

FIFTY-SECOND REPORT
PUBLIC ACCOUNTS COMMITTEE
(2003-2004)

(THIRTEENTH LOK SABHA)

UNDERMINING OF
PARLIAMENTARY FINANCIAL
CONTROL

MINISTRY OF TEXTILES

[Action Taken on 24th Report of Public Accounts Committee (13th Lok Sabha)]



Presented to Lok Sabha on: 13 Aug. 2003
Laid in Rajya Sabha on: 19 Aug. 2003

LOK SABHA SECRETARIAT
NEW DELHI

July 2003/Sravana 1925 (Saka)

COMPOSITION OF PUBLIC ACCOUNTS COMMITTEE

(2003-2004)

Sardar Buta Singh — *Chairman*

Lok Sabha

2. *Vacant
3. Shri Priya Ranjan Dasmunsi
4. Shri M.O.H. Farook
5. Dr. Madan Prasad Jaiswal
6. Shri Raghunath Jha
7. Dr. K. Malaisamy
8. Dr. M.V.V.S. Murthi
9. Shri Rupchand Pal
10. Shri Mohan Rawale
11. Dr. Nitish Sengupta
12. Shri Raghuraj Singh Shaky
13. Shri Brij Bhushan Sharan Singh
14. Shri Kirit Somaiya
15. **Vacant

Rajya Sabha

16. Shri Santosh Bagrodia
17. Shri Prasanta Chatterjee
18. Shri K. Rahman Khan
19. Shri Bachani Lekhray
20. Dr. Alladi P. Rajkumar
21. Shri C.P. Thirunavukkarasu
22. Prof. Ram Gopal Yadav

SECRETARIAT

- | | | |
|----------------------------|---|-----------------------------|
| 1. Shri P.D.T. Achary | — | <i>Additional Secretary</i> |
| 2. Shri S.K. Sharma | — | <i>Joint Secretary</i> |
| 3. Shri Raj Shekhar Sharma | — | <i>Deputy Secretary</i> |
| 4. Shri B.S. Dahiya | — | <i>Under Secretary</i> |
| 5. Shri N.S. Hooda | — | <i>Under Secretary</i> |

*Shri Haribhai Chaudhary resigned *w.e.f.* 9th May, 2003.

**Shri Chinmayanand Swami ceased to be a Member on his appointment as Union Minister *w.e.f.* 24th May, 2003.

INTRODUCTION

I, the Chairman of the Public Accounts Committee, having been authorised by the Committee to present the Report on their behalf, do present this Fifty-second Report on action taken by Government on the recommendations of the Public Accounts Committee contained in their Twenty-fourth Report (13th Lok Sabha) on "Paragraph 17.1 of the Report of C&AG of India" for the year ended March, 1999, No. 2 of 2000, Union Government (Civil-Transaction Audit Observations) relating to "Undermining of Parliamentary Financial Control."

2. This Report was considered and adopted by the Public Accounts Committee at their sitting held on 29 July, 2003. Minutes of the sitting form Part II of the Report.

3. For facility of reference and convenience, the observations and recommendations of the Committee have been printed in thick type in the body of the Report and have also been reproduced in a consolidated form in Appendix to the Report.

6. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of Comptroller & Auditor General of India.

NEW DELHI;
30 July, 2003

8 Shavana, 1925 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee.

CHAPTER I

REPORT

This Report of the Committee deals with the action taken by the Government on the recommendations and observations contained in their 24th Report (Thirteenth Lok Sabha) relating to "Undermining of Parliamentary Financial Control."*

2. The Twenty-fourth Report, which was presented to Lok Sabha on 29 August 2001, contained seven recommendations/observations. The Action Taken Notes on all these recommendations/observations have been received from the Ministries of Textiles and Finance and have broadly been categorised as follows:—

Chapter II — Recommendations and observations which have been accepted by Government:

Sl. Nos. 1, 2, 3, 4, 5 and 7

[Paragraph Nos. 59, 60, 61, 62, 63 and 65]

Chapter III — Recommendations and observations which the Committee do not desire to pursue in the light of the reply received from Government.

-NIL-

Chapter IV — Recommendations and observations replies to which have not been accepted by the Committee and which require reiteration:

Sl. Nos. 6

[Paragraph No. 64]

Chapter V — Recommendations and observations in respect of which Government have furnished interim replies:

-NIL-

Findings of the Committee in the Original Report

3. Under the Agreement on Textiles and Clothing (ATC) arrived at the conclusion of the Uruguay Round of GATT negotiations, in order to distribute these export quotas of certain garment and textile products among the exporters in an equitable manner, the Government have been formulating "Export Entitlement Distribution Policies" popularly known as "Quota Policies" till the year 2004. The Apparel Export Promotion Council (AEPC), a non-Government body, has been assigned the work of allocating export entitlements and necessary certification for exports of all ready-made garments and knitwear on behalf of the Government. In the event of non-fulfilment of quota obligations prescribed in the policies, Earnest Money Deposit/Bank Guarantee (usually 5 per cent of FOB value of exports) is

* Based on observations contained in Paragraph 17.1 of the Report of C&AG of India for the year ended March 1999.

liable to be forfeited. Under the provisions of the successive Quota Policies, AEPC had been crediting the forfeited penalties in a personal deposit account specifically opened for the purpose. In the light of the facts contained in the Audit paragraph, the Committee had examined various aspects relating to formulation of Quota Policy, imposition and forfeiting of penalties, crediting of the forfeited amount in Personal Deposit Account and release of expenditure thereon etc. The Committee's examination had *inter-alia* revealed misclassification of revenue of the Government of India by the Ministry of Textiles, wrongful crediting of the forfeited amount in Personal Deposit Account against the spirit of Article 266(1) of the Constitution of India, bypassing of the authority of the Parliament by unauthorisedly spending Rs. 35.08 crore; non-consultation with C&AG/CGA for changing the accounting procedure/opening the PD Account etc. The Committee had observed in their original report [24th Report of PAC (13th Lok Sabha)] that penalty realised by AEPC from the defaulters under Quota regime was in consequence of a statutory rule made by the Ministry, and therefore, it was revenue of the State and the amount ought to have been credited to the Consolidated Fund of India in accordance with the provisions of Article 266(1) of the Constitution. While expressing their surprise over Ministry of Finance not showing sufficient care and caution in dealing with the issue, the Committee had recommended that the Ministry of Finance should issue appropriate directions to all Ministries/Departments of the Government of India with a view to ensure that the revenue earned by exercising sovereign authority of the State is not appropriated by any Department/Authority in violation of the accounting procedure. The Committee had also observed that the Ministry of Textiles did not consult the C&AG and the CGA for changing the accounting procedure which was required under the provisions of Rule 191(2) of the Receipts and Payment Rules of the Government and had therefore asked the Ministry of Textiles to ensure that there was no such or similar practice obtaining in that Ministry in respect of any other Scheme/Policy.

4. While appreciating that the recommendations contained in their 24th Report have been accepted by the Government, the Committee would like the Ministry of Finance and Company Affairs to devise suitable measures to ensure expeditious implementation of the recommendations accepted by them. The Committee further observe that even though the Ministries of Finance and Textiles have furnished Action Taken Notes on all their recommendations, considerable time was, however, lost in furnishing the same. Though the Action Taken Notes on the Twenty Fourth Report were required to be furnished to the Committee by 28th February, 2002, the Committee regret to point out that the complete action taken notes from the Ministries of Finance & Company Affairs and Textiles were received on 23 August, 2002 and 2nd September 2002 respectively, particularly when the recommendations intended to obviate the wrongful classification of revenue and to safeguard the custody of revenue which should form part of the consolidated Fund of India.

5. The observations/recommendations made by the Committee and the Action Taken Notes furnished by the Government thereon have been reproduced in the

relevant subsequent chapters of this Report. The Committee will now deal with the action taken by the Government on some of their recommendations and observations.

Operation of Personal Deposit Account

(Sl. No. 2; Paragraph No. 60)

6. Commenting on the un-authorised operation of personal deposit account against the provision of the Article 266 (1) of the Constitution of India the Committee had recommended in paragraph 60 of their 24th report as follows:—

"The Committee were informed that the reasons for operating PD Account were the Ministry of Textiles' concern for utilisation of the forfeited amounts towards export developmental activities and the possible need of refunding some of the amount out of the forfeited amount in terms of the orders in appeal against the forfeiture as the quota policy provided appeals against the orders for forfeitures by AEPC. The Committee were also informed that the PDA, being in the nature of an export development fund, ensured that forfeited funds came from AEPC into Government discipline under which a PDA is operated thus enabling the Ministry to fulfil its commitments for utilising these funds for activities and projects related to development of textile and garment exports. The Committee appreciate the candid deposition of the Secretary, Textiles that at one stage there was a view in the Ministry that the forfeited EMDs/BGs were Government revenues and therefore they should go to the Consolidated Fund of India but ultimately, it was decided to set apart these funds for export promotion activities. The Committee have also been informed that if the funds go to the Consolidated Fund of India, it would not be possible for the Ministry of Textiles to use them and therefore, it was thought that the best mechanism to serve the objective of utilisation of the forfeited amounts as per the provisions of the Quota Policy would be the PD Account, which has operational flexibility as well as governmental control over the use of these funds. The Committee do not accept the contention of Textiles Ministry that as per provisions of the garment export quota policy the forfeited EMDs/BGs amounts being administrative in nature, can not be termed as taxes, duties or revenue received by the Government of India but as Public Money as per the provisions contained in Article 266(2). On the contrary, the Committee are of the considered opinion that whatever comes to the Government by exercising the sovereign authority of the State, be it from penalty or forfeiture, comes within the meaning of revenue. Penalty realised by AEPC from the exporters who failed to discharge their export obligation, was in consequence of a statutory rule made by the Ministry and therefore, the forfeited EMDs/BGs were revenue of the Government, a view concurred in by the representative of Controller of Government Accounts, Ministry of Finance, and as such the forfeited amounts ought to have been credited to the Consolidated Fund of India in accordance, with the mandatory provisions of article 266(1) of the Constitution. The Committee, while rejecting the view of Ministry of Textiles that credit of forfeited money in PD Account was a 'technical lapse'. would like the Ministry of Finance (Department of

Expenditure) to issue appropriate directions to all Ministries/Department of the Government with a view to ensuring that the revenues earned by exercising sovereign authority of the State is not appropriated by any Department/Authority in violation of the accounting procedure laid down by the Government which has the effect of escaping parliamentary control and scrutiny."

7. In their action taken note, the Ministry of Finance and Company Affairs (Deptt. of Expenditure) have stated as follows:—

"The office of the Controller General of Accounts in consultation with the Budget Division of the Ministry of Finance, Department of Economic Affairs examined the proposal of the Ministry of Textiles for operating the Personal Deposit Account for crediting the forfeited amount under the Quota Policy. The proposal was not agreed to and the Chief Controller of Accounts, Ministry of Commerce (in-charge of Ministry of Textiles) was informed by the Office of Controller General of Accounts in October, 2000 that in future, receipts from the forfeited earnest money would have to be credited to the Consolidated Fund of India under the Major head '1453—Foreign Trade and Export Promotion-800—Other Receipts'. The balance available in the Deposit Account would also have to be transferred to the same head of account. Accordingly, it is not correct for the Ministry of Textiles to say that they had the concurrence of the Office of the Controller General of Accounts in the matter.

Taking note of the recommendations of the Public Accounts Committee this Department has issued instructions to all the Ministries/Departments providing that any revenue received by them by virtue of exercise of sovereign authority of the State should invariably be credited to the Consolidated Fund of India. They have also been directed to make an urgent review of all PD Accounts being operated by them in consultation with the Office of the Controller General of Accounts to take immediate corrective action. A copy of O.M. No. 123(4) E. Coord. 2001 dated 9th May, 2002 is enclosed."

8. The Ministry of Textiles in their action taken note have stated as follows:—

"As explained before the Committee, the amounts accrued to the PDA due to the administrative policy (Garments & Knitwear Export Entitlement Policy) operated by the Ministry of Textiles which itself clearly laid down that such amounts would go to PDA. However, as desired by the Committee, the amounts have since been deposited in the Consolidated Fund of India in December, 2001."

9. The Committee find that as a follow-up of their recommendation the Government have issued instructions to all the Ministries/Departments providing that any revenue received by them by virtue of exercise of sovereign authority of the State be credited to the Consolidated Fund of India, the Committee desire that the Ministry of Finance should now devise suitable mechanism so that the Ministries/Departments follow the constitutional directives and General Financial Rules in letter and spirit. Further, the Committee would also like the

Ministry of Finance to mount unflinching and eternal vigil so that the instructions issued by them are scrupulously adhered to and ensure that there is no wrongful classification of public revenue impinging upon the security of the Consolidated Fund of India.

Refunding of Forfeited Penalties

(Sl. No. 3; Paragraph 61)

10. Taking note of the written submission of the Ministry of Textiles that the forfeited amount was liable to be refunded if the appellate authority stayed the order of forfeiture or set aside the order of forfeiture and also the oral submission of the Secretary, Ministry of Textiles, the Committee, in Paragraph 61 of the 24th report, had desired the Ministry of Textiles to furnish a factual note containing the number of appeals which came up before appellate authority, the time taken to arrive at a final verdict in each case and the total amount of money refunded up to December, 2000.

11. In their action taken note, the Ministry of Textiles have stated as follows:—

"As per information provided by Apparel Export Promotion Council (AEPC), the number of appeals pending at various stages is as follows:—

Level	Number of cases	Amount in Rs.
Textile Commissioner	5741	155,65,47,750
2nd Appellate Committee	1367	36,09,41,665
Courts (High Courts/Supreme Court)	51	73,87,066
Total	7159	192,48,76,481

In the case of 2nd Appellate Committee, all cases filed till the year 1997 have been decided. However, around 450 cases filed in the year 1998 and 1999 are pending for decision. Other cases have been filed in the year 2000 or afterwards.

In the case of Textile Commissioner, majority of cases belong to 1997-99 policy period. However, around 600 cases filed prior to 1997 involving a sum of Rs. 29.84 crores are also pending.

The Apparel Export Promotion Council refunded an amount of Rs. 8.26 crores in 2115 cases as on 31.3.2001 due to the decisions of the Appellate Committee."

12. The Committee note that about 7159 cases involving more than Rs. 192.48 crore have been pending at various levels as of December 2000 with many of the cases having been filed in the year 1997 or before. Further, forfeited penalty worth Rs. 8.26 crore in 2115 cases was refunded to the appellants due to the decisions of the Appellate Committee as on 31st March 2001. Needless to say that payment of huge refunds and pendency of large many cases with

appellate authorities shows inherent shortcomings and lapses in the imposition and realization of penalties under the Quota policy. As per the provisions of the Garment and Knitwear Export Entitlement (Quota) Policy, also incorporated in the 2000-2004 edition a decision on the appeal shall have to be taken as early as possible preferably within two months by the first appellate authority i.e. Textile Commissioner [Para 16(iv)] and within three months by the second Appellate Committee [Para 16 (xi)]. The Committee observe that these policy stipulations are not being adhered to. The Committee hardly need to emphasize that such incidents do not augur well for exports and defeat the very purpose of establishing AEPC and their operation of PDA—all for promoting textile apparel exports. The Ministry of Textiles, therefore, need to strengthen the mechanism of forfeiture of penalty by AEPC and make it foolproof by ensuring accuracy in fixation, imposition and realization of the penalties under the system. While not undermining the importance of punitive action against the defaulters, the Committee would like to caution that the law-abiding exporters are not subjected to harassment. The Committee would also urge the Government to pursue the pending cases vigorously for their speedy disposal in the interest and growth of textile sector.

Merger of Funds

(Sl. No. 5; Paragraph 63)

13. While commenting on the fact that Ministry of Textiles did not consult the C&AG and the CGA for opening the PD Accounts, the Committee had recommended:—

"The Committee note that the Ministry of Textiles did not consult the C&AG and the CGA for changing the accounting procedure/opening the PD Account in accordance with the mandatory requirement under Rule 191(2) of the Receipts and Payment Rules of the Government. The Committee also note that the representative of the Ministry of Finance asserted during evidence that the prescribed procedure was not followed by the Textile Ministry. The Committee, therefore, do not accept the explanation of the Ministry of Textiles that they were competent to open the PD Account and that the requirement of consultation with CGA was for getting the proper head for the PDA and for finalisation of the accounting procedure. Obviously, the Ministry by-passed the mandatory financial procedure for fear of their entire plan of operating the PD Account going awry. This is unfortunate to say the least. The Committee would, however, like the Textile Ministry to ensure that there is no such or similar practice obtaining in that Ministry in respect of any other Scheme/Policy."

14. In their action taken note Ministry of Textiles have stated the following:—

"As explained before the Committee, the Ministry of Textiles kept the amount in PDA as per provisions of the policy (Garment & Knitwear Export Entitlement Policy) under which the money was accruing. This was done after the approval of the then Addl. Secretary and Financial Adviser—a

representative of the Department of Expenditure, Ministry of Finance. Subsequent permission was also taken from the Ministry of Finance (Department of Expenditure) in May 1998. As soon as it was brought to the notice of the Ministry that the approval of C&AG and CGA are also required, a case was sent for seeking their *post-facto* approval but by that time as the issue had come to the notice of the Committee, CGA decided to await the findings of the Committee. The amount lying in the PDA pertaining to Yarns, Fabrics and Made-ups Export Entitlement Policy has also been credited to the Consolidated Fund of India in December 2001."

15. The Committee are pleased to note that the amount lying in the PDA pertaining to Yarns, Fabrics and Made-ups Export Entitlement Policy has been credited to the Consolidated Fund of India, following their examination of the subject. The Committee hope that Ministry of Textiles would not venture into such new procedural innovation in violation of well-established financial procedure to the detriment of the Consolidated Fund of India.

Utilisation of Funds

(Sl. No. 6; Paragraph 64)

16. Concerned at the release of Rs. 35.08 crore for expenditure on various activities upto January 1999, by the Committee constituted by Secretary, Ministry of Textiles out of the total amount of Rs. 66.44 crore forfeited by AEPC during 1989-1999 which should have been credited to the Consolidated Fund of India, the Committee had, in para 64 of their 24th Report, observed that the action of the Ministry had the effect of by-passing the authority of Parliament and recommended as follows:—

"The Committee are concerned to note from Audit Paragraph that out of Rs. 66.44 crore forfeited by the AEPC during 1989—99, an amount of Rs. 35.08 crore had been released by the Committee constituted by the Secretary, Ministry of Textiles for expenditure on various activities upto January 1999—Rs. 29.46 crore to AEPC, Rs. 7.50 lakh to Indian Council for Research on International Economic Relations, Rs. 5.00 lakh to Indian Silk Export Promotion Council and Rs. 5.50 crore to National Institute of Fashion Technology. The fact that NIFT was getting financial assistance from sources like PD Account was never indicated in the Demands for Grants thus denying the total financial picture to Parliament. The Committee regret to note that by spending Rs. 35.08 crore from the forfeited money without the approval of Parliament, the action of the Ministry had the effect of by-passing the authority of Parliament notwithstanding the laudable objective sought to be achieved. The Committee also observe that sizeable expenditure has been incurred on trade delegations abroad, external publicity, survey of readymade garments, World Fashion Fair, etc. Obviously, such expenditure cannot be construed as money spent on Capital Projects in keeping with the policy provision. The Committee would like an assurance in this behalf from the Ministry in due course in respect of utilisation of balance fund. The Committee also recommend that the Ministry of Finance consider the desirability of issuing suitable

instructions to all Ministries/Departments requiring them to indicate in the Demands for Grants any additionality of funds/grants received by any Governmental organization or scheme from sources other than the Consolidated Fund of India while submitting the Demands for Grants for approval by Parliament."

17. In their action taken note the Ministry of Textiles have submitted the following reply:—

"As explained before the Committee, the amounts have been sanctioned by High Powered Committee headed by AS&FA of the Ministry of Commerce and Textiles. Out of the total amount of Rs. 118.65 crores sanctioned till December, 2000, Rs. 111.28 crores were sanctioned for capital works such as construction of Apparel International Mart, construction of NIFT Centres, construction of Apparel Training and Design Centres, Computerisation in AEPC and Exhibition Centre at Tirupur. All activities for which the amount was sanctioned fell into the categories for which the amount could be sanctioned as per mechanism approved by the Department of Expenditure. Total amount released till 31.5.2001 is Rs. 60.08 crores out of which Rs. 52.71 crores have been released for capital works such as mentioned above. As earlier submitted, the amounts under such PDAs have since been deposited in the Consolidated Fund of India and the future releases and expenditure will be fully governed by the general rules regarding expenditure of government money."

18. The Audit has the following comments regarding the reply:—

"Though the Ministry in their reply have admitted that future releases and expenditure would be fully governed by the general rules regarding expenditure of government money, A.T.N. is silent on the aspect of considering desirability of issuing suitable instructions to all Ministries/Departments by the Ministry of Finance requiring them to indicate in the Demands for Grants any additional funds/grants received by any government organisation or scheme from sources other than the Consolidated Fund of India while submitting the Demands for Grants for approval by Parliament as desired by the PAC"

19. Commenting on the above mentioned Audit observation, the Ministry of Textiles have quoted the following reply of the Ministry of Finance:—

"Article 113(2) of the Constitution of India provides that so much of the estimates as relate to other than "Charged" expenditure shall be submitted in the form of demands for grants to the House of the people, and the House of people shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to reduction of the amount specified therein."

"The above provisions of the Constitution stipulate that sums which are to be applied from and out of the Consolidated Fund of India be included in the Demands for Grants. Accordingly, funds/grants received by any Governmental organisation from other than the Consolidated Fund of India are not reflected in the Demands for Grants."

20. The Committee do not accept the contention that the Ministries are required to furnish only the details of grants sought to be appropriated from and out of the Consolidated Fund of India. In case the Ministries/Departments execute any scheme/programme from funds outside the purview of Consolidated Fund of India including foreign sponsored programme, the Parliament and people have the right to know the additional or supplementary funds—internal or external including foreign—being received by any organization, scheme or programme. It is, therefore, incumbent upon the ministries to clearly indicate such funds while submitting the detailed Demands for Grants so that the complete financial picture of an organization/scheme is considered by Parliament before according approval to the Demands for Grants. The Committee, therefore, reiterate that the Ministry of Finance should evolve a suitable mechanism and issue instructions to all Ministries/Departments in this behalf.

CHAPTER II

RECOMMENDATIONS AND OBSERVATIONS WHICH HAVE BEEN ACCEPTED BY GOVERNMENT

Recommendation

The Committee note that under the Agreement on Textiles and Clothing (ATC) arrived at the conclusion of the Uruguay Round of GATT Negotiations, exports of certain garment and textile products from India to USA, European Union and Canada till the year 2004 AD are subject to "annual quantitative ceilings" known as "Quotas". In order to distribute these export quotas among the exporters in an equitable manner, Government have been formulating "Export Entitlement Distribution Policies" popularly known as "Quota Policies". Under the Garment Quota Policy, the Apparel Export Promotion Council (AEPC), a Section 25 company under the Ministry of Textiles, has been assigned the work of allocating export entitlements and necessary certification for exports of all readymade garments and knitwears. Since the export quotas fixed for various categories are limited and these limits cannot be exceeded, it is in the national interest to ensure full utilisation of quotas in order to achieve the maximum foreign exchange realisation. With a view to ensuring full utilisation of quotas by the exporters, a provision that the exporters should submit the Earnest Money Deposit/Bank Guarantee (EMD/BG) at certain rates, usually 5% of FOB value of exports, is envisaged in the successive Quota Policies, starting from the first Quota Policy for the year 1979 AD. In the event of non-fulfilment of quota obligations prescribed in the Policies, EMD/BG remitted by the exporters is liable to be forfeited. The Committee observe that till the year 2000-2001, the exporters forfeited a total of Rs. 111.08 crore out of which Rs. 66.44 crores were recovered during 1989-99. Prior to 1989, AEPC was keeping the forfeited amount. The Secretary, Ministry of Textiles in consultation with the Internal Finance Wing approved in 1989 that the forfeited amount of the EMD/Bank Guarantee would be credited into a deposit account, specifically opened for this purpose in the Public Accounts under the head of non-interest Bearing Account "Major head-8342—Other Deposits-Misc. Deposits-Deposits of AEPC for Export Promotion.

[Sl. No. 1, Appendix II, Para 59 of 24th Report of PAC
(13th Lok Sabha)]

Action Taken

This is statement of facts and needs no comments.

This issues with the approval of Secretary (Textiles). This has been vetted by the office of the Principal Director of Audit *vide* U.O. No. AMG-I/Rep. I-14(719)/2001-02/796-97 dated 30-01-2002.

Recommendation

The Committee were informed that the reasons for operating PD Account were the Ministry of Textiles' concern for utilisation of the forfeited amounts towards export developmental activities and the possible need of refunding some of the amount out of the forfeited amount in terms of the orders in appeal against the forfeiture as the quota policy provided appeals against the orders for forfeitures by AEPC. The Committee were also informed that the PDA, being in the nature of an export development fund, ensured that forfeited funds came from AEPC into Government discipline under which a PDA is operated thus enabling the Ministry to fulfil its commitments for utilising these funds for activities and projects related to development of textile and garment exports. The Committee appreciate the candid deposition of the Secretary, Textiles that at one stage there was a view in the Ministry that the forfeited EMD/BGs were Government revenues and therefore they should go to the Consolidated Fund of India but ultimately, it was decided to set apart these funds for export promotion activities. The Committee have also been informed that if the funds go to the Consolidated Fund of India, it would not be possible to use them by Ministry of Textiles and therefore it was thought that the best mechanism to serve the objective of utilisation of the forfeited amounts as per the provisions of the Quota Policy would be the PD Account which has operational flexibility as well as Governmental control over the use of these funds. The Committee do not accept the contention of Textiles Ministry that as per provisions of the garment export quota policy the forfeited EMDs/BGs amounts being administrative in nature, can not be termed as taxes, duties or revenue received by the Government of India but as Public Money as per the provisions contained in Article 266(2). On the contrary, the Committee are of the considered opinion that whatever comes to the Government by exercising the sovereign authority of the state, be it from penalty or forfeiture, comes within the meaning of revenue. Penalty realised by AEPC from the exporters who failed to discharge their export obligation, was in consequence of a statutory rule made by the Ministry and therefore, the forfeited EMDs/BCs were revenue of the Government, a view concurred in by the representative of Controller of Government Accounts, Ministry of Finance, and as such the forfeited amounts ought to have been credited to the Consolidated Fund of India in accordance with the mandatory provisions of Article 266(1) of the Constitution. The Committee, while rejecting the view of Ministry of Textiles that credit of forfeited money in PD Account was a 'technical lapse' would like the Ministry of Finance (Department of Expenditure) to issue appropriate directions to all Ministries/Departments of the Government with view to ensuring that the revenue earned by exercising sovereign authority of the state is not appropriated by any Department/Authority in violation of the accounting procedure laid down by the Government which has the effect of escaping parliamentary control and security.

[Sl. No. 2, Appendix II, Para 60 of 24th Report of PAC
(13th Lok Sabha)]

Action Taken (Ministry of Textiles)

As explained before the Committee, the amounts accrued to the PDA due to the administrative policy (Garments & Knitwear Export Entitlement Policy) operated

by the Ministry of Textiles which itself clearly laid down that such amounts would go to PDA. However, as desired by the Committee, the amounts have since been deposited in the Consolidated Fund of India in December, 2001.

This issues with the approval of Secretary (Textiles). This has been vetted by the office of the Principal Director of Audit *vide* U.O. No. AMG-I/Rep.I-14(719)/2001-02/796-97 dated 30-01-2002.

Action Taken [Ministry of Finance & Company Affairs (Department of Expenditure)]

The Office of the Controller General of Accounts in consultation with the Budget Division of the Ministry of Finance, Department of Economic Affairs examined the proposal of the Ministry of Textiles for operating the Personal Deposit Account for crediting the forfeited amount under the Quota Policy. The proposal was not agreed to and the Chief Controller of Accounts, Ministry of Commerce (in-charge of Ministry of Textiles) was informed by the Office of Controller General of Accounts in October, 2000 that in future, receipts from the forfeited earnest money would have to be credited to the Consolidated Fund of India under the Major head '1453—Foreign Trade and Export Promotion-800-Other Receipts'. The balance available in the Deposit Account would also have to be transferred to the same head of account. Accordingly, it is not correct for the Ministry of Textiles to say that they had the concurrence of the office of the Controller General of Accounts in the matter.

Taking note of the recommendations of the Public Accounts Committee, this Department has issued instructions to all the Ministries/Departments providing that any revenue received by them by virtue of exercise of sovereign authority of the State should invariably be credited to the Consolidated Fund of India. They have also been directed to make an urgent review of all PD Accounts being operated by them in consultation with the Office of the Controller General of Accounts to take immediate corrective action. A copy of O.M. No. 12(4)/E Coord 2001 dated 9th May, 2002 is enclosed.

This has been vetted by Audit *vide* their U.O. Note No. A.M.G.-I/Report 1-14(719)/99-2002/809 dated 4.4.2002.

Ministry of Finance

Department of Expenditure

E.Coord. Branch U.O. No. 12(4)/E.Coord./2001 dated: 13.5.2002

No. 12(4)/E: Coord./2001
GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF EXPENDITURE
E. Coord. Branch

New Delhi, the 9th May, 2002.

OFFICE MEMORANDUM

SUBJECT: *Operation of Personal Deposit Account under the Central Government (Receipts and Payment) Rules, 1983—Action Taken on the recommendations of the Public Accounts Committee in their 24th Report (13th Lok Sabha) on "Undermining of Parliamentary Financial Control".*

The undersigned is directed to invite the attention to the recommendations made by the Public Accounts Committee in their 24th Report (13th Lok Sabha) and to say that in Para 60 thereof, the Committee has taken exception to crediting of certain revenues earned by the Ministries/Departments in exercise of their sovereign powers to the Personal Deposit Account (PD Account) under the Public Account and have recommended that any revenue earned by exercising sovereign authority of the state is not appropriated by any Department/Authority in violation of the accounting procedure laid down by the Government and all such revenues should be appropriately credited to the Consolidated Fund of India.

2. The provisions relating to the PD Account are contained in Rule 191 of the Central Government (Receipts & Payment) Rules 1983, and Para 13.7 of the Civil Accounts Manual. The PD Account is a device to facilitate the administrator under specific circumstances and the operation is effected only by a special order by the concerned Ministry or Department in consultation with the Controller General of Accounts. Ministries/Departments should apply strict control/vigilance while scrutinizing sanction of PD Accounts, since sanction of PD Accounts in a routine manner would tantamount to evasion of Parliamentary approval. Operation of PD Account, therefore, is irregular; without following the procedure prescribed under the above mentioned Rules.

3. All the Ministries/Departments are, therefore, directed that an urgent review of all PD Accounts being operated by them be made and wherever the prescribed procedure has not been followed, the matter should be urgently sorted out in consultation with the Office of the Controller General of Accounts in this Department so that these Accounts are discontinued forthwith and the money deposited in these Accounts is duly credited to the Consolidated Fund of India. The review of such Accounts shall be the responsibility of the concerned Financial Advisers in all the Ministries/Departments and the result of the review may urgently be communicated by them to the office of the Controller General of Accounts before the end of the

current financial year. All the Ministries/Departments are also directed that any revenue earned by them by virtue of exercise of sovereign authority of the state should invariably be credited to the Consolidated Fund of India.

Sd/-

(B. P. MISRA)

Additional Secretary to the Govt. of India

1. Ministries/Departments as per the standard mailing list.
2. All Financial Advisers by name.
3. Office of the Controller General of Account, Lok Nayak Bhavan, New Delhi.

Recommendation

Taking note of the written submission of the Ministry that the forfeited amount is liable to refund if the appellate authority stays the order of forfeiture or sets aside the order of forfeiture and also the oral submission of the Secretary, Ministry of Textiles, the Committee would like to have a factual note containing the number of cases of such appeals which came up before appellate authority, the time taken to arrive at a final verdict in each case and the total amount of money refunded up to December, 2000 within three months from presentation of this report.

[Sl. No. 3 Appendix II, Para 61 of 24th Report of PAC]

(13th Lok Sabha)

Action Taken

As per information provided by Apparel Export Promotion Council (AEPC), the number of appeals pending at various stages is as follows:

Level	Number of cases	Amount in Rs.
Textile Commissioner	5741	1556547750
2nd Appellate Committee	1367	360941665
Courts (High Courts/ Supreme Court)	51	7387066
Total	7159	1924876481

In the case of 2nd Appellate Committee, all cases filed till the year 1997 have been decided. However, around 450 cases filed in the year 1998 and 1999 are pending for decision. Other cases have been filed in the year 2000 or afterwards.

In the case of Textile Commissioner, majority of cases belong to 1997-99 policy period. However, around 600 cases filed prior to 1997 involving a sum of Rs. 29.84 crores are also pending.

The Apparel Export Promotion Council refunded an amount of Rs. 8.26 crores in 2115 cases as on 31.3.2001 due to the decisions of the Appellate Committees.

This issues with the approval of Secretary (Textiles). This has been vetted by the office of the Principal Director of Audit *vide* U.O. No. AMG-I/Rep. I-14(719)/2001-02/796-97 dated 30-01-2002.

Recommendation

The Committee was surprised to find that the Ministry of Finance (Department of Expenditure) acquiesced in the wrong interpretation given by the Ministry of Textiles to the provisions of Article 266(1) & (2) of the Constitution of India. The Committee do not accept the explanation of the Ministry of Textiles that they had taken the approval of Ministry of finance for arrangement to retain the money in P.D. Account and not for operation of P.D. Account, as according to the oral testimony of the Secretary (Textiles), the rules in this behalf were not clear. While deprecating the decision of the Ministry of Textiles to implement the proposal twice rejected by the Ministry of Finance, the Committee observe that the Ministry of Finance tacitly approved the mechanism for meeting the categories of expenditure out of the PD Account which was earlier rejected by them twice. The Committee is unhappy that the Ministry of Finance did not show sufficient care and caution in dealing with an issue relating to the crediting of the revenue to the Consolidated Fund of India and also to the proper interpretation of general financial rules.

[Sl. No. 4 Appendix II, Para 62 of 24th Report of PAC]
(13th Lok Sbha)

Action Taken (Ministry of Textiles)

As explained before the Committee, the Ministry of Textiles decided to keep the money in the PDA as per administrative policy (Garments & Knitwear Export Entitlement Policy) under which the money was accruing. Though the Ministry of Finance did not agree initially to keep the amount in PDA, however, in May 1998, it finally accorded approval to the purposes for which expenditure out of PDA could be made and also the constitution of the High Powered Committee to sanction the amounts

This issues with the approval of Secretary (Textiles). This has been vetted by the office of the Principal Director of Audit *vide* U.O. No. AMG-I/Rep. I-14(719)/2001-02/796-97 dated 30-01-2002.

Action Taken [Ministry of Finance & Company Affairs (Department of Economic Affairs)]

The Ministry of Finance had initially not agreed to the proposal to keep forfeited Earnest Money Deposit/Bank Guarantee money in Personal Deposit Account. Subsequently, in May, 1998, Finance Ministry accorded approval to enable Ministry of Textiles to incur expenditure from Personal Deposit Account strictly on apparel export promotion efforts alone and not for any other items of expenditure. A High Powered Committee was also constituted to periodically take stock of flow of funds into Personal Deposit Account.

However, the observations of the Committee have been noted and due care would be taken to ensure that such cases are dealt with strictly in accordance with the general financial rules in future.

This has been vetted by the Principal Director of Audit vide U.O. No. Pr. DAE&SM-Rep-1-14(719)/99-2002/Vol. II/355-56, dated 21st August, 2002.

No. F 9(8)-PD/2001, dated 22.08.2002.

Recommendation

The Committee note that the Ministry of Textiles did not consult the C&AG and the CGA for changing the accounting procedure/opening the PD Account in accordance with the mandatory requirement under Rule 191(2) of the Receipts and Payment Rules of the Government. The Committee also note that the representative of the Ministry of Finance asserted during evidence that the prescribed procedure was not followed by the Textile Ministry. The Committee, therefore, do not accept the explanation of the Ministry of Textiles that they were competent to open the PD Account and that the requirement of consultation with CGA was for getting the proper head for PDA and for finalisation of the accounting procedure. Obviously, the Ministry by-passed the mandatory financial procedure for fear of their entire plan of operating the PD Account going Awry. This is unfortunate to say the least. The Committee would, however, like the Textiles Ministry to ensure that there is no such or similar practice obtaining in that Ministry in respect of any other Scheme/Policy.

[Sl. No. 5 Appendix II, Para 63 of 24th Report of PAC
(13th Lok Sabha)]

Action Taken

As explained before the Committee, the Ministry of Textiles kept the amount in PDA as per provisions of the Policy (Garments & Knitwear Export Entitlement Policy) under which the money was accruing. This was done after the approval of the then Addl. Secretary and Financial Adviser—a representative of the Deptt. of Expenditure, Ministry of Finance. Subsequent permission was also taken from the Ministry of Finance (Department of Expenditure) in May 1998. As soon as it was brought to the notice of the Ministry that the approval of C&AG and CGA are also required, a case was sent for seeking their *post-facto* approval but by that time as the issue had come to the notice of the Committee, CGA decided to await the findings of the Committee. The amount lying in the PDA pertaining to Yarns, Fabrics and Made-ups Export Entitlement Policy has also been credited to the Consolidated Fund of India in December 2001.

This issues with the approval of Secretary (Textiles). This has been vetted by the office of the Principal Director of Audit vide U.O. No. AMG-I/Rep.I-14(719)/2001-02/796-97 dated 30-01-2002.

Recommendation

To sum up, the facts stated in foregoing paragraphs reveal lapses on the part of the Ministry of Textiles and also to a certain extent on the part of Ministry of Finance in safeguarding the sanctity of the financial procedure laid down in of the Constitution of India and the rules made thereunder which had the effect of escaping parliamentary vigil and control over public money. The Committee would like the Government to maintain the sanctity of the Constitutional provisions and the fundamental financial rules. Keeping in view the needs of the Textiles Industry

particularly the stiff overseas competition being faced by garment exporters which would be much more severe after the Quota Policy expires in 2004 A.D. the Committee also recommend that the Ministry of Textiles ascertain the actual requirements of funds to fulfil the garment export obligations of the country and take up the matter with the Ministry of Finance to ensure availability of adequate/matching funds so that garment exports do not suffer on account of merger of forfeited funds in the Consolidated Fund of India. The Committee, further, recommends that the balance forfeited EMD/BG amount in the Public Accounts should be credited in the CFI with immediate effect. The Ministry of Textiles may make suitable budgetary provisions in this behalf to make good the funds credited by them in the consolidated Fund of India so that the on going project/sanctioned projects of capital nature do not languish for want of funds.

[Sl. No. 7 Appendix II, Para 65 of 24th Report of PAC
(13th Lok Sabha)]

Action Taken (Ministry of Textiles)

The observations of the Committee have been noted and the balance forfeited EMD/BG amounts in the PDAs have been credited in the Consolidated Fund of India. Ministry of Textiles have also requested the Ministry of Finance to make suitable budgetary provisions for sanctioning of the funds credited by the Ministry in the Consolidated Fund of India. It is hoped that these will be sanctioned as per directions of the Committee.

This issues with the approval of Secretary (Textiles). This has been vetted by the office of the Principal Director of audit *vide* U.O. No. AMG-I/Rep.I-14(719)/2001-02/796-97 dated 30-01-2002.

Recommendation

To sum up, the facts stated in foregoing paragraphs reveal lapses on the part of Ministry of Textiles and also to a certain extent on the part of Ministry of Finance in safeguarding the sanctity of the financial procedure laid down in the Constitution of India and the rules made thereunder which had the effect of escaping parliamentary vigil and control over public money. The Committee would like the Government to maintain the sanctity of the Constitutional provisions and the fundamental financial rules. Keeping in view the needs of the Textiles Industry particularly the stiff overseas competition being faced by garment exporters which would be much more severe after the Quota Policy expires in 2004 A.D., the Committee also recommended that the Ministry of Textiles ascertain the actual requirements of funds to fulfil the garment export obligations of the country and take up the matter with the Ministry of Finance to ensure availability of adequate/matching funds so that garment exports do not suffer on account of merger of forfeited funds in the consolidated Fund of India. The Committee, further, recommended that the balance forfeited EMD/BG amounts in the Public Accounts should be credited in the CFI with immediate effect. The Ministry of Textiles may make suitable budgetary provisions in this behalf to make good the funds credited by them in the Consolidated Fund of India so that the ongoing projects/sanctioned projects of capital nature do not languish for want of funds.

[Sl. No. 7 Appendix II, Para 65 of 24th Report of PAC
(13th Lok Sabha)]

Action Taken [Ministry of Finance & Company Affairs (Department of Economic Affairs)]

The observations of the Committee have been noted. Ministry of Textiles has informed that the forfeited Earnest Money Deposit (EMD)/Bank Guarantee (BG) amounts in the Personal Deposit Accounts (PDAs) has been credited to the Consolidated Fund of India. Based on the projections made by the Ministry of Textiles, a budgetary provision of Rs. 12 crore has been made under the head "Grants to AEPC against forfeited amount of EMD/BG" in the Demands for Grants for the year 2002-2003 for implementation of ongoing projects/sanctioned projects.

This has been vetted by the Principal Director of Audit *vide* U.O.No.Pr.DAE&SM-Rep-1-14(719)/99-2002/Vol. II/355-56, dated 21st August, 2002.

No. F. 9(8)-PD. 2001. dated 22.08.2002

CHAPTER III

RECOMMENDATIONS AND OBSERVATIONS WHICH THE COMMITTEE DO NOT DESIRE TO PURSUE IN THE LIGHT OF THE REPLY RECEIVED FROM GOVERNMENT

-NIL-

CHAPTER IV

RECOMMENDATIONS AND OBSERVATIONS REPLIES TO WHICH HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Recommendation

The Committee are concerned to note from Audit Paragraph that out of Rs. 66.44 forfeited by the AEPC during 1989-99, an amount of Rs. 35.08 crore had been released by the Committee constituted by the Secretary, Ministry of Textiles for expenditure on various activities up to January 1999-Rs. 29.46 crore to AEPC, Rs. 7.50 lakh to Indian Council for Research on International Economic Relations, Rs. 5.00 lakhs to Indian Silk Export Promotion Council and Rs. 5.50 crore to National Institute of Fashion Technology. The fact that NIFT was getting financial assistance from sources like P.D. Account was never indicated in the Demands for Grants thus denying the total financial picture to Parliament. The Committee regret to note that by spending Rs. 35.08 crore from the forfeited money without the approval of Parliament, the action of the Ministry had the effect of by-passing the authority of Parliament notwithstanding the laudable objective sought to be achieved. The Committee also observed that sizeable expenditure has been incurred on trade delegations abroad, external publicity, survey of readymade garments, World Fashion fair, etc. Obviously, such expenditure cannot be construed as money spent on capital Projects in keeping with the policy provision. The Committee would like an assurance in this behalf from the Ministry in due course in respect of utilisation of balance fund. The Committee also recommend that the Ministry of Finance consider the desirability of issuing suitable instructions to all Ministries/Departments requiring them to indicate in Demands for Grants any additionally of funds/grants received by any Governmental organisation or scheme from sources other than the Consolidated Fund of India while submitting the Demands for Grants for approval by Parliament.

[Sl. No. 6 Appendix II, Para 64 of 24th Report of PAC (13th Lok Sabha)]

Action Taken (Ministry of Textiles)

As explained before the Committee, the amounts have been sanctioned by High Powered Committee headed by AS&FA of the Ministry of Commerce and Textiles. Out of a total amount of Rs. 118.65 crores sanctioned till December, 2000, Rs. 111.28 crores were sanctioned for capital works such as construction of Apparel International Mart, construction of NIFT Centres, construction of Apparel Training and Design Centres, Computerisation in AEPC and Exhibition Centre at Tirupur. All activities for which the amount was sanctioned fell into the categories for which the amount could be sanctioned as per mechanism approved by the Deptt. of Expenditure. Total amount released till 31-5-2001 is Rs. 60.08 crores out of which

Rs. 52.71 crores have been released for capital works such as mentioned above. As earlier submitted, the amounts under such PDAs have since been deposited in the Consolidated Fund of India and the future releases and expenditure will be fully governed by the general rules regarding expenditure of government money.

This issues with the approval of Secretary (Textiles). This has been vetted by the office of the Principal Director of Audit *vide* U.O. No. AMG-I/Rep.I-14(719)/2001-02/796-97 dated 30-01-2002. The Audit has the following comments regarding the reply:—

"Though the Ministry in their reply have admitted that future releases and expenditure would be fully governed by the general rules regarding expenditure of government money, A.T.N. is silent on the aspect of considering desirability of issuing suitable instructions to all Ministries/Departments by the Ministry of Finance requiring them to indicate in the Demands for grants any additional funds/grants received by any government organization or scheme from sources other than the Consolidated Fund of India while submitting the Demands for Grants for approval by Parliament as desired by the PAC".

Comments of Ministry of Finance

"Article 113(2) of the Constitution of India provides that so much of the estimates as relate to other than "Charged" expenditure shall be submitted in the form of demands for grants to the House of the People, and, the House of People shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to reduction of the amount specified therein.

The above provisions of the Constitution stipulate that sums which are to be applied from and out of the Consolidated Fund of India be included in the Demands for Grants. Accordingly, funds/grants received by any government organisation from other than the Consolidated Fund of India are not reflected in the Demands for Grants".

Action Taken [Ministry of Finance & Company Affairs (Department of Economic Affairs)]

The recommendation of the Committee has been examined in the Ministry of Finance.

2. **Article 113(2) of the Constitution of India** provides that so much of the estimates as relate to other than "charged" expenditure shall be submitted in the form of demands for grants to the House of the people, and, the House of People shall have power to assent, or to refuse to assent, to any demand, or to assent to any demand subject to reduction of the amount specified therein.

3. The above provisions of the Constitution stipulate that sums which are to be applied from and out of the Consolidated Fund of India be included in the Demands for Grants. Accordingly, funds/grants received by any Government organisation from other than the Consolidated Fund of India are not reflected in the Demands for Grants.

This has been vetted by Audit *vide* their U.O. No. AMG=I/Rep-I-14 (719)/000 2002/VOL-II/353-54 dated 21st August, 2002.

CHAPTER V

RECOMMENDATIONS/OBSERVATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES/NO REPLIES

-NIL-

NEW DELHI;
30 July, 2003
8 Sarvana, 1925 (Saka)

SARDAR BUTA SINGH,
Chairman,
Public Accounts Committee.

APPENDIX

CONCLUSIONS/RECOMMENDATIONS

Sl. No.	Para No.	Ministry/ Department	Conclusions/Recommendations
(1)	(2)	(3)	(4)
1.	4.	Ministry of Textiles and Ministry of Finance & Company Affairs (Deptt. of Economic Affairs & Deptt. of Expenditure)	While appreciating that the recommendations contained in their 24th Report have been accepted by the Government, the Committee would like the Ministry of Finance and Company Affairs to devise suitable measures to ensure expeditious implementations of the recommendations accepted by them. The Committee further observe that even though the Ministries of Finance and Textiles have furnished action taken notes on all their recommendations, considerable time was, however, lost in furnishing the same. Though the action taken notes on the Twenty Fourth Report were required to be furnished to the Committee by 28th February, 2002, the Committee regret to point out that the complete action taken notes from the Ministries of Finance & Company Affairs and Textiles were received on 23 August, 2002 and 2nd September 2002 respectively, particularly when the recommendations intended to obviate the wrongful classification of revenue and to safeguard the custody of revenue which should form part of the Consolidated Fund of India.
2.	9	Ministry of Textiles and Ministry of Finance (Deptt. of Expenditure)	The Committee find that as a follow-up of their recommendations the Government have issued instructions to all the Ministries/Departments providing that any revenue received by them by virtue of exercise of sovereign authority of the state be credited to the Consolidated Fund of India, the Committee desire that the Ministry of Finance should now devise suitable mechanism so that the Ministries/Departments follow the constitutional directives and general Financial Rules in letter and spirit. Further, the Committee would also like the Ministry of Finance to mount unfailing and eternal vigil so that the instructions issued by them are scrupulously adhered to and ensures that there is no wrongful classification of public revenue impinging upon the security of the Consolidated Fund of India.

(1)	(2)	(3)	(4)
3.	12	Ministry of Textiles	<p>The Committee note that about 7159 cases involving more than Rs. 192.48 crore have been pending at various levels as of December 2000 with many of the cases having been filed in the year 1997 or before. Further, forfeited penalty worth Rs. 8.26 crore in 2115 cases was refunded to the appellants due to the decisions of the Appellate Committee as on 31st March 2001. Needless to say that payment of huge refunds and pendency of large many cases with appellate authorities shows inherent shortcomings and lapses in the imposition and realization of penalties under the Quota policy. As per the provisions of the Garment and Knitwear Export Entitlement (Quota) Policy, also incorporated in the 2000—2004 edition, a decision on the appeal shall have to be taken as early as possible preferably within two months by the first appellate authority <i>i.e.</i> Textile Commissioner [Para 16(iv)] and within three months by the second Appellate Committee [Para 16(xi)]. The Committee observe that these policy stipulations are not being adhered to. The Committee hardly need to emphasize that such incidents do not augur well for exports and defeat the very purpose of establishing AEPC and their operation of PDA-all for promoting textile apparel exports. The Ministry of Textiles, therefore, need to strengthen the mechanism of forfeiture of penalty by AEPC and make it foolproof by ensuring accuracy in fixation, imposition and realization of the penalties under the system. While not undermining the importance of punitive action against the defaulters, the Committee would like to caution that the law-abiding exporters, are not subjected to harassment. The Committee would also urge the Government to pursue the pending cases vigorously for their speedy disposal in the interest and growth of textile sector.</p>
4.	15	Ministry of Textiles	<p>The Committee are pleased to note that the amount lying in the PDA pertaining to Yarns, Fabrics and Made-ups Export entitlement Policy has been credited to the Consolidated Fund of India, following their examination of the subject. The Committee hope that Ministry of Textiles would not venture into such new procedural innovation in violation of well-established financial procedure to the detriment of the Consolidated Fund of India.</p>

(1)	(2)	(3)	(4)
5.	20	Ministry of Textiles & Ministry of Finance & Company Affairs (Deptt.of Economic Affairs)	The Committee do not accept the contention that the Ministries are required to furnish only the details of grants sought to be appropriated from and out of the Consolidated Fund of India. In case the Ministries/ Departments execute any scheme/programme from funds outside the purview of Consolidated Fund of India including foreign sponsored programme, the Parliament and people have the right to know the additional or supplementary funds—internal or external including foreign—being received by any organization, scheme or programme. It is, therefore, incumbent upon the Ministries to clearly indicate such funds while submitting the detailed Demands for Grants so that the complete financial picture of an organization/scheme is considered by Parliament before according approval to the Demands for Grants. The Committee, therefor, reiterate that the Ministry of Finance should evolve a suitable mechanism and issue instructions to all Ministries/Departments in this behalf.

PART-II

MINUTES OF THE EIGHTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2003-2004) HELD ON 29 JULY, 2003

The Committee sat from 1530 hrs to 1615 hrs on 29 July, 2003 in Room No. "51", Parliament House, New Delhi.

PRESENT

Sardar Buta Singh — *Chairman*
Lok Sabha

2. Shri Priya Ranjan Dasmunsi
3. Shri M.O.H. Farook
4. Dr. Madan Prasad Jaiswal
5. Shri Rupchand Pal
6. Shri Mohan Rawale
7. Shri Nitish Sengupta
8. Shri Raghuraj Singh Shakya
9. Shri Brij Bhushan Sharan Singh
10. Shri Kirit Somaiya

Rajya Sabha

11. Shri Santosh Bagrodia
12. Shri Prasanta Chatterjee

SECRETARIAT

- | | | |
|----------------------------|---|-----------------------------|
| 1. Shri P.D.T. Achary | — | <i>Additional Secretary</i> |
| 2. Shri S.K. Sharma | — | <i>Joint Secretary</i> |
| 3. Shri Raj Shekhar Sharma | — | <i>Deputy Secretary</i> |
| 4. Shri B.S. Dahiya | — | <i>Under Secretary</i> |
| 5. Shri N.S. Hooda | — | <i>Under Secretary</i> |

Office of C&AG of India

1. Shri Sanjay Kumar — *Director*

2. At the outset, the Chairman, PAC welcomed the Members of the Committee. Thereafter, the Committee took up for consideration and adoption of the following reports:—

- | | | |
|---|-----|-----|
| (i) XXX | XXX | XXX |
| (ii) Draft Report on Action Taken on the recommendations contained in 24th Report of PAC (13th Lok Sabha) relating to "Undermining of Parliamentary Financial Control". | | |
| (iii) XXX | XXX | XXX |

3. The Committee adopted the above-mentioned draft reports with minor modifications/amendments.

4. The Committee authorized the Chairman to finalise the draft reports in the light of changes arising out of the factual verification by Audit, if any, and also to present the same to Parliament in the current Session.

The Committee then adjourned.