

**ESTIMATES COMMITTEE
(1963-64)**

FORTY-SECOND REPORT

(THIRD LOK SABHA)

MINISTRY OF FINANCE

(Department of Economic Affairs)

**Revision of the Form and Contents of the Demands
for Grants**

**(Exclusion of Profit & Loss Accounts and Balance Sheets
of Public Undertakings from the Demands for Grants)**



**LOK SABHA SECRETARIAT
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ESTIMATES COMMITTEE

(1963-64)

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SECRETARIAT

Shri N. N. Mallya, Deputy Secretary.

*Elected w. e. f. 16th Aug 1st, 1963 *vice* Dr. K. L. Rao ceased to be a member of the Committee on his appointment as a Minister.

I N T R O D U C T I O N

1, the Chairman, Estimates Committee having been authorised by the Committee to submit the following report on their behalf, present this Forty-second Report on the Revision of the Form and Contents of the Demands for Grants (Exclusion of Profit and Loss Accounts and Balance Sheets of Public Undertakings from the Demands for Grants).

2. The Report was considered and adopted by the Committee on the 29th January, 1964.

NEW DELHI;
29th January, 1964.

9th Magha, 1885 (Saka).

A. C. GUHA,
Chairman,
Estimates Committee.

R E P O R T

The Ministry of Finance *vide* their Note to the Estimates Committee dated the 18th December, 1963 (*Appendix I*) have proposed that the Profit and Loss Accounts and Balance Sheets of the various public undertakings may in future be excluded from the volumes of the Demands for Grants— (a) for reasons of economy and (b) because a consolidated annual report on the working of the Industrial and Commercial undertakings of the Central Government is being presented to Parliament with effect from the year 1962-63. The Ministry of Finance have stated that the exclusion of these accounts would result in reduction of over 650 pages from out of the total 2200 pages of the Demands for Grants, without taking away any part of the important information given therein, which may be of interest to Parliament.

2. The Profit and Loss Accounts and the Balance Sheets of the various public undertakings have hitherto been included in the volumes of the Demands for Grants which are presented to Parliament in pursuance of the recommendations made by the Public Accounts Committee in para 81 of their Seventh Report (1952-53) (*Appendix II*) and by the Estimates Committee in para 25 of their Twentieth Report (Second Lok Sabha) (*Appendix III*).

3. The Estimates Committee had in their 73rd Report (Second Lok Sabha) (*Appendix IV*) also recommended that in addition to the annual reports of the Public Undertakings which are laid before Parliament individually, a separate comprehensive report should be presented to Parliament indicating the Government's appraisal of their working. This recommendation was also reiterated in their Ninth Report (Third Lok Sabha) (*Appendix V*).

4. The Committee have considered the proposal in para 1 above. They note that the Annual Reports on the working of Industrial and Commercial Undertakings of Central Government for the years 1960-61 and 1961-62, contain an analysis of the Profit and Loss Accounts and the Balance Sheets and a brief review of the working and activities of the industrial and commercial undertakings of the Central Government other than those run departmentally like Chittaranjan Locomotive Works, Perambur Integral Coach Factory, Ordnance Factories, Posts and Telegraphs Workshops, etc. These reports, however, do not cover research, financial and banking institutions such as, National Research Development Corporation, Industrial Finance Corporation, of India, Life Insurance Corporation of India, etc.

5. The Committee feel that for a proper appraisal of the performance of the public undertakings under the Central Government, it is important that Parliament should be kept informed of the results of the working of all the undertakings. Considering the vital need for effecting economy in expenditure and simplifying papers pertaining to financial and accounts matters, as well as for concise presentation of the Demands for Grants, the Committee agree to the proposal of the Ministry of Finance to exclude the Profit and Loss Accounts and the Balance Sheets of the public undertakings from the volumes containing the Demands for Grants, subject to the following conditions :—

- (a) the Consolidated Annual Report on industrial and commercial undertakings should hereafter cover all the public undertakings and should be made more comprehensive; (The results of working of certain undertakings, as for example, those which do not earn profits or financial institutions may be included in a separate chapter in the consolidated report.)
- (b) a contents page and index may be added to the consolidated report;
- (c) the consolidated report should be presented to Parliament along with the Budget papers; (During the current year, however, it might be presented before the Demands for Grants are taken up for consideration.)
- (d) the notes on important schemes which gave a brief account of the working of the individual undertakings should continue to be given in the volumes of the Demands for Grants pertaining to the respective Ministries.

NEW DELHI;
29th January, 1964.
9th Magha, 1885 (Saka).

A. C. GUHA,
Chairman,
Estimates Committee.

APPENDIX I

No. F. 3(106)-B/63

GOVERNMENT OF INDIA

MINISTRY OF FINANCE (EAD)

Dated 18th December, 1963.

NOTES FOR ESTIMATES COMMITTEE/PUBLIC ACCOUNTS COMMITTEE

SUBJECT:—*Reduction in the size of Budget documents presented to Parliament.*

The volumes of Demands for Grants presented to Parliament along with the other Budget documents include, besides the estimates, brief explanations of the variations in the provision, details of important items of new expenditure and notes on important schemes supported by the latest available Profit and Loss Accounts and Balance Sheets of the commercial bodies, under the Administrative control of each Ministry. Following the recommendations made by the Estimates Committee in para 32 of its 55th Report the Demands are compiled Ministry-wise in separate self-contained volumes to facilitate their discussion in Parliament. The inclusion of the Profit and Loss Accounts and Balance Sheets of commercial undertakings in these documents follows the recommendation of the Public Accounts Committee in paragraph 81 of their Seventh Report, 1952-53, that a Statement of the financial results of the working of the State enterprises should be included in the Explanatory Memorandum on the Budget. A similar recommendation was made by the Estimates Committee in para 25 of their Twentieth Report, 1957-58. These recommendations were accepted and arrangements made for including the latest available Profit and Loss Accounts and Balance Sheets, first as appendix to section III of the Explanatory Memorandum on the Budget and subsequently in the volumes of Demands relating to each Ministry.

2. With effect from 1962-63, it has been decided to present to Parliament, a consolidated annual report on the working of the industrial and commercial undertakings of the Central Government. The first such annual report for the year 1960-61 was presented in September, 1962 and the second report for the year 1961-62 was presented to Parliament in the last Budget Session of Parliament.

This Report aims at presenting an overall assessment of the performance and the combined working results of the industrial and commercial undertakings of the Central Government, indicating *inter alia* the investments involved and the returns earned on them. Thus, the main features of the annual accounts of the undertakings in question are available in this consolidated annual report on Government undertakings. Every effort will be made in future to present the Annual Report on the working of the industrial enterprises as soon as possible after the presentation of the annual budget. In addition, the Ministries concerned also present to Parliament, the accounts of their undertakings as required under the respective charters or the Indian Companies Act, as the case may be.

3. As a result of the decision to present a consolidated annual report on the working of the industrial and commercial undertakings of the Government and also for the sake of economy as well as for better presentation of the Demands for Grants, it no longer seems necessary to reproduce the Balance Sheets in the Budget documents. The Comptroller and Auditor General of India has also been advocating the elimination of these accounts from the Demands for Grants. It is accordingly proposed that the Profit and Loss Accounts and Balance Sheets may be excluded from the Demands for Grants in future. This would result in a reduction of over 650 pages from out of the total 2,200 pages of the Demands for Grants, without taking away any part of the important information given therein, which may be of interest to Parliament.

4. The proposal contained in the preceding para is for the approval of the Estimates Committee/Public Accounts Committee. An immediate decision is requested so that necessary action may be taken to eliminate these accounts from the Demands for Grants for the year 1964-65 to be presented to the Parliament on 29th February, 1964.

Sd/- SHIV NAUBH SINGH,

Joint Secretary to the Govt. of India.

40.

1. The Chairman and Members of the Estimates Committee.
 2. The Chairman and Members of the Public Accounts Committee.
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APPENDIX II
PUBLIC ACCOUNTS COMMITTEE

(1952-53)

SEVENTH REPORT

*Appropriation Accounts (Civil), 1949-50 and Unfinished Accounts
(Civil), 1948-49*

Vol. I—Report

Para 81

Another point to which the Committee would like to draw the attention of the Ministry of Finance in this connection is that the Notes on 'Important Schemes' financed by Government and in respect of which expenditure has been provided for during the year 1953-54, as set forth in Section III of the Explanatory Memorandum on the Budget for that year, do not indicate the return yielded or expected to yield in the course of time from the investment made by Government in respect of a particular scheme. To enable the Members of Parliament to properly appraise the financial working of any State enterprise and to judge the productivity of expenditure involved in it, the Committee suggest that the details of the provision of funds made in the Budget in this respect should invariably be accompanied by a statement of the financial results of the working of that enterprise for the previous year.

APPENDIX III
ESTIMATES COMMITTEE
(1957-58)

TWENTIETH REPORT (SECOND LOK SABHA)
Budgetary Reform

25. The Union Government would be spending over Rs. 500 crores during the Second Plan Period on industrial enterprises in the public sector and the future investment in such enterprises is expected to be quite heavy. The impact of these enterprises on the national economy would be significant. It would, therefore, be necessary for Parliament to take into account the activities of all the State enterprises while approving the budget. For this purpose, the undertakings should prepare a performance and programme statement for the budget year together with the previous year's statement and it should be made available to the Parliament at the time of the annual budget. Further, these bodies might also be encouraged to prepare business-type budgets which would be of use to Parliament at the time of the budget discussion. In addition, the latest accounts and balance sheets as well as the annual reports should also be made available to Parliament at the same time.

26. It has been suggested earlier that along with the annual budget a separate volume for each Ministry and Department should be brought out incorporating the budget and portions from Explanatory Memoranda and Annual Reports, as further improved. This volume should include a separate chapter containing information and documents as mentioned in para 25 in respect of all undertakings which are related to the Ministry concerned. In addition, it would be desirable to bring out a consolidated volume containing the documents mentioned earlier for all the statutory bodies and private limited companies of Government containing an appreciation of their working and their net result on the budget, so that their impact on the national economy could be appreciated.

APPENDIX IV

ESTIMATES COMMITTEE

(1959-60)

73RD REPORT (SECOND LOK SABHA)

Preparation of Budget Estimates of Public Undertakings and Presentation of their Annual Reports and Accounts to Parliament

2. Considering the huge investment of public funds in the Public Undertakings, the existing methods available to Parliament of keeping itself fully informed about these undertakings are neither adequate nor satisfactory. Under the existing arrangement Parliament does not get a comprehensive picture of the undertakings. Firstly, as pointed out above there is no consolidated information available with regard to the total investment made by Government in the Public Undertakings and the subsequent changes made therein by way of addition or withdrawal. Secondly, no consolidated information is available with regard to the working of the undertakings and the net effect thereof on the national economy of the country. Thirdly, even with regard to individual undertakings Parliament does not get information in time with regard to their working and the state of their present condition and even when the information is made available it is found to be very often inadequate. There is, therefore, a real need for improving the methods of furnishing information to Parliament about the Public Undertakings.

3. There is at present no legal obligation on the part of the Public Undertakings to present their budget estimates to Parliament except in the case of Air India International, Indian Airlines Corporation, Damodar Valley Corporation and Employees' State Insurance Corporation. The Estimates Committee in their 20th Report (Second Lok Sabha) on Budgetary Reforms, recommended that the industrial undertakings should prepare a performance and programme statement for the budget year together with the previous year's statement and that it should be made available to Parliament at the time of the annual budget. They further recommended that these bodies might also be encouraged to prepare business-type budgets which could be of use to Parliament at the time of the budget discussion. The Government replied that the recommendations were under examination, whereupon the Committee, in their 60th Report, suggested that the examination of the recommendations should be com-

pleted soon and they be implemented early. The Committee reiterate their earlier recommendation in this respect.

25. The Committee recommended in their 20th Report (Second Lok Sabha) on Budgetary Reforms that it would be desirable to bring out a consolidated volume containing the performance and programme statements, business-type budgets and the annual reports of the Public Undertakings with an appreciation of their working and their net result on the budget so that their impact on the national economy could be appreciated. The Government replied that it would not be possible to bring out in a separate volume the balance sheets etc. for all the statutory units and limited companies but assured that every effort would, however, be made to give as much information as possible on individual undertakings, schemes, etc. in the Explanatory Memorandum so that a full picture was available of the financial results and prospects of these undertakings. No reply, however, was given to the suggestion that an appreciation of their working and their net result on the budget might also be given. In their 60th Report the Committee reiterated their recommendation with regard to the desirability of bringing out a consolidated volume containing the budget, performance and programme statements etc. for use of Parliament at the time of budget discussion. The Committee again reiterate that recommendation. They also feel that to get a full picture of the role played by the public undertakings in the development of the country's economy and resources, it would be essential that in addition to the annual reports of the Public Undertakings which are laid before Parliament individually, a separate comprehensive report should be presented to Parliament indicating the Government's appraisal of their working.

APPENDIX V

ESTIMATES COMMITTEE

(1962-63)

NINTH REPORT (THIRD LOK SABHA)

Ministry of Finance

(Department of Expenditure)

Action taken by Government on the recommendations contained in the 73rd Report of the Estimates Committee (Second Lok Sabha)

In paras 1 and 2 of their 73rd Report (Second Lok Sabha) on the 'Preparation of Budget Estimates of Public Undertakings and Presentation of their Annual Reports and Accounts to Parliament', the Committee observed that no consolidated information was available with regard to the investment made by Government in the Public Undertakings, their working and the net effect thereof on the national economy, etc. and stressed the need for improving the methods of furnishing information to Parliament about Public Undertakings. In reply, Government have stated that the information was available in Annexure XIV (now Annexure XVII) of the Explanatory Memorandum on the General Budget and the brochure entitled 'Principal Public Sector Undertakings in India', published by the Central Statistical Organisation. The Committee had already pointed out in their 73rd Report, that the information contained in the Explanatory Memorandum was not comprehensive and did not include loans given to the various Undertakings. Similarly, the brochure 'Principal Public Sector Undertakings in India', as its name indicates does not contain information about all the Public Undertakings. It is thus evident that the information contained in these publications is not adequate and does not fulfil the purpose envisaged by the Committee.

2. The Committee, however, note that in reply to the recommendations made in para 25 of their 73rd Report, Government have stated that there is a proposal to bring out a consolidated financial and economic review of industrial undertakings of Government. They feel that the need for furnishing consolidated information to Parliament would be met if the scope of the proposed publication is enlarged to include all Public Undertakings properly classified. They hope that this will be done and the publication brought out as early as possible.

APPENDIX VI

*Statement showing the summary of conclusion/recommendation
of the Estimates Committee contained in the Report*

Ref. to para No. in the Report	Conclusion/Recommendation
4	<p>The Committee agree to the proposal of the Ministry of Finance to exclude the Profit and Loss Accounts and the Balance Sheets of the Public Undertakings from the volumes containing the Demands for Grants, subject to the following conditions :—</p> <ul style="list-style-type: none"><li data-bbox="534 783 1202 1183">(a) the Consolidated Annual Report on industrial and commercial undertakings should hereafter cover all the public undertakings and should be made more comprehensive ; (The result of working of certain undertakings, as for example, those which do not earn profits or financial institutions may be included in a separate chapter in the consolidated report.).<li data-bbox="528 1203 1202 1286">(b) a contents page and index may be added to the consolidated report ;<li data-bbox="528 1307 1202 1524">(c) the consolidated report should be presented to Parliament along with the Budget papers; (During the current year, however, it might be presented before the Demands for Grants are taken up for consideration.).<li data-bbox="521 1545 1202 1804">(d) the notes on important schemes which gave a brief account of the working of the individual undertakings should continue to be given in the volumes of the Demands for Grants pertaining to the respective Ministries.

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