

COMMITTEE
ON
PAPERS LAID ON THE TABLE
(1978-79)

(SIXTH LOK SABHA)

TWENTIETH REPORT

[Presented on the 17th May, 1979]



LOK SABHA SECRETARIAT
NEW DELHI

May, 1979/Vaisakha, 1901 (Saka)

Price : Rs. 1.50

CONTENTS

	PAGE
COMPOSITION OF THE COMMITTEE	(iii)
INTRODUCTION	(v)
REPORT	1

APPENDICES

I. Letter No. NTC/3(25)/77-MFA, dated 12 September, 1977 from the Managing Director NTC to Chairmen-cum-Managing Directors and other subsidiaries NTC(APKKM) Ltd., Bangalore	14
II. Letter No. NTC/MD/20/78, dated 16 January, 1978 from the Managing Director NTC to all Chairmen-cum-Managing Directors of subsidiary Corporations of NTC	16
III. Letter No. Ch/Per/Secy/78/1 dated 7 March, 1978 from Chairman NTC to all Chairmen-cum-Managing Directors	18
IV. Letter No. NTC/MD/48/78, dated 26 June, 1978 from Managing Director NTC to Subsidiary Corporations	19
V. D.O. No. NTC/3(25)/77-MFA, dated 30 June, 1978 from Director (Finance) NTC to Chairmen-cum-Managing Directors	24
VI. Summary of Recommendations/Observations contained in the Report	28

COMPOSITION OF THE COMMITTEE ON
PAPERS LAID ON THE TABLE

(1978-79)

Shri Kanwar Lal Gupta—Chairman

MEMBERS

2. Shri Faqir Ali Ansari
3. Shri G. M. Banatwalla
4. Shri Chandan Singh
5. Shri K. B. Chettri
6. Shri Sudhir Ghosal
7. Shri M. Kalyanasundaram
8. Shri Annasaheb Magar
9. Shri Hari Shankar Mahale
10. Shri C. R. Mahata
11. Shri Mangal Deo
12. Shri Laxmi Narain Nayak
13. Shri Dwarikadas Patel
14. Shrimati B. Radhabai Ananda Rao
15. Shrimati Shanti Devi

SECRETARIAT

Shri K. K. Saxena—*Chief Examiner of Bills and Resolutions.*

Shri N. N. Mehra—*Chief Examiner of Questions.*

Shri P. C. Chaudhry—*Senior Table Officer.*

INTRODUCTION

I, the Chairman of the Committee on Papers Laid on the Table of the House, having been authorised by the Committee to present the Report on their behalf, present this their Twentieth Report.

2. On examination of certain papers laid during the Second, Fourth, Fifth and Sixth Sessions (Sixth Lok Sabha), the Committee have come to certain conclusions in regard to delay in laying before Parliament annual reports of the National Textile Corporation Limited.

3. On 20 June, 1978, the Committee took evidence of the representatives of the Ministry of Industry on the subject.

4. The Committee wish to express their thanks to the Ministry of Industry for furnishing information desired by the Committee.

5. The Committee considered and adopted this Report at their sitting held on 16 May, 1979.

6. A statement giving summary of recommendations/observations of the Committee is appended to the Report (Appendix VII).

KANWAR LAL GUPTA,

Chairman,

NEW DELHI;

Committee on Papers Laid on the Table

May 16, 1979.

Vaisakha 26, 1901 (Saka).

REPORT

DELAY IN LAYING BEFORE PARLIAMENT ANNUAL REPORTS OF NATIONAL TEXTILE CORPORATION LIMITED

The Annual Report of the National Textile Corporation Limited for the year 1974-75 was laid on the Table of Lok Sabha on 22nd July, 1977 under section 619A(1) of the Companies Act, 1956 which reads as under:

"Where the Central Government is a member of a Government company, the Central Government shall cause an annual report on the working and affairs of that company to be—

- (a) prepared within three months of the annual general meeting before which the audit report is placed under sub-section (5) of section 619; and
- (b) as soon as may be after such preparation, laid before both Houses of Parliament together with a copy of the audit report and any comments upon, or supplement to the audit report, made by the Comptroller and Auditor-General of India."

1.2. While laying the Annual Report of the National Textile Corporation for the year 1974-75 on the Table of Lok Sabha, a statement showing reasons for delay in laying that Report and a 'Review' on the working of the Corporation were also laid.

1.3. Regarding the reasons for delay in laying the Annual Report for 1974-75 of the National Textile Corporation Limited, the Ministry of Commerce, Civil Supplies and Cooperation in the statement laid along with the Annual Report for 1974-75 showing reasons for delay stated:

"There was delay in finalising the accounts of the National Textile Corporation Limited for the year 1974-75 because of the following reasons:—

1. 103 sick textile mills were nationalised in September, 1974 under the Sick Textile Undertakings (Nationalisation) Ordinance, 1974 (replaced by an Act) retrospectively with effect from 1st April, 1974. The NTC (Holding Company) could not transfer the ownership of 7 mills to its subsidiaries due to interim stay orders granted by

the Supreme Court/High Courts restraining the Corporation from alienating or disposing of any of the immovable properties of these mills.

2. The audited accounts of these 7 mills as on 31st March, 1974 were not available. Similarly, the opening balances as on 1st April, 1974 of these mills were also not available.
3. The stock position as on 1st April, 1974 was also not available.

In view of the difficulties enumerated above, the accounts of the NTC could not be finalised before the middle of 1976. Thereafter, the comments of the Comptroller and Auditor General under section 619 of the Companies Act, 1956 were obtained. The Directors' Report and audited accounts were then adopted in the Annual General Meeting in December, 1976."

- 1.4. The Annual Report of National Textile Corporation for 1975-76 which should have been laid on the Table of the House by 31 December, 1976, had not been laid by then. On being enquired about the reasons for delay, the Ministry of Commerce, Civil Supplies and Cooperation vide their O.M. dated 8th August, 1977 *inter alia* stated:

"...there has been delay in the appointment of Statutory Auditors by the Comptroller and Auditor General of India, to audit the accounts of the National Textile Corporation, for the year 1975-76, and this has delayed presentation of the Annual Reports of the Corporation for 1975-76. The Statutory Auditors were appointed in February, 1977, only, and the work of the auditing is in progress. The Annual Report of the Corporation for 1975-76 is expected to be ready by September, 1977."

- 1.5. The Annual Report for 1975-76 of the National Textile Corporation along with 'Review' and 'Statement showing reasons for delay in laying the Annual Report' was laid on the Table of Lok Sabha on 26th April, 1978. The 'Delay Statement' gives the following reasons for the delay:

"There were a number of complications involved in preparing the opening Balance Sheets of 7 nationalised textile mills which remained under the direct management of the NTC (Holding Company) as these mills could not be transferred to its subsidiaries due to interim stay orders granted by courts of law restraining the Corporation from alienating

or disposing of any of the immovable properties of these mills. This resulted in delay in finalisation of the accounts of the Corporation. The audited accounts of the Corporation for 1974-75 were finally adopted in the Annual General Meeting held on 22nd December, 1976.

Due to delay in finalisation of the accounts for 1974-75 appointment of statutory auditors for 1975-76 was considerably delayed.

Multifarious activities of the Corporation e.g. direct management of 7 mills situated far away from its Headquarters, direct retail outlets located in various parts of the country etc. are other factors which contributed to delay in finalisation of the accounts.

In view of the above difficulties, the accounts of the NTC could not be finalised before October, 1977. Thereafter the comments of the Comptroller and Auditor General of India under section 619 of the Companies Act, 1956 were obtained. The Directors Report and accounts were then adopted in the Annual General Meeting in January, 1978."

1.6. In the Auditor's Report on the accounts of National Textile Corporation for the year 1975-76, the Audit made the following observations:

"The Corporation did not have an effective system of Internal audit commensurate with the size of the company. Further, in the case of Kerala Laxmi and Vijay Mohini Mills there was no internal audit at all."

The Management of NTC gave the following explanation to the above observations of the Audit:

"During the year under review, the corporation was having a Chief Internal Auditor and one Senior Assistant. After April, 1976, one Deputy Manager and one Senior Assistant was further added in the Internal Audit Department. Efforts are being made to strengthen the Internal Audit Department further, Kerala Laxmi Mills and Vijay Mohini Mills have been transferred to subsidiary Corporation with effect from 1-4-1976. The subsidiary corporation is having an effective system of internal audit system."

1.7. At their sitting held on 20th June, 1978, the Committee on Papers Laid on the Table took oral evidence of the representatives of

the Ministry of Industry and the National Textile Corporation in respect of delay in laying before Parliament the Annual Reports of National Textile Corporation.

1.8. Explaining the reasons for delay in laying Annual Report of the National Textile Corporation (N.T.C.) for 1974-75, the representative of the N.T.C. informed the Committee during evidence that in September, 1974, an Ordinance nationalising 103 sick mills was issued as a result of which 9 Subsidiary Corporations of N.T.C. were set up. These 103 nationalised mills were located in 14 States and 2 Union Territories. Out of these, 91 mills were transferred to Subsidiary Corporations by the end of March, 1975, and the possession of 5 mills could not be taken over due to court orders. Similarly the possession of the remaining 7 mills was taken over but their ownership could not be transferred to Subsidiary Corporations due to stay orders issued by the Court and it was sometime in April, 1976 and July, 1976 that the cases of 7 mills were settled and the ownership of 6 mills transferred to Subsidiary Corporations.

1.9. On being informed that in January, 1975 statutory auditors were appointed to audit the accounts of the Holding Company for 1974-75 and the accounts were finalised in May, 1975, the Committee enquired as to how the statutory auditors could be appointed to audit the accounts for 1974-75, before the expiry of the accounting year. The Committee were informed:

"The statutory auditors were appointed in January, 1975. They have to verify all the receipts, payments, etc. They had completed all these routine things except the profit and loss account, balance sheet etc. because they had to be prepared on a consolidated basis. As far as the holding company is concerned they could start the audit earlier. They had to verify receipts, payments etc. from 1-4-1974 to 30-3-1975."

1.10. As regards the auditing of accounts of 7 mills, cases in respect of which were going on in the Courts of Law, the representative of the N.T.C. stated that the branch auditors, who were appointed on 29th October, 1975 by C&AG, took up audit of accounts in January, 1976 and finalised that in April, 1976. The statutory auditors completed the work by the end of July, 1976. The Committee were also informed that the internal audit of N.T.C. was done by the statutory auditors.

1.11. In a subsequent note dated 20-9-1978, the Ministry of Industry intimated the position of seven mills which could not be transferred to the Subsidiary Corporations on account of Court orders, as under:

"Consequent upon the promulgation of the Sick Textile Undertakings (Nationalisation) Ordinance (Since replaced by an Act), 1974 the right, title and interests of the owners of 103 sick textile undertakings vested with the Government/Corporation w.e.f. 1st April, 1974. The erstwhile owners of the following 7 sick textile undertakings, the possession of which was already with the Corporation, had filed writ petitions in the Supreme Court of India and the High Court of Kerala challenging the validity of the said Act:

Supreme Court of India

Date of Petition

1. Balram Varma Textile Mills, Shencottah (TN)	7-10-74
2. Coimbatore Spg. & Wvg. Mills, Coimbatore (TN)	—do—
3. Sri Sarda Mills, Podanur (TN)	—do—
4. Kerala Lakshmi Mills, Trichur (Kerala)	—do—
5. Vijayamohini Mills, Trivandrum	—do—

High Court of Kerala

1. Alagappa Textile (Cochin) Mills Alagappanar (Kerala)	30-11-74
2. Parvathi Mills Quilon (Kerala)	—do—

2. The Supreme Court in respect of the aforesaid five mills had *inter alia* directed that neither of the parties will alienate or otherwise dispose of any of the immovable properties in question. The Court also directed that the corporation will continue to manage the mills. Similarly, the High Court of Kerala had issued directions restraining the Corporation from alienating immovable properties of the two undertakings till the disposal of the case.

3. 9 Subsidiary Corporations were formed by the Holding Company and all the sick textile undertakings, except the above seven mills and the mills the possession of which could not be obtained by the Corporation till that date due to court orders, were transferred to the respective subsidiary Corporations.
4. Since the said Act is included in the Ninth Schedule of the Constitution of India, the Supreme Court of India *vide* its order dated 6th April, 1976 dismissed as withdrawn all

the writ petitions including the above five writ petitions. Consequently, there was no restriction on the Corporation in transferring the said mills to the respective subsidiary corporations.

5. In pursuance of the order of the Supreme Court dated 6th April, 1976 the corporation filed applications in the High Court of Kerala at Ernakulam in May, 1976 praying that writ petitions filed by the erstwhile owners of the two mills may be dismissed by the Court. The High Court dismissed the petitions on 5th July, 1976. Accordingly, there was no restriction on the corporation in transferring the ownership of the said seven mills to the respective subsidiary corporations.
6. The ownership of Balramvarma Textile Mills, Shencottah and Coimbatore Spg. & Wvg. Mills, Coimbatore was transferred to NTC (Tamil Nadu & Pondicherry) Ltd., by a transfer order dated 1st May, 1976.
7. The ownership of Kerala Lakshmi Mills and Vijay Mohini Mills was transferred to NTC (APKK&M) Ltd., by a transfer order of this corporation dated 1st May, 1976. Alagappa Textile Mills and Parvathi Mills were transferred to NTC (APKK&M) Ltd., by a transfer order dated 30-8-1976. At present, respective subsidiary corporations are running the said mills."

1.12. During evidence when the Committee enquired about the steps taken by Government to ensure that the laying of the Report for 1974-75 was not delayed, the representative of the Ministry stated that the Ministry had been reminding NTC since April, 1976.

1.13. In reply to a question, the Committee were informed that under section 212(4) of the Companies Act, 1956, the balance sheets and profit and loss accounts of the subsidiary companies were required to be appended to the annual report of the holding company, but exemption from this requirement has been taken from the Company Law Board for a period of three years i.e. 1974-75, 1975-76 and 1976-77 subject to the condition that the annual accounts of the subsidiary corporations, as and when ready were circulated to the shareholders of the holding company and these facts were also mentioned in the Directors' report. It was further stated that National Textile Corporation had already circulated the annual accounts of all the subsidiary corporations for the year 1974-75 to its

shareholders and for 1975-76 the annual accounts of the four subsidiary corporations had been circulated. As regards the position of auditing of accounts of subsidiary corporations for 1974-75, the representative of N.T.C. stated:

"The position of the subsidiary is that in respect of 1974-75, in respect of each one of the nine subsidiary corporations, the final audit was completed on 18-12-1976 for the NTC in Andhra Pradesh, Kerala, Karnataka while it was on 1-11-76 in respect of Tamilnadu and Pondicherry; it was on 21-11-77 in respect of M.P., it was on 28-5-77 in respect of U.P., it was on 14-9-77 in respect of Maharashtra North and 20-6-77 in respect of Maharashtra South, it was on 4-6-77 in respect of Gujarat; it was on 7-4-77 in respect of Delhi, Punjab and Rajasthan and it was on 16-12-77 in respect of West Bengal, Assam, Bihar and Orissa, respectively."

1.14. On being asked as to why the Annual Report for 1974-75 was not laid during the first session of Sixth Lok Sabha as the Report had been adopted in December, 1976, the representative of the Ministry replied that the report was received in the Ministry on 28 April, 1977 i.e. after the session was over and that N.T.C. had also difficulties in translating the report.

1.15. Asked about the reasons for inclusion of the developments during the subsequent years in the 'Review' laid along with the Annual Report of N.T.C. for 1974-75, the witness stated:

"This was submitted in July, 1977; the accounts were late by over 18 months. Since a lot of other developments have taken place, we have put them forward in our anxiety to assure Parliament that these developments have taken place. In the ordinary course it would not have happened; if we submitted the accounts in December of the same year, this situation would not have arisen."

1.16. In reply to a question, the Committee were informed that the accounts of N.T.C. for 1975-76 were audited on 30 November, 1977 and the report was adopted in January, 1978.

1.17. As regards the position about the laying of annual Report for 1976-77, the Committee were informed that it would be laid by about middle of August, 1978.

1.18. So far as the position of laying of Annual Report for 1977-78 was concerned, the Committee were informed that even before the accounts for 1976-77 were completely finalised, the C&AG had been requested to appoint statutory auditors for auditing the accounts for

1977-78 and that the date fixed for appointment of statutory auditors was 15 July. However, the witness expected that the report would be laid before the end of December, 1978.

1.19. In reply to a question, the Committee were informed that the accounts for 1977-78 in respect of subsidiary companies which would be ready, would be attached to the Annual Report of the Corporation. The representative of the Ministry also assured the Committee that all efforts would be made to see that accounts of all the subsidiary companies were ready and attached to the Report.

1.20. When asked to state whether any reminder was issued to National Textile Corporation to expedite the compilation of the Annual Report for 1977-78, the representative of the Ministry stated that such reminder was issued on 19 May, 1978.

1.21. While explaining the steps taken by the Corporation to finalise the Report for 1977-78, the representative of N.T.C. stated:

“.....For 1977-78 we have already invited quotations for printing without waiting for the report which will come after six months. We are also arranging for translation into Hindi. Only the pages relating to CAG's comments will have to be re-drafted.....I can assure you, Sir, that we are doing our very best. We have written letters (Appendices I, II, III, IV and V) to the Chief executives of subsidiary companies stating their performance will be judged by the time in which they are able to finalise their accounts.”

1.22. On being asked whether the time prescribed by the Committee for laying reports of the Corporation was sufficient, the representative of the Ministry replied:

“I think the time of 9 months is quite fair and adequate. There is no need to increase it. It is only in exceptional cases there is delay, and we are trying to minimise it. We are writing to our senior officers and managing directors to bring them up-to-date.”

1.23. The Annual Reports of the National Textile Corporation Limited for the years 1976-77 and 1977-78 were laid on the Table of Lok Sabha on 9 August, 1978 and 23 December, 1978, respectively, along with 'Review' in each case, on the working of the Corporation.

1.24. Along with the Annual Reports for 1976-77 of N.T.C. a statement showing reasons for delay in laying that Report was also laid on the Table of the House, which reads as under:

"Due to nationalisation of 103 Sick Textile Mills through an Ordinance promulgated by the President of India on 21st September, 1974 with retrospective effect (i.e. 1st April, 1974), there were a number of financial as well as legal problems which had to be sorted out. This resulted in delay in the finalisation of accounts for the years 1974-75 and 1975-76. The accounts for the year 1975-76 were adopted by the shareholders on 16th January, 1978. It is only thereafter that Statutory Auditors for auditing the accounts of the year 1976-77 could be appointed. The Company Law Board, accordingly, appointed Statutory Auditors on 9th February, 1978, for the year 1976-77. The Statutory Auditors completed their audit on 31st May, 1978, and the accounts were adopted by the Board of Directors on 7th June, 1978. Thereafter, the report of the Statutory Auditors was sent to the C & AG for his comments under section 619 of the Companies Act, 1856. The Comptroller and Auditor General's comments were received on 15th July, 1978. The Directors' Report and the Accounts were adopted in the Annual General Meeting held on 15th July, 1978 (i.e. within a period of six months from the date of appointment of Statutory Auditors).

Delay in finalisation of the accounts for the preceding years due to the unavoidable reasons had its impact on the finalisation of the accounts for the year 1976-77. The time lag caused by delay in the past is being covered quickly and necessary steps have been taken to ensure that the accounts are brought upto-date."

1.25. During the course of examination of the Auditors Reports on the accounts of N.T.C. for 1976-77 and 1977-78 the following audit observations and the replies given thereto by the Corporation have come to the notice of the Committee:

Auditors' Report for 1976-77

The Corporation did not have any effective system of internal audit commensurate with the size of the company.

Corporation's reply

Efforts are being made to strengthen the internal audit department.

Auditors' Report for 1977-78

The Corporation does not have any system of internal audit commensurate with the size of the Company.

Some Senior Officers have since

joined internal Audit Department. Efforts are being made to strengthen the internal audit department further.

1.26. The Committee are concerned to note that the Annual Reports of National Textile Corporation Limited for the years 1974-75 and 1975-76 which in terms of the recommendation made in para 4.16 of Second Report (Fifth Lok Sabha) of the Committee on Papers laid on the Table, should have been laid on the Table by 31 December, 1976, were laid on the Table of Lok Sabha as late as on 22 July, 1977 and 26 April, 1978, respectively. The Committee feel that the then Ministry of Commerce, Civil Supplies and Cooperation under whose administrative control N.T.C. was functioning at that time, did not take any tangible steps to see that laying of the Annual Reports for 1974-75 and 1975-76 was not delayed beyond the time limit (i.e. 31 December, 1976) recommended by the Committee.

1.27. It is very much distressing for the Committee to observe that scant attention was paid to the implementation of the recommendation made in para 4.16 of the Committee's Second Report (Fifth Lok Sabha) by the Ministry inasmuch as they did not care even to lay during the Parliament session held in March-April, 1977, on the Table a statement showing reasons why the Annual Reports of N.T.C. for 1974-75 and 1975-76 could not be laid within the prescribed period, in accordance with that recommendation. Leaving aside the passive role played by the Ministry of Commerce, Civil Supplies and Cooperation in the matter of timely laying the Reports of N.T.C., the Ministry of Industry which subsequently took charge of over-seeing the functioning of N.T.C. did not also show any earnestness to ensure that the Annual Reports of N.T.C. for 1975-76 and 1976-77* were laid on the Table without any further delay. It was only when the Committee took up the question of delay in laying the Annual Reports of the Corporation with the Ministry of Industry that the National Textile Corporation started gearing up its administrative machinery to clear the backlog as is evident from the letters written by the National Textile Corporation to its subsidiary corporations (Appendices I to V).

1.28. The work of the Committee becomes fruitless and the purpose for which this work was assigned by Lok Sabha to this Committee is forfeited if the recommendations made by the Committee are not implemented promptly by Government in letter and spirit. The Committee have no doubt that had the Ministry of Commerce, Civil Supplies and Cooperation and the Ministry of Industry acted vigilantly in implementing their recommendations, the process of laying of Annual Reports of National Textile Corporation would definitely have been expedited.

*Laid on 9 August, 1972 i.e. 16 months after close of the accounting year.

1.29. As regards the factors responsible for the delay in laying the Annual Report of the National Textile Corporation for the year 1974-75, the Committee are not convinced by the explanation given by the Ministry in the 'delay statement' appended to that annual Report that the nationalisation of 103 sick mills in September, 1974 led to delay in laying that Report. The Committee no doubt appreciate the complications that had arisen consequent upon the nationalisation of 103 mills which led to delay in finalisation of accounts and their auditing but the Committee do not find any justification in delaying the Reports beyond December, 1976, because the statutory Auditors had completed the audit of the accounts for 1974-75 of the Holding Company (N.T.C.) in May, 1975 and of 7 mills cases in respect of which had been going on in the Courts, in July, 1976 whereafter the Corporation had sufficient time for holding the Annual General Meeting to get the accounts and audit report adopted thereat and to prepare and print the Annual Report for being laid on the Table of the House within the prescribed period. Had the Ministry and the Corporation been vigilant and watchful about recommendations made by the Committee, the Annual Report for 1974-75 could have been laid in time.

1.30. The Committee need hardly stress that all out efforts should be made to get the accounts of a Government Company finalised and audited expeditiously and immediately thereafter steps should be taken to hold its Annual General Meeting. After the accounts and audit report are adopted at the Annual General Meeting, the Annual Report should be got printed without loss of any time for being laid on the Table of the House. The Committee hope that the Ministries and Departments of Government of India will be extra watchful in the matter so as to avoid any adverse comments from any quarter.

1.31. The Committee are not satisfied with the explanation given in the statement showing reason for delay in laying the Annual Report for 1975-76 that "due to delay in finalisation of the accounts for 1974-75, appointment of statutory auditors for 1975-76 was considerably delayed" as there is no mention in that statement about the dates when the Corporation requested the Department of Company Affairs to appoint the statutory auditors for 1975-76 and when they were actually appointed by that Department, which could have helped in assessing the extent of responsibility of the Corporation or the Department of Company Affairs in contributing to the delay.

1.32. The Committee need hardly stress that the 'Delay statement' to be laid before parliament should be prepared with extra care and attention. It should present a clear picture and bear all

the relevant dates to enable anyone to identify the delay caused at various stages of compilation and finalisation of accounts and audit reports of the Corporation. Merely saying that 'due to delay in finalisation of the accounts for 1974-75, appointment of statutory auditors for 1975-76 was considerably delayed' hardly serves any purpose if it is not supported by the dates as to when the Department of Company Affairs was requested to appoint the statutory auditors and when they were actually appointed etc.

1.33. The Committee note from the information subsequently furnished by the Ministry of Commerce, Civil Supplies and Cooperation that the statutory auditors were appointed in February, 1977 to audit the accounts of the National Textile Corporation for 1975-76. During evidence, the Committee were informed that the accounts of the National Textile Corporation for 1974-75 were audited in July, 1976 and for 1975-76 in November, 1977. Thus, it took about 7 months in appointing statutory auditors after the accounts for 1974-75 had been audited and 8-9 months in auditing the accounts of the Corporation for 1975-76 after the appointment of statutory auditors.

1.34. The Committee feel it necessary to point out that the National Textile Corporation should have immediately after the auditing of accounts for 1974-75, approached the Department of Company Affairs for the appointment of statutory auditors for auditing the accounts for 1975-76 and the Department of Company Affairs in turn should have taken prompt steps to appoint the statutory auditors. During the course of auditing of the accounts, the Corporation should have reminded the statutory auditors to expedite the work relating to the auditing of the accounts.

1.35. The Committee need hardly point out that the Ministries and Departments of Government of India have a duty to oversee the functioning of organisations, Companies, Corporations, autonomous and statutory bodies etc., which are financed out of funds voted by Parliament and to apprise the Parliament of the manner in which the money sanctioned by it has been utilised by those organisations and bodies etc. during a particular year. The only media through which Parliament could get the requisite information is the annual reports of these organisations and review by the Government thereon. If these reports and review are not laid on the Table within a reasonable time after the close of the accounting year, the real purpose of laying them on the Table is lost and Parliament is handicapped in getting a true picture of the working of the organisation when sanctioning funds for future expenditure of the organisation.

1.36. The Committee, therefore, reiterate that the Annual Reports of Government Companies should be laid on the Table of the House within 9 months of close of the accounting year and where it is not possible for the Government to lay the Report of any Company within that period they should lay on the Table a statement explaining the reasons for not laying the Reports, within 30 days from the expiry of the period of nine months and if the House is not in Session at that time, the statement should be laid on the Table within seven days of re-assembly of the House.

1.37. The Committee, however, note with satisfaction that the Annual Report of the National Textile Corporation for the year 1977-78 was laid alongwith 'Review' on the Table of Lok Sabha on 23-12-1978, i.e., within the prescribed period of 9 months after the close of the accounting year. The Committee hope that in future also the Annual Reports of this Corporation will be laid in time.

1.38. While examining the Reports for 1975-76, 1976-77 and 1977-78 the Committee have come across an off-repeated audit observation that the National Textile Corporation had no effective system of internal audit commensurate with its size. The Committee feel that such audit observations should not have been allowed to be repeated time and again and some solution should have been found out therefor. The Committee are of the opinion that in the absence of an adequate internal audit system the finalisation of accounts of the Corporation are bound to be delayed and this could lead to delay in finalisation of the audit report and consequent delay in laying the Annual Report before the House. The Committee trust that deficiencies pointed out by the Audit will be made up by the Ministry/Corporation at the earliest.

NEW DELHI;
May 16, 1979.

KANWAR LAL GUPTA,
Chairman,

Vaisakha 26, 1901 (Saka). Committee on Papers laid on the Table.

APPENDIX I

(*Vide* Para No. 1.21 of the Report)

NATIONAL TEXTILE CORPORATION LTD.

P. P. SINGLA

Managing Director.

*8th Floor, Surya Kiran Building,
Kasturba Gandhi Marg,
New Delhi-110001.*

No. NTC/3(25)/77-MFA

Dt. 12th Sept., 1977

My dear....,

Lok Sabha Secretariat have reminded us for furnishing the Annual Reports of the NTC for the year 1975-76 without further delay. They have asked for the present position of the Report and when it is proposed to be laid on the Table of the Lok Sabha and the steps taken to eliminate such delays in future. A copy of the letter dated 30th July, 1977 received from Lok Sabha Secretariat is enclosed.

2. Under the Companies Act, the Annual Reports are to be adopted by the shareholders of the Company within six months of the closing of the financial year. Accordingly the Reports for the year 1975-76 should have been adopted by the shareholders by September, 1976, and is now overdue by one year. I know that there were number of financial problems arising out of the nationalisation of the Sick Textile Undertakings and the opening balance sheets as on 1st April, 1974 had to be prepared in order to compile the Accounts. I hope the Annual Account for the year 1975-76 must have been compiled by now.

3. In the last meeting of Chairmen-cum-Managing Directors held in April, 77 and FA&CAO's meeting held in May, the necessity of getting the Accounts finalised for 1975-76 and 1976-77 was urged. In consultation with Director (Finance) & FA&CAO's of subsidiaries, tentative schedule of holding the Annual General Meeting to adopt the Accounts for 1975-76 and 1976-77 was finalised. According to the schedule the Annual Accounts for 1975-76 are to be adopted by 31st Dec., 1977 by the shareholders in Annual General Meeting.

4. As the statutory auditors for all subsidiary corporations except NTC (WBABO) have been appointed by the Company Law Board, I hope the Accounts for 1975-76 must have been compiled and these would be under audit. You may stress upon the Government Auditors to complete the audit without further delay so that the Annual Accounts can be adopted by the shareholders in the Annual General Meeting by 31st December, 1977.

5. As the Lok Sabha is stressing upon submission of Annual Reports, please let me know the present position about the Audit of Annual Accounts for the year 1975-76 and the probable date by which the Annual Reports will be adopted by the shareholders of the Subsidiary so that I may inform the Lok Sabha Secretariat.

6. Please send a Progress Report about the finalisation of Annual Accounts for the year 1975-76 by 15th of each month in the proforma enclosed till the Report for the year 1975-76 is adopted by the shareholders of the Subsidiary Corporation.

All
Chairman-cum-Managing Director &
other Subsidiaries
NTC (APKKM) Ltd.,
BANGALORE-560027.

Yours sincerely,
Sd/-
(P. P. SINGLA)
TRUE COPY

APPENDIX II

(Vide para 1.21 of the Report)

P. P. SINGLA

Managing Director
No. NTC|MD|20|78.

Dt. 16th Jan. '78

My dear**

Once again the delay in the finalisation of accounts and the balance sheet for your subsidiary corporation has come for very adverse criticism in the meeting of the Board of Directors of the National Textile Corporation, the Ministry and other connected authorities. You are perhaps aware that per-force we had to seek continued exemption from the Company Law Board from annexation of the balance sheet of your corporation with the balance sheet of the holding company for the year 1975-76 which has already been finalised. This, obviously, cannot go on for ever.

2. Our experience is that a lot of personal effort and co-ordination is necessary to finalise the accounts and the balance sheet. It is true that there were some initial problems but we have also taken a very long time to solve it. By now, some of the basic difficulties have been solved and there is no reason why the branch and the other auditors should be allowed to take their own time. Not only the N.T.C. mills have been incurring losses but the holding company is further embarrassed when we are not able to produce the accounts for the last 2/3 years. This also handicaps the grant of adequate limits by the banks.

3. I must once again mention that it is difficult for the holding company to reply to various queries which are raised about the delays by the Ministry and by the Secretariat of the Lok Sabha. In the meeting of the Board of Directors today, it has been desired to convey to you that the effectiveness and the performance of the chief executives of a subsidiary corporation would also be adjudged on the time taken in finalisation of accounts and balance sheet. I

**All Chairman-cum-Managing Directors of Subsidiary Corporations of NTC.

do hope that you would let me know what you are doing since the Ministry are no longer satisfied only with the reasons given for delay.

4. Please acknowledge receipt of this letter and let me know the latest position of the accounts of your corporation and the steps you now propose to take.

Yours sincerely,
Sd/-
(P. P. SINGLA)

APPENDIX III

(Vide Para 1.21 of the Report)

K. SRINIVASAN,
CHAIRMAN.

No. Ch|Per|Secy|78|1
Dear Shri**

Dated 7th March, 1978.

Managing Director of the National Textile Corporation and Director (Finance) have already written to you for expedition in the finalisation of accounts of your subsidiary corporation. These arrears have put the Holding Company in a very embarrassing situation. We have been faced with adverse criticism in the Ministry of Industry and in the Parliament. Per force, we had to seek continued exemption from the company Law Board from the annexation of the balance sheet of your subsidiary corporation with the balance sheet of the Holding Company. This obviously cannot go on forever. I am not happy with this performance of your subsidiary since it is the primary duty of the Chairman-cum-Managing Director to so organise that the accounts are finalised and adopted according to the provisions of the Companies Act.

2. A lot of personal effort is necessary if this important work has to be completed. NTC Mills have not only been incurring losses but on top of this we cannot have any explanation for the long delay in the finalisation of accounts. This creates difficulties for release of working capital loan from the Govt. against the losses that you incur and handicaps the grant of adequate bank limits as well as soft loan under the ILBI Scheme. Considering the serious implications, I am sure, you would take, personally, effective steps to bring accounts of your subsidiary up-to-date. I would like to know the steps that you propose to take and a time bound programme so that we can advise the Ministry accordingly. I would like to add that any departure as from the given schedule would have to be explained by each subsidiary.

Yours sincerely,
Sd/-
(K. SREENIVASAN)

**All CMDS.

APPENDIX IV*(Vide para 1.21 of the Report)*

P. P. SINGLA,
MANAGING DIRECTOR

National Textile Corporation Ltd.,
 (A Govt. of India Undertaking)
 Surya Kiran Building,
 19 Kasturba Gandhi Marg,
 NEW DELHI.

MOST IMMEDIATE

June 26, 1978.

My dear,

The Committee on Papers Laid on the Table of the House called the representatives of the Ministry of Industry and N.T.C. Limited for oral evidence on 20th June, 1978, for delay in finalisation of accounts. The delay in the finalisation of accounts by Subsidiaries came up for severe criticism in the meeting.

2. Chairman and myself had written to you from time to time to take effective steps for early finalisation of accounts. It was conveyed to you that the performance of the Chairman-cum-Managing Directors of Subsidiaries would also be adjudged on the time taken in the finalisation of accounts. The responsibility for early finalisation of the accounts for his subsidiary rests entirely with the Chairman-cum-Managing Director. The Committee of Parliament, the Ministry and the National Textile Corporation are very unhappy with the progress in the finalisation of accounts in your subsidiary

3. In view of the adverse criticism made by the Committee on Papers Laid on the Table of the House, Special Secretary, Ministry of Industry has now laid down a time table for adoption of the accounts by the shareholders, which is as under:—

Year	Date by which the accounts are to be adopted by the shareholders
1975-76	In the month of September, 1978
1976-77	In the month of December, 1978
1977-78	In the month of April, 1979

4. It will be seen that the time fixed by the Ministry is so short, that all out efforts have to be made in achieving the goal. Any delay and departure from this schedule will be viewed very seriously.

5. I also enclose a proforma which may be filled in and sent to Director (Finance) in one week. We shall meet each CAD at NTC, New Delhi to explain the delay in the finalisation of accounts. Schedule of these meetings is being conveyed to you shortly.

Yours sincerely,
Sd/-
(P. P. SINGLA)

PROFORMA

NATIONAL TEXTILE CORPORATION LIMITED

SUB.: Delay in laying the Annual Report of the NTC (Subsidiary Corporations) on the table of Parliament.

Under Section 210 of the Companies Act, 1956, the accounts of limited company are to be placed before the shareholders at a Annual General Meeting which would be held not later than 6 months from the expiry of the accounting, year. This means the Annual General Meeting of the Subsidiary Corporations should be held on or before 30th September, every year. Committee on Papers Laid on the Table of the Parliament have called for explanations for inordinate delay in laying the Annual Reports of N.T.C. (Along with the Annual Reports of Subsidiary Corporations) for the year 1974-75, 1975-76 and 1976-77.

Please explain:

1975-76:

- (i) When Profit & Loss Accounts & Balance Sheet for 1975-76 were compiled.
- (ii) The date of appointment and names of Statutory/Branch Auditors and names of mills for which they conducted the audit.
- (iii) When Profit & Loss Account & Balance Sheet handed over to Statutory/Branch Auditors.
- (iv) When was the Statutory Audit completed.
- (v) When were the accounts adopted by the Board.
- (vi) When certified Accounts handed over to Govt. Auditors.
- (vii) When was the Govt. audit completed.
- (viii) When were the accounts passed/expected to be passed by the shareholders in A.G.M.
- (ix) Detailed reasons for delay in compilation/audit of accounts.
- (x) Was there any delay on the part of Statutory/Govt. auditors.
- (xi) Period of delay in adopting Annual Report by shareholders.

1976-77:

- (i) Names of mills who have compiled Profit & Loss Accounts and Balance Sheet for the year 1976-77.
- (ii) Names of mills who have yet to compile the accounts.
- (iii) In case of mills, who have not yet compiled the accounts (Give mills wise position).
 - (a) whether trial balance as on 31st March, 1977 is ready.
 - (b) whether Bank Reconciliation has been completed.
 - (c) whether stock statements alongwith valuation is ready.
 - (d) probable date by which the Accounts of mills will be for audit.
- (iv) Date of appointment of Statutory/Branch Auditors alongwith the names—if Statutory Auditors not yet appointed letter no. and date under which CAG/Company Law Board has been approached for appointment of auditors (enclose copy of your letter).
- (v) Names of the mills whose Statutory audit has been completed.
- (vi) Names of mills whose audit is under process.
- (vii) Probable date by which the Annual Accounts would be adopted by the Board.
- (viii) Probable date when the Govt. audit would be completed.
- (ix) Probable date when the Annual Report would be adopted in the A.G.M.

1977-78:

- (i) Names of the mills who have compiled Profit and Loss Accounts and Balance Sheet for the year 1977-78.
- (ii) Names of mills who have yet to compile the accounts.
- (iii) In case of mills who have not compiled the accounts. (Millwise position to be indicated).
 - (a) whether trial balance as on 31st March, 1977 is ready.
 - (b) whether Bank Reconciliation has been done.
 - (c) whether stock statement alongwith valuation ready.
 - (d) probable date by which the accounts of all mills will be ready for audit.

- (iv) Probable date when the Annual Accounts would be adopted by the Board.
- (v) Probable date when Annual Report would be adopted by shareholders.

GENERAL:

- (i) Names of mills where Accounts Officer/Accountant is not in position and what steps have been taken to recruit qualified Accounts Staff.
- (ii) How many periodical meetings have been held with Statutory/Branch Auditors and Mills Accounts Officer/Accountant at the level of subsidiary corporations.
- (iii) what steps have been taken for translating Annual Reports in HINDI as Annual Reports both in English & Hindi are to be laid on the Table of Parliament.
- (iv) Do you think appointment of more auditors would expedite the finalisation of Accounts.
- (v) Is the remuneration of the Auditors adequate?
- (vi) The accounts for the year 1975-76, 1976-77 and 1977-78 are in arrears. Do you recommend the re-appointment of these auditors for the year 1976-77 and 1977-78 since they are familiar with the accounting systems and procedures.
- (vii) *Please explain in detail the steps you will take to ensure that the accounts of your subsidiary are completed according to the schedule now laid down by the Ministry.*

APPENDIX V

(Vide Para 1.21 of the Report)

NATIONAL TEXTILE CORPORATION LIMITED

8th Floor,
Surya Kiran Bldg.,
19 Kasturba Gandhi Marg.
NEW DELHI.

R. R. TAMHANE
DIRECTOR (FINANCE)
DO No. NTC/3 (25) /77-MFA

Dated, 30th June, 1978.

My dear,

Kindly refer to Managing Director's DO No. NTC/MD/48/78, dated the 26th June, 1978 conveying the displeasure of the Committee of Parliament for inordinate delay in finalisation of accounts and intimating time bound schedule for adoption of Annual Accounts by the Shareholders without further delay.

2. Special Secretary to the Ministry of Industry has stressed that special efforts on war-footing may be made for finalising the accounts for the Subsidiary Corporations. Managing Director vide his DO dated 26th June had sent a proforma which may be filled in and sent to me by 4th July, 1978 positively. As the Government of India has fixed a deadline for finalising the Annual Reports upto 1977-78 by April, 1979, urgent steps have to be taken by Subsidiary Corporations to achieve the target.

3. Certain steps to be taken by Subsidiary Corporations are enumerated below:—

- (i) You may employ qualified accounts staff from various sources including engaging firms of Chartered Accountants for accounting work and taking qualified persons on deputation from Government.
- (ii) You should hold discussions with the Statutory Auditors as soon as the appointments are made by Company Law Board and time bound programme be drawn for various details so as to complete the adoption of accounts within the time suggested by the Ministry.

- (iii) You must hold weekly meetings of General Managers of Mills to review the progress of finalisation of accounts and audit by Statutory/Government Auditors. Finance & Accounts staff of the Headquarters of the Subsidiary and the mills dealing with the finalisation of accounts may also be associated.
- (iv) You may create a Special Inspection Team at Head Office who may visit the mills to review the progress and help in finalisation of accounts of mills.
- (v) In every Board Meeting of the Subsidiary, progress in finalisation of Annual Accounts should be reviewed. This should form regular item of the Agenda Papers till the target has been achieved.
- (vi) In your monthly D.O. to Managing Director, N.T.C., progress of accounts should be mentioned in detail on a separate page. (to be appended to the DO letter).
- (vii) One Officer should be made responsible in the Subsidiary to co-ordinate the work for consolidation and finalisation of accounts.
- (viii) For adopting the Annual Accounts, Special Board Meeting be called with least notice possible.
- (ix) Annual General Meeting for adoption of the accounts by shareholders be called at a short notice preferably on the day following the final approval by the Board.
- (x) Advance action be taken for inviting quotations etc. for printing of balance sheets in English & translation in Hindi so as to avoid any delay.
- (xi) The part-time Directors of the N.T.C. on the Board of Subsidiary Corporations have been advised to submit a report to the Holding Company on the progress of finalisation of accounts after every Board Meeting. Subsidiaries may prepare a detailed report for submission to the nominee Directors before the Board Meeting to facilitate scrutiny.
- (xii) Personal efforts should be made to actually ensure appointment of auditors by C.A.G. and Company Law Board. In case of difficulty, D(F), NTC should be informed with a DO letter.

(xlvi) You may take other steps which you deem necessary to adhere to the time schedule fixed by the Special Secretary to the Ministry of Industry. The Annual Reports for 1977-78 must be placed on the Table of Parliament through N.T.C. by the end of April, 1979 without fail.

4. Chairman-cum-Managing Directors of the Subsidiaries will be personally held responsible for any delay in the finalisation of accounts.

5. As the Ministry of Industry have called for fortnightly report about the progress in the finalisation of Subsidiary accounts, kindly ensure that the progress report in the proforma enclosed duly filled in is sent to me on 1st and 3rd Monday of every month.

With kind regards,

Yours sincerely,
(R. R. TAMHANE).

NATIONAL TEXTILE CORPORATION LTD.

Fortnightly Progress Report of Annual Report for 1975-76, 1976-77 and 1977-78 as on—

Name of the subsidiary

1. Names of Mills who have compiled the Annual Accounts for the year 1975-76, 1976-77/1977-78.
2. Names of Mills who have yet to compile the Balance Sheet and Profit Loss A/c for above period.
3. Names of Mills whose audit has been completed by statutory audit.
4. Names of Mills whose audit is under progress.
5. Probable date by which the audit of all mills including Subsidiary Office will be completed.
6. Probable date when the Annual Accounts would be adopted by the Board.
7. Probable date when the Government Audit would be completed.
8. Probable date when the Annual Report for 1975-76, 1976-77 and 1977-78 would be adopted in the Annual General Meeting.
9. Are Statutory Auditors given prompt replies to Audit objections.
10. Are weekly meetings held with Auditors/Officers dealing with compilation of account regularly. Please furnish copy of the Minutes of the Meeting.

APPENDIX VI

Summary of Recommendations/Observations contained in the Report

Sl. No.	Reference to Para No. of the Report	Summary of Recommendations/ Observations
1	2	3
1	1.26	<p>The Committee are concerned to note that the Annual Reports of National Textile Corporation Limited for the years 1974-75 and 1975-76 which in terms of the recommendation made in para 4.16 of Second Report (Fifth Lok Sabha) of the Committee on Papers laid on the Table, should have been laid on the Table by 31 December, 1976, were laid on the Table of Lok Sabha as late as on 22 July, 1977 and 26 April, 1978, respectively. The Committee feel that the then Ministry of Commerce, Civil Supplies and Cooperation under whose administrative control N.T.C. was functioning at that time, did not take any tangible steps to see that laying of the Annual Reports for 1974-75 and 1975-76 was not delayed beyond the time limit (i.e. 31 December, 1976) recommended by the Committee.</p>
2	1.27	<p>It is very much distressing for the Committee to observe that scant attention was paid to the implementation of the recommendation made in para 4.16 of the Committee's Second Report (Fifth Lok Sabha) by the Ministry inasmuch as they did not care even to lay during the Parliament session held in March-April, 1977, on the Table a statement showing reasons why the Annual Reports of N.T.C. for 1974-75 and 1975-76 could not be laid within the prescribed period, in accordance with that recommendation.</p>

1

2

3

Leaving aside the passive role played by the Ministry of Commerce, Civil Supplies and Co-operation in the matter of timely laying the Reports of N.T.C., the Ministry of Industry which subsequently took charge of over-seeing the functioning of N.T.C. did not also show any earnestness to ensure that the Annual Reports of N.T.C for 1975-76 and 1976-77* were laid on the Table without any further delay. It was only when the Committee took up the question of delay in laying the Annual Reports of the Corporation with the Ministry of Industry that the National Textile Corporation started gearing up its administrative machinery to clear the backlog as is evident from the letters written by the National Textile Corporation to its subsidiary corporations (Appendices I to V).

3

1.28

The work of the Committee becomes fruitless and the purpose for which this work was assigned by Lok Sabha to this Committee is forfeited if the recommendations made by the Committee are not implemented promptly by Government in letter and spirit. The Committee have no doubt that had the Ministry of Commerce, Civil Supplies and Cooperation and the Ministry of Industry acted vigilantly in implementing their recommendations, the process of laying of Annual Reports of National Textile Corporation would definitely have been expedited.

4

1.29

As regards the factors responsible for the delay in laying the Annual Report of the National Textile Corporation for the year 1974-75, the Committee are not convinced by the explanation given by the Ministry in the 'delay statement' appended to that Annual Report that the nationalisation of 103 sick mills in September, 1974 led to delay in laying that Report. The Committee no doubt appreciate the compli-

*Laid on 9 August, 1978 i.e. 16 months after close of the accounting year.

1	2	3
9	1.34	The Committee feel it necessary to point out that the National Textile Corporation should have immediately after the auditing of accounts for 1974-75, approached the Department of Company Affairs for the appointment of statutory auditors for auditing the accounts for 1975-76 and the Department of Company Affairs in turn should have taken prompt steps to appoint the statutory auditors. During the course of auditing of the accounts, the Corporation should have reminded the statutory auditors to expedite the work relating to the auditing of the accounts.
10	1.35	The Committee need hardly point out that the Ministries and Departments of Government of India have a duty to oversee the functioning of organisations, companies, corporations, autonomous and statutory bodies etc., which are financed out of funds voted by Parliament and to apprise the Parliament of the manner in which the money sanctioned by it has been utilised by those organisations and bodies etc. during a particular year. The only media through which Parliament could get the requisite information is the annual reports of these organisations and review by the Government thereon. If these reports and review are not laid on the Table within a reasonable time after the close of the accounting year, the real purpose of laying them on the Table is lost and Parliament is handicapped in getting a true picture of the working of the organisation when sanctioning funds for future expenditure of the organisation.
11	1.36	The Committee, therefore, reiterate that the Annual Reports of Government Companies should be laid on the Table of the House within 9 months of close of the accounting year and where it is not possible for the Government to

1 2

3

lay the Report of any Company within that period they should lay on the Table a statement explaining the reasons for not laying the Reports, within 30 days from the expiry of the period of nine months and if the House is not in Session at that time, the statement should be laid on the Table within seven days of re-assembly of the House.

12 1.37 The Committee, however, note with satisfaction that the Annual Report of the National Textile Corporation for the year 1977-78 was laid alongwith 'Review' on the Table of Lok Sabha on 23-12-1978 i.e. within the prescribed period of 9 months after the close of the accounting year. The Committee hope that in future also the Annual Reports of this Corporation will be laid in time.

13 1.38 While examining the Reports for 1975-76, 1976-77 and 1977-78 the Committee have come across an oft-repeated audit observation that the National Textile Corporation had no effective system of internal audit commensurate with its size. The Committee feel that such audit observations should not have been allowed to be repeated time and again and some solution should have been found out therefor. The Committee are of the opinion that in the absence of an adequate internal audit system the finalisation of accounts of the Corporation are bound to be delayed and this could lead to delay in finalisation of the audit report and consequent delay in laying the Annual Report before the House. The Committee trust that deficiencies pointed out by the Audit will be made up by the Ministry/Corporation at the earliest.