

HARYANA VIDHAN SABHA
COMMITTEE
ON
PUBLIC UNDERTAKINGS
(1982-83)

(SIXTH VIDHAN SABHA)
ELEVENTH REPORT (SPECIAL)

ON THE
GENERAL WORKING OF
PUBLIC UNDERTAKINGS/BOARDS



25 MAR 1983

Presented to the House on _____

HARYANA VIDHAN SABHA SECRETARIAT
CHANDIGARH
FEBRUARY, 1983


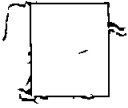


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(iii)

COMPOSITION

OF

THE COMMITTEE ON PUBLIC UNDERTAKINGS (1982 83)

CHAIRMAN

- 1 Shri Sagar Ram Gupta

MEMBERS


- 2 Shri Bahadur Singh
- 3 Shri Bhim Singh Dahia
- 4 Shri Daya Nand Sharma
- 5 Shri Dharam Bir
- 6 Shri Hari Chand Hooda
- 7 Shri Lachhman Singh Kamboj
- 8 Shri Neki Ram
- 9 Shri Sahab Singh Saini

SECRETARIAT

- 1 Shri Raj Krishan Secretary
- 2 Shri S S Ahlawat Joint Secretary

5
(v)

INTRODUCTION




I the Chairman of the Committee on Public Undertakings having been authorised by the Committee in this behalf present this ELEVENTH REPORT (SPECIAL) on the general working of the various public undertakings which come within the purview of the Committee

2 The Committee place on record their appreciation of the valuable assistance given to them by the Accountant General Haryana and his staff and are also thankful to the Secretary to Government Haryana, Finance Department and his representatives Thanks are also due to the representatives of all the public undertakings who appeared to tender evidence before the Committee from time to time on the basis of which these recommendations have been finalised The Committee are also thankful to the Secretary Joint Secretary the dealing Officer and the staff of the Haryana Vidhan Sabha for the whole-hearted co operation and unstinted assistance given in preparing this report

Chandigarh
The 28th February, 1983

SAGAR RAM GUPTA
Chairman



REPORT

NOTE ON OBSERVATIONS AND RECOMMENDATIONS OF THE BOARDS AND CORPORATIONS

While examining several Boards and Corporations the Committee got an opportunity to discover several trends which are common to the functioning of the various undertakings of the State. The Committee therefore thought it useful to put together all of its observations and the resulting recommendations in a single report so that the Government could give a thought to the matter in a larger perspective and take steps towards effecting improvement and economy where ever warranted.

The Committee therefore put forth its observations and recommendations as under —

2 Targets

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After reading through the information/materials placed before the Committee by the different Boards and Corporations and after examining the representatives of these various undertakings the Committee was constrained to observe that most of the Corporations/Boards have been working without fixing any annual targets of production and profit. Consequently most of these undertakings have been either running in losses or are having very tardy progress hardly making any worth while profit. The Committee feel that it is very essential for the Government to direct all of its undertakings to fix annual targets of production and profit and work toward their achievement to the entire satisfaction of the Government. In other words the annual targets so fixed for each undertaking and its subsequent achievement or failure must be annually reviewed by the representatives of the Government and the necessary follow up action be taken against the officials miserably failing to achieve the targets fixed for them.

3 Auditing of Accounts

During the course of oral examination of various Boards/Corporations it came out that not all the undertakings of the State get their annual accounts audited by the office of the Accountant General Haryana which represents the Comptroller and Auditor General of India. For instance the Committee discovered that the Haryana State Agricultural Marketing Board has no provision whatsoever for such an auditing. In fact the Committee had hard time in convincing the representatives of the Board that it was not only essential but also profitable for the Board itself to get their annual accounts audited by the Comptroller and Auditor General of India. The Committee also discovered that even the Boards and Corporations which have been brought under the purview of the Comptroller and Auditor General of India have not been able to get their annual accounts audited regularly. In several cases the annual accounts have not been audited by the Comptroller and Auditor General of India for the last four to five years. The Committee found out that for the above lapse the

Undertakings themselves were to blame, for they have either not been submitting their accounts in the proper manner required by the Comptroller and Auditor General of India or have not been able to submit their accounts at all to the said agency. The result of the messy situation in these undertakings so far as the auditing of their accounts is concerned has been directly responsible for all sorts of lacuna and deficiency in the functioning of these undertakings. In fact many of these Boards/Corporations have been fraught with serious cases of embezzlements, misappropriations and defalcations resulting into huge losses to the Government undertakings.

The Committee felt pained to observe that while such huge losses were being incurred by the various Boards/Corporations of the State the bureaucrats heading these Boards/Corporations were not well conversant about the functioning of their respective Boards and Corporations. It is a high time that the Government took a serious view of the whole matter and take immediate steps to remedy the situation.

4 Accounting System

Related to the aspect of auditing is the accounting system being followed by different Boards and Corporations. The Committee were astounded to discover that different Boards/Corporations were following different system of accounting as were found convenient to the respective undertakings. Consequently the accounts of most of these undertakings are not at all in order, certainly not in accordance with the accepted principles of accountancy. The Committee had been wondering whether the Government had ever sent any circular/instructions asking these undertakings to follow any standard system of accountancy. If it was ever done there is dire need for the Government to ensure implementation of its circular/instructions. However in case it has never been done the Committee recommend that the Comptroller and Auditor General of India be approached without any loss of time for getting in black and white standard system of accountancy which all the undertakings of the State must be made to follow without any exception.

5 Embezzlement/Misappropriations

Another direct consequence of the faulty system of accountancy in the Government undertakings, is their failure either to detect at all the cases of embezzlements, misappropriations and defalcations or where ever such cases have been detected in some of the undertakings it has been possible to do so only after several years of the actual date of their occurrence.

The Committee also discovered that none of the undertakings seem to have any standard procedure laid down or ever handed over by the Government for the recovery of embezzled/misappropriated amount or even of debts nor do they seem to have any detering punishment laid down for such acts of crimes. In most of cases the undertakings are only making an attempt to recover the misappropriated/embezzled amount that too in a very leisurely fashion leaving as if the entire thing to the convenience of the culprit.

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During the course of oral examinations of the representatives of the various undertakings it transpired that the cases of embezzlements/misappropriations kept mounting up. The Committee wonder whether the Government had ever taken note of this perennial fault in the functioning of the undertakings and had ever issued any instructions to remedy the situation.

6 General

(5) While examining the records and accounts of various Government undertakings as also through the oral examinations of the representatives of these undertakings the Committee felt that while these undertakings may be incurring losses or earning very meagre profit partly owing to the faulty system of accountancy adopted by them and partly also because the targets not being fixed for each undertaking to accomplish annually it is felt that this state of affair was largely owing to the lack of interest and involvement on the part of those who are assigned the job of managing the affairs of these undertakings. The Committee feel that since the top functionaries of these undertakings have secured jobs and assured salaries and perquisites they do not seem to take the kind of interest their counter parts in the private undertakings would do. In fact, the Committee felt that most of these functionaries were guilty not merely of lack of sufficient interest in the profitable functioning of the undertakings but also of squandering public funds without any cause and conscience. In this regard the Committee would like to mention below some of the instances of un economical and avoidable expenditure generally incurred by these undertakings —

- (a) The huge expenditure incurred on the purchases maintenance and repairs of the vehicles by each and every Government Undertakings is an evidence to the fact that the public funds are not being economically spent. While most undertakings keep a fleet of cars and other vehicles they also do not seem to have any upper limits fixed for spendings on the fuel as well as repairs. Atleast in one case it was discovered during the oral examination that a certain staff car of a Corporation was giving an average of only 6.5 K. Ms per litre. Interestingly with the change of its using functionary the same car started giving the average of 9.5 K. M per litre. Obviously there was total lack of checking system in the Corporation for there is no other reasonable explanation available for this kind of happening in the undertakings. Similarly the Committee also discovered that the amount of money spent on the repairs and maintenance of vehicles of the undertakings show major fluctuations in figures from year to year in a certain year as high as the amount of Rs. 32 000 to 35 000 could be spent on the repair of a particular vehicle in a particular year and the amount could vary in the subsequent years also. Obviously this also underlines the fact that there are neither any norms fixed for such spendings nor are any effective checks exercised by the undertakings. The Committee also observed that there is a general tendency among the officials of the Public undertakings to have for themselves the luxurious facilities of travelling by car and that too alone. The Committee could not get any specific information as to the norms, if any fixed for the

entitlement to the exclusive use of car by the officials of undertakings. If there are any such norms in existence, Committee would like to have a copy of the same

- (b) The Committee was also constrained to observe similar tendency of over spending on the furnishing of the offices, houses and Rest Houses maintained by the public undertakings. In the purchase of furnishing materials for the offices, houses and Rest Houses of the Public Undertakings, there is a total lack of austerity on the part of the officers concerned. In fact the Committee felt astounded to see the kind of Five Star Hotel mentality in most of these officers because in the furnishing of these offices, houses and Rest House they always seem to try to beat the Five Star Hotel establishments. For instance in the office of several functionaries of a single unit which largely consisted of huge modern machines which cannot too be operated without their dusty and smoky atmosphere were furnished with wall to wall carpets and the chairs costing about Rs 5 000 each. Obviously this kind of love of luxury on the part of the field officers who are supposed to supervise the operations of machines cannot be exception in terms of callous waste of public funds which directly come from the pockets of the toiling masses. To cite another example the Committee discovered that the so called field hostels of a Board which are meant for temporary use for the field officers and their families have been furnished in a manner which can beat even the furnishing in Five Star Hotels. The Committee was pained to observe a total lack of concern for public funds on the part of those responsible for the furnishing the hostels. Such instances are not confined to one or two undertakings. In fact most undertakings in the public sector are afflicted by this serious malady which seems to be one of the major causes for the losses that most of these undertakings are incurring year after year.
- (c) Another area of frugal spending by the public undertakings is that of travels out of the State and abroad. Most corporations are spending lakhs of rupees annually to meet the travelling expenses of its various officers who seem to be always looking out for opportunities to go abroad. The Committee tried to probe into the matter as to the norms laid down by the Government for permitting such journeys, aims and objectives for which the officers undertook these journeys and the officer's reports on what useful purpose the different journeys by the different officers was served towards the best interests of the undertakings. The Committee was utterly disappointed when it was furnished with neither the specific norms for undertaking these journeys nor any satisfactory explanations as to the usefulness of these journeys by the respective undertakings. The Committee wonder if the Government has ever given a thought to the matter and had ever issued any instructions in this regard and if so the Committee would certainly like to have a copy of these instructions, if any.

7 Government Direction and Control in the functioning of the State Undertakings

The Committee were informed that each undertaking/company functions under the control of the administrative department concerned. The primary responsibility for administrative control over the day to day functioning thus remains with the administrative department who is required to over see the functioning of the Companies/Undertakings under its administrative authority.

The role of the Finance Department has now reached a fairly evolved stage. The Finance Department now has a separate public Enterprise and Investment Cell to deal with the State undertakings. This Cell exercises its function of control in respect of the major selected areas and broad policy matters.

The first area of control is providing financial assistance loan funds or working capital to the various undertakings. The loans raised by the undertakings are also guaranteed by the Government and this function is also entrusted to the above Cell. When the undertakings approach this cell in this regard the Finance Department gets an opportunity to review the financial health and the soundness of the undertakings.

Secondly in addition to broad policy matters the above cell of the Finance Department has also instituted a system of periodical review of the working of the undertakings. These reviews are followed up with the M D s of the undertakings in order to ensure that the latter take quick remedial actions on the issues which fall in their competence. Inspection/review reports are also discussed with the Corporations and the Administrative Secretaries concerned.

Thirdly the Cell also reviews the position of recovery of dividend and the repayment of instalments of principal together with the interest with a view to expediting the recovery in consultation with the administrative department concerned.

Fourthly the Cell also supervises and ensures the finalisation of annual accounts by the various undertakings and their audit by the Statutory auditors as well as the Comptroller and Auditor General of India.

The cell has also been arranging training programmes for the officers of the public undertakings and they have also devised a Management Information System which was adopted in 1981.

The Committee were informed that as a result of the above measures, the Cell are able to scrutinize the investment proposals thoroughly, avoid the over lapping of functions between the various corporations suggest suitable patterns of investment/financing loans etc and to review the working of the corporations through its management information system. It was explained that the role of the Finance Department is one to assist and counsel and that the day to day function of the Corporation is the responsibility of the managements themselves as supervised by the administrative departments concerned. Even the role of the administrative departments concerned is limited by the

fact that the undertakings have to be given a measure of autonomy and independence in their day to day working

The Committee have been aware of the general role of the Finance Department during its examination of the various Companies/undertakings. The Committee also have gathered a fair amount of knowledge and information on the actual operations in the field. The Committee are of the considered view that although the system devised in the Finance Department is well thought out and judicious yet it has had little impact on the actual working of the various Companies/Undertakings. To mention only a few aspects the managerial involvement at the level of the senior functionaries of these Companies/Undertakings has been wanting in many cases. There is no recognisable and viable system of financial control in the day to day operations of many of the Companies/Undertakings and there has been little evidence of the managements enforcing the kind of financial discipline which is necessary for their profitable and productive functioning. Many of the Companies/Undertakings are wanting in the field of expertise whether technical or financial and their accounts have been generally unsatisfactory with a few exceptions here and there.

The investment decisions have always not been yielding the expected results and on the major problems facing the Corporations, there appears to be no contribution from the managements in their solutions.

The Committee therefore strongly feel that the time has come to establish a Central Department or Organisation or Ministry which should be entrusted with the total supervision, directions and control of all the Government Companies/Undertakings/Corporations. This organisation will also perform all the functions which are now being exercised by the Public Enterprises Cell of the Finance Department. If such an organisation is to prove effective it goes without saying that it should be headed by an official who is senior most next to the Chief Secretary and that it should be placed under the direct charge of either the Finance Minister or the Chief Minister without these safeguards the Committee feel that such a Central Organisation would not yield the desired results.

As a consequence naturally the individual administrative departments will cease to exercise control over the various Companies/Undertakings and the Committee feel that this will bring about a better coordination between the various undertakings, avoid overlapping, avoid delays and wasteful expenditure which necessarily take place when the undertakings are not functioning under the same administrative authority.

8 Management Personnel

It is observed by the Committee that all the top posts in the Undertakings/Companies are manned by senior officers of the Government. Technical experts, public men and experts from various fields of business and industry are not at all associated with the management.

at the Board's level "Not to speak of the higher managerial posts. The senior management level have generally evinced the lack of expertise as well as involvement in the success or failure of the undertakings they are supposed to manage. The Committee after making a thorough appraisal of the whole matter would like to make the following recommendations —

- (i) The Government may examine the feasibility of setting up of a Central Pool or cadre so that the top management posts including those of MDs are filled from the officers/experts incadred in the Central Pool. If this is not found feasible due to any problems connected with cadre management and career advancement of the members of the pool, the Government atleast must ensure that the officers are selected on the basis of interest area and specialisation with which they have been associated during their career.
- (ii) All Chief Executives should be given a minimum tenure preferably three years or more and should be given clear cut targets of performance and achievements which are expected of them.
- (iii) The accountability of all the Chief Executives and other senior officers of the management should be ensured adequately. This accountability could be made much more effective if the Committee's suggestion of setting up a Central Department/Ministry of Public Enterprises is accepted.

9 Service Conditions of the staff working in the Undertakings

The Committee observed that there is lack of uniformity generally in such matters concerning the staff as their scales of pay rates of other emoluments, bonus provident fund and other benefits. The Committee see no justification of this lack of uniformity and feel that these conditions should be standardised as far as possible.

The Committee therefore recommend that a study should be undertaken in this regard to ensure due uniformity in these matters so as to eliminate the chances of any mal practice or wastefulness on the part of the various undertakings. The study should be guided by the desirability of taking into account the performance of each and every undertaking so that where the undertakings performance have been uniformly good the pay structure should provide for suitable incentives to the staff. The Committee suggest that this study should be taken up at the level of Government/Finance Department.

10 Staff Recruitment

The Committee strongly feel that one reason for the poor performance of most of the undertakings is that the staff with the requisite qualification, expertise and efficiency is not always available. This arise from the fact that there is no uniformity and clear cut procedure laid down for recruitment of various categories/cadres of

staff working in the Corporation. It is felt that this situation [re] to be remedied urgently. The Committee strongly recommend that Central Recruitment agency should be set up under the direction and control of the Ministry/Department of Public Enterprises suggested earlier to make recruitments to administrative/clearical marketing accounts, supervisory and technical cadres except the unskilled/casual labour. It was pointed out that the centralisation of recruitment may lead to delay in actual filling of vacancies which generally has been experienced in the past for example in the banking sector. The Committee however feel that this should be over come by maintaining a suitable waiting list from which the required staff could be picked up whenever required for appointment. In other words each recruitment process must result not only in filling up of the existing vacancies but a sufficient waiting list should also be compiled there and then for future emergency till the next recruitment takes places.

11 Audit and Accounts

The Committee have noted the steps taken by the Finance Department in ensuring that the annual accounts are compiled/audited in time. They have noted that the Comptroller and Auditor General of India has been agreeing to appoint auditors at one time upto three years. With all these, the Committee feel that there should be distinct improvement in the completion of annual accounts and their audit in time. The Committee view the process of completion of accounts and audit as an important instrument of financial control and appraisal. In this light the Committee recommend that the audit comments of the Statutory Auditors as well as the observations of the Comptroller and Auditor General of India on the annual accounts or in the shape of general appraisal should be taken into account by the Government/Finance Department while providing additional Funds/resources to the Corporation or approving their programmes for future investments/expansion.

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