPE handles flash results every month under the headings financial

targets and achievements, production targets and achievements and cash flow position. Once a year, detailed material is also called for the preparation of the Budget and the Annual Plan for the ensuing year. Thus, through-out the year there is an enormous inflow of reports, returns and statements from the public enterprises to the Ministries and much of their time is spent on furnishing returns and statements. The Committee are informed that in September, 1984, the BPE advised the administrative Ministries to conduct a review of the working of their management information system to streamline the same. The Committee recommended that in the light of review carried out by the administrative Ministries, the Management Information System should be suitably modified with a view to reduce the large number of incoming reports, returns and statements significantly. Thereafter, there should be no addition to such reports and returns except after clearance at the level of Secretary to the administrative Ministry concerned".

3. The above recommendation has been accepted by the Government and as such all the Ministries/Departments are once again requested to undertake a through review of their Management Information System and streamline the same as per present requirements.

Sd/-
(K. V. RAMAKRISHNAN)
Adviser (Finance)

ANNEXURE TO APPENDIX I

Copy of BPE O.M. Dt. 22-9-1984 re.

Recommendations of EARC—Monitoring of the Performance of Public Enterprises.

The Economic Administration Reforms Commission have observed that all Ministries concerned with Public Enterprises should undertake a thorough review of their existing information systems, reduce the very large number of incoming reports and returns significantly and ensure that the requirements of diverse agencies are met through one integrated set of formats.

2. Ministries are aware that as a result of detailed examination. Ministry of Finance, Bureau of Public Enterprises, issued an O.M. No. BPE/GL-003/75/I and R/16(4)/72, dated the 11th March, 1975 on Management, Information System—Reporting by public enterprises

to Government. This prescribed the formats and restricted the reports to eleven. A copy of this O.M. is attached. The Ministries were also asked to examine, and, where necessary, modify the formats to **suit their specific requirements. Where, however, information often** er than on a quarterly basis was required to manage a crisis' situation, it was also advised that such additional information should be furnished during the duration of the crisis. In the light of the recommendations of the EARC it is once again emphasised that all Ministries dealing with public enterprises should undertake a review of their Management Information System and make necessary modifications to the information formats circulated, vide this Ministry's O.M. dated 11th March, 1975 referred to above. It is also advised that once the information system has been streamlined additional reports and returns may not be asked for from public enterprises except after clearance at the level of Secretary to the administrative Ministry concerned.

Sd/-

(S. D. SRIVASTAVA),
Special Secretary to the Govt of India and
Director-General, Bureau of Public
Enterprises.

APPENDIX II

(Vide reply to recommendation at S. No. 9 page 14)

Copy of BPE O.M. dt. 12-6-1985 addressed to all Ministries re. Delay in appointment of auditors, finalisation of Annual Accounts and placement of Annual Reports of Government Companies before both Houses of Parliament.

The necessity of finalisation of audit of annual accounts within the specified time schedules have been emphasised from time to time by various Parliamentary Committees as well as by BPE. We have also issued a number of circulars on the subject. Still it is seen that there have been delays in the finalisation of accounts and placement of Annual Reports before the Parliament in a number of cases which has again attracted adverse comments from the Committee on Papers Laid on the Table of Rajya Sabha vide its 18th Report presented to the House on 20th March, 1985. Para Nos. 88, 98, 99 and 100 of the above Report are reproduced in Annexure-I attached.

2. The Secretary, Deptt. of Company Affairs, has also emphasised the necessity for keeping appropriate time schedules so that the accounts of public enterprises are finalised, audited and adopted in the Annual General Meeting within the prescribed period under the Companies Act, 1956. In the case of companies where accounts are found to be in arrears for a number of years, C and AG may recommend appointment of auditors for 2 to 3 years as a special case. The relevant portion of D.O. No. 2|25|85-IGC dated 20-5-85 from the Secretary, Deptt. of Company Affairs, endorsed to Secretary and DG, B.P.E., is also reproduced in Annexure-II attached.

3. The administrative ministries concerned are requested to give necessary instructions in this regard to the Central public enterprises under their control and ensure that there is no delay in the finalisation of accounts and the placement of annual reports before the Parliament. Copies of this O.M. are also being endorsed to all the Central public enterprises for necessary action.

Encl: Annexures I and II

Sd./- (K.V. RAMAKRISHNAN)
Joint Secretary to the Govt. of India.

ANNEXURE I TO APPENDIX II

Extracts from the 18th Report of the Committee on Papers Laid on the Table of Rajya Sabha presented to the House on 20-3-1985.

Para 88: The Committee once again draws the attention of all concerned to its recommendation laying down "a statement explaining the reasons for delay should also be laid on the Table of the House alongwith the documents. If there is likely to be a delay in laying a paper within the stipulated period, the administrative Ministry should approach the Committee sufficiently in advance for extension of time by explaining the reasons for doing so".

* * * *

Para 98: The Committee came across a plea often taken by the representatives of various organisations during the discussions held with them at Cochin and Madras that they were under the impression that the documents in both versions were required to be laid on the Table of the House simultaneously. The Committee observed that pursuant to its earlier decisions, documents in one version should not be withheld for want of availability of documents in the other version and maintained that documents in one version could be laid on the Table of the Rajya Sabha with the prior waiver having been obtained from the Hon'ble Chairman Rajya Sabha. The relevant paragraphs of its recommendation are reproduced below:—

"The Committee impresses upon the Ministries/Departments that ordinarily both the English and Hindi versions of reports/documents should be laid on the Table simultaneously. In exceptional cases, however, where it is not possible to lay both the versions simultaneously the Ministry/Department while laying one version should invariably lay a statement explaining the reasons for not laying the other version and also indicating the time that would be taken for submission of the other version. In such cases, the other version should be laid on Table either in the same Session or at the most in the first week of the next Session alongwith a statement inviting attention to the fact of the Reports in the first version, English or Hindi, having been laid on the Table earlier on a particular date".
(Paragraph 35 First Report).

"In furtherance to its recommendation, the Committee directs that the Ministries/Departments should lay both Hindi and English versions of the papers simultaneously on the Table

of the House unless they get a waiver from the Chairman, Rajya Sabha, permitting them to lay a particular document in one version only. The request to the Chairman for such a waiver should give the reasons for not laying the other version and also indicating the time that would be taken for submission of the other version. Further, the other version should be laid on the Table of the House in the same Session or during the first week of the next Session alongwith a statement inviting attention to the fact that the report in the other version having been laid on the Table earlier on a particular date". (Decision taken on 15-2-84).

Para 99: The Committee came to know during the discussion that the representatives of most of the organisations were not aware of the dates on which their documents had been laid on the Table of the House. The Committee therefore recommends that Ministry/ Department concerned should communicate the dates on which the documents had been laid on the Table of the House to the concerned organisations. This will enable them to measure the delay occurred in the laying of documents and take necessary follow up action accordingly.

Para 100: The Committee desires that the organisations which have faced or are facing the problem of delayed appointment of auditors should take up the matter with the concerned authorities pointing out that delayed appointment of auditors had resulted in the non-compliance of the directions of Parliamentary Committee to lay the papers on the Table of House of Parliament within 9 months from the closure of accounts. The Committee also enjoins upon the authorities responsible for the appointments of auditors to ensure that auditors are appointed well in advance to help the organisations to lay annual reports and audited accounts on the Table of both Houses of Parliament within the stipulated period of nine months".

ANNEXURE II TO APPENDIX II

Extracts from D.O. No. 2|25|85-IGC dated 20-5-85 from Secretary, Deptt. of Company Affairs, addressed to all Chief Secretaries of State Governments and copy endorsed to Secretary & Director General, Bureau of Public Enterprises, Ministry of Finance.

"In pursuance of Section 619(2) of the Companies Act, 1956, auditors in Govt. Companies are appointed by the Company Law Board, on the advice of the Comptroller and Auditor General of India, generally on year to year basis. As soon as the audit of accounts of

the preceding year is over, the Government company should immediately thereafter approach the Comptroller and Auditor General under intimation to us, for appointment of auditors for the succeeding year. However, in some cases, where accounts are found in arrears for a number of years, C&AG may recommend appointment of auditors for 2-3 years as a *special case*, emphasising that the accounts for the preceding year should be adopted in their Annual General Meeting before the accounts for the subsequent year is certified by the auditors. The statutory auditors, however, complain in a large number of such cases that these accounts are not really made available to them for audit report as required under Sec. 215 of the Act, for a long time after their appointment, leading to further delay in audit of such accounts. Instances have also come to notice, where accounts are in arrears that companies expect the statutory auditors to assist them, in effect, in putting the accounts into shape and finalising them, which is not required of the Statutory Auditors."

* * * . . *

"In a number of cases, holding of A.G.M. under Sec. 166 read with Section 210 of the Companies Act were inordinately delayed because of non-finalisation of accounts well in time leading to delay in placing the Annual Reports of such Govt. companies, in terms of Section 619A of the Act, before both Houses of Parliament|State Legislatures, as the case may be. This no doubt, keeps the Legislators unaware of the performance of the public sector undertakings, which trend, you will agree, should not be encouraged."

It would, therefore, be highly appreciated if you would kindly impress upon the Chairman|Mg. Directors of the State Govt. companies in your State to keep appropriate time schedule, so that their accounts are finalised, audited and adopted in the Annual General Meeting within the prescribed period under the Companies Act, 1956 and the contravention of any provisions of the Act, in this regard, is avoided."

* * * . . *

APPENDIX III

(Vide reply to recommendation at S. No. 12, page 24)

*Copy of Ministry of Personnel, Public Grievances and Pension
(Department of Personnel and Training) Resolution dated
3rd March, 1987.*

No. 27(21)-EO/86(CC)—Public Sector Enterprises (PSEs) under the control of the Central Government play a vital role in the development of the national economy. In order to evolve a sound managerial personnel policy for the Public Sector Enterprises and, in particular, to advise Government on appointments to the top management posts, the Government of India constituted a Public Enterprises Selection Board (PESB) by a Resolution dated 30th August, 1974. Consequent upon the shift of the Secretariat of the PESB from the Department of Personnel & Training from 9th July, 1986, a comprehensive review of the PESB has been made and it has been decided to revise the policy relating to the functions, membership, methodology for selection and infrastructure of the Board, as set out below.

2. Objectives and Functions: The PESB shall, henceforth, function as a professional body with a large measure of autonomy. Its functions shall be:

- (i) to be responsible for the selection and placement of personnel in the posts of Chairman, Managing Director or Chairman-cum-Managing Director (Level-I), and Functional Director (Level-II) in PSEs, as well as in posts at any other level as may be specified by the Government.
- (ii) to advise the Government on matters relating to appointment, confirmation or extension of tenure and termination of the services of personnel of the above mentioned levels;
- (iii) to advise the Government on the desired structure at the Board level, and for senior management personnel, for each PSE or group of PSEs;

- (iv) to advise the Government on a suitable performance appraisal system for both the PSEs and the managerial personnel in such enterprises;
- (v) to build a data bank containing data relating to the performance of PSEs and its officers;
- (vi) to advise the Government on formulation and enforcement of a Code of Conduct and Ethics for managerial personnel in PSEs;
- (vii) to advise the Government on evolving suitable training and development programmes for management personnel in PSEs.

3. Constitution of the Board: The PESB shall consist of one part-time or full-time Chairperson and three full-time Members. The Chairperson and Members shall be persons who have had a long and distinguished career in management of public or private corporations or public administration and have a proven record of achievements, preferably, in the field of personnel, finance, production or marketing. The three full time Members of the PESB shall:

- (a) A distinguished former Chief Executive of a PSE;
- (b) A distinguished behavioural scientist with experience in selection of top management personnel;
- (c) A distinguished former civil servant with experience in management of PSEs or in areas of finance, industry or economic affairs.

4.1 Selection:—A Committee comprising the following will recommend a panel of names in order of preference for appointments to the posts of Chairperson and Members:

- (a) Cabinet Secretary,
- (b) Secretary (Personnel),
- (c) Secretary (Finance),
- (d) Secretary (Public Enterprises).

4.2 The recommendations of the Committee will be submitted to the Appointments Committee of the Cabinet (ACC).

5. Tenure and Age-Limit:—The Chairperson|Member of the PESB shall hold office for a term of three years from the date on which he assumes charge or until he attains the age of 65 years, whichever is earlier. He shall be eligible for consideration for reappointment for a second term subject to the age-limit of 65 years.

6. Pay and Allowances:—Terms and conditions of appointment:

- (i) The appointment shall be made by the Appointments Committee of the Cabinet (ACC).
- (ii) The pay of the Chairperson and the Members shall be the same and equal to that of Secretary to the Government of India in the revised pay scale.
- (iii) Dearness Allowance and other reliefs on account of increase in the cost of living shall also be admissible at the rates determined from time to time by the Government.
- (iv) The other conditions of service including allowances and benefits shall be as determined by the Government from time to time.

7.1 Selection Policy:—The PESB shall not be a mere Interview Board. It shall also constitute itself into a Search Committee to look out for and identify suitable persons who can be appointed to Level-I and Level-II posts in Public Sector Enterprises.

7.2 The policy of the Government is to appoint through a fair and objective selection procedure outstanding professional managers to Level-I and Level-II posts and posts at any other level as may be decided by the Government from time to time. Government have also recognised the need to develop a cadre of professional managers within the public sector. Hence unless markedly better candidates are available from outside, internal candidates, employed in the public sector enterprises, will be preferred for appointment to Board level posts. If internal candidates are not available, preference will be given to candidates working in other public sector enterprises, either in the same area of business or in other areas. Mobility of managerial personnel among public sector enterprises within the same sector or group, falling which mobility within the public sector as a whole will be encouraged, subject to certain limitation. In special cases recruitment may be made from the organised services, under the Central Government. Such cases would be where because of special circumstances, it is necessary to place a member of

an organised service in a public sector enterprises or where, because of the nature of the enterprises of its poor health, it would be difficult to attract good professional managers on a tenure basis.

This Resolution superseeds the Ministry of Finance (Bureau of Public Enterprises) Resolution No. 5(1)|74|BPE (PESB) dated 30th August, 1974 and subsequent amendments there to except things done or committed to be done before such supersession.

ORDER

Ordered that the Resolution be published in the Gazette of India Extraordinary. Part-I Section-I. Ordered also that a copy of the Resolution be communicated to all Ministries|Departments of the Government of India Public Sector Undertakings. State Governments|Administration of Union Territories and all other concerned.

J. C. LYNN, Establishment Officer
and Joint Secretary.

APPENDIX IV

Minutes of the 19th sitting of the Committee on Public Undertakings held on 14-12-1988.

The Committee sat from 15.30 hrs. to 16.00 hrs.

PRESENT

Shri Vakkom Purushothaman—*Chairman*

MEMBERS

2. Shri Saifuddin Chowdhary
3. Shri K. P. Singh Deo
4. Shri S. G. Gholap
5. Shri Virdhi Chander Jain
6. Shrimati Sheila Kaul
7. Shri Keshorao Pardhi
8. Shri K. H. Ranganath
9. Shri Lal Vijay Pratap Singh
10. Shri S. D. Singh
11. Prof. Saif-ud-din Soz
12. Thakur Jagatpal Singh
13. Shri Virendra Verma

SECRETARIAT

1. Shri R. D. Sharma—*Director*
2. Shri Rup Chand—*Senior Financial Committee Officer.*

The Committee considered and adopted the Action Taken Report on 32nd Report of the Committee on Public Undertakings (1987-88) on Accountability and Autonomy of Public Undertakings, as approved by the Action Taken Sub-Committee.

The Committee authorised the Chairman to finalise the Report on the basis of factual verification by Ministry of Industry (Department of Public Enterprises) and to present the same to Parliament.

The Committee then adjourned.

APPENDIX V

(*Vide* Para 3 of Introduction)

Analysis of action taken by Government on the recommendations contained in the 32nd Report of the Committee on Public Undertakings (Eighth Lok Sabha)

I.	Total number of recommendations made	17
II.	Recommendations that have been accepted by the Government (<i>Vide</i> recommendations at Sl. Nos. 3-7, 9, 13, 14, 16 and 17)	10
	Percentage to total	58.8%
III.	Recommendations which the Committee do not desire to pursue in view of Government's replies (<i>Vide</i> recommendation at Sl. No. 11)	1
	Percentage to total	5.8%
IV.	Recommendations in respect of which replies of Government have not been accepted by the Committee (<i>Vide</i> recommendations at Sl. Nos. 8 and 12)	2
	Percentage to total	11.8%
V	Recommendations in respect of which final replies of Government are still awaited (<i>Vide</i> recommendations at Sl. Nos. 1, 2, 10 and 15)	4
	Percentage to total	23.6%