

APPAREL EXPORT PROMOTION COUNCIL

[Action Taken by the Government on the Observations/Recommendations
of the Committee contained in their One Hundred and Twenty Ninth Report
(16th Lok Sabha)]

MINISTRY OF TEXTILES

**PUBLIC ACCOUNTS COMMITTEE
(2020-21)**

TWENTY SEVENTH REPORT

SEVENTEENTH LOK SABHA



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**LOK SABHA SECRETARIAT
NEW DELHI**

PAC NO. 2235

TWENTY SEVENTH REPORT

PUBLIC ACCOUNTS COMMITTEE **(2020-21)**

(SEVENTEENTH LOK SABHA)

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**[Action Taken by the Government on the Observations/Recommendations
of the Committee contained in their One Hundred and Twenty Ninth Report
(16th Lok Sabha)]**

MINISTRY OF TEXTILES



Presented to Lok Sabha on:

Laid in Rajya Sabha on:

**LOK SABHA SECRETARIAT
NEW DELHI**

February, 2021 /Magha, 1942 (Saka)

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2020-21)

Shri Adhir Ranjan Chowdhury - Chairperson

M E M B E R S

L O K S A B H A

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shri Sudheer Gupta
5. Smt. Darshana Vikram Jardosh
6. Shri Bhartruhari Mahtab
7. Shri Ajay (Teni) Misra
8. Shri Jagdambika Pal
9. Shri Vishnu Dayal Ram
10. Shri Rahul Ramesh Shewale
11. Shri Rajiv Ranjan Singh alias Lalan Singh
12. Dr. Satya Pal Singh
13. Shri Jayant Sinha
14. Shri Balashowry Vallabhaneni
15. Shri Ram Kripal Yadav

R A J Y A S A B H A

16. Shri Rajeev Chandrasekhar
17. Shri Naresh Gujral
18. Shri C. M. Ramesh
19. Shri Sukhendu Sekhar Ray
20. Shri Bhupender Yadav
21. Vacant
22. Vacant

SECRETARIAT

1. Shri T. G. Chandrasekhar - Joint Secretary
2. Shri S.R Mishra - Director
3. Smt. Bharti S Tuteja - Additional Director
4. Shri Ashikho Alemo - Assistant Executive Officer

INTRODUCTION

I, the Chairperson, Public Accounts Committee (2020-21), having been authorized by the Committee, do present this Twenty Seventh Report (Seventeenth Lok Sabha) on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their One Hundred and Twenty Ninth Report (Sixteenth Lok Sabha) on '**Apparel Export Promotion Council**' relating to Ministry of Textiles.

2. The One Hundred and Twenty Ninth Report was presented to Lok Sabha and laid in Rajya Sabha on 19th December, 2018. Replies of the Government to all the Observations/Recommendations contained in the Report were received. The Public Accounts Committee considered and adopted the Twenty Seventh Report at their sitting held on 04.02.2021. Minutes of the sitting are given at Appendix I.

3. For facility of reference and convenience, the Observations and Recommendations of the Committee have been printed in **bold** in the body of the Report.

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

5. An analysis of the action taken by the Government on the Observations/ Recommendations contained in the One Hundred and Twenty Ninth Report (Sixteenth Lok Sabha) is given at Appendix-II.

NEW DELHI;
February, 2021
Magha, 1942 (*Saka*)

Adhir Ranjan Chowdhury,
Chairperson,
Public Accounts Committee.

REPORT

PART – I

INTRODUCTORY

This Report of the Public Accounts Committee deals with the Action Taken by the Government on the Observations and Recommendations of the Committee contained in their One Hundred and Twenty Ninth Report (16th Lok Sabha) on the subject "**Apparel Export Promotion Council**" based on the Chapter XVII of C&AG Report No.11 of 2016 relating to the Ministry of Textiles.

2. The One Hundred and Twenty Ninth Report (16th Lok Sabha), which was presented to Lok Sabha and laid in Rajya Sabha on 19th December, 2018 contained 7 Observations and Recommendations. Action Taken Notes in respect of all the Observations and Recommendations have been received from the Ministry of Textiles and are broadly categorized as under:

(i) Observations/Recommendations which have been accepted by the Government:

Para Nos.1, 2, 4 & 5

**Total: 4
Chapter - II**

(ii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government:

Nil

**Total: Nil
Chapter - III**

(iii) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration:

Para Nos . 7

**Total: 1
Chapter - IV**

(iv) Observations/Recommendations in respect of which Government have furnished interim replies:

Para Nos.3, 6

**Total: 2
Chapter – V**

3. A detailed examination of the subject by the Committee revealed gross mismanagement of Apparel Export Promotion Council (AEPC) which resulted in the loss of Rs.17.42 crore. The Committee found that the Executive Committee of AEPC extended unfair benefit while renting out office accommodations at Bhikaji Cama Place to M/s TUL at minimal rates and granted extension of contract without resorting to competitive bids. The Ministry had also not taken immediate measures to resolve discrepancies pointed out by Audit.

4. The Action Taken Notes furnished by the Ministry of Textiles in respect of all the Observations and Recommendations of the Committee have been reproduced in the relevant Chapters of this Report. The Committee will now deal with the Action Taken by the Government on the Observations and Recommendations made in the Original Report which either need reiteration or merit comments.

5. The Committee desire the Ministry of Textiles to furnish Action Taken Notes in respect of Observations/ Recommendations contained in Chapter I and final replies in respect of observations/ recommendations contained in Chapter V within six months of the presentation of the Report to the Parliament.

(Recommendation Para No. 2)

6. Noting the progression of events from notification of advertisement via short classified ads in newspapers without detailed tender enquiry, incomplete information on opening and closing tender dates, awarding rent lease to a private party i.e. M/s. TUL despite it being non-party in the bidding process, grant of rent in favour of the private party and extension of rent contract to the same party without seeking response of other potential bidders etc., the Committee had opined that the Executive Committee of AEPC has not been impartial and intentionally favored the private party in awarding the rent contract. The Committee felt that the Ministry remained a mute spectator instead of taking the officials of AEPC to task. The Committee noted that matter was formally brought to the notice of the Ministry by Audit on 15.12.2015. However, the Special Internal Audit ordered by the Ministry for the period 1.4.2003 to 31.3.2015 to evaluate the performance of AEPC and to identify the points of shortcomings and deviations from the established rules could not bring out the lapses in awarding rent contract to the private party. The Committee had noted from the submission of the Ministry that due to meager staff strength, Internal Audit Wing could audit only less than half of the units as prescribed in a year and since internal audit is only an attest audit, it is not possible for it to figure out all omissions and errors of an auditee during the period of audit. The Committee were shocked to note that instead of strengthening the Internal Audit Wing, the Ministry is trying to cover up its inadequacies. The Committee desired that adequate staffing in the internal Audit Wing may be done urgently to make sure that internal audits are conducted as per the schedule and the terms of reference for Internal Audit of the organizations in the Ministry may be reassessed to ensure that all the

transactions above a threshold value are invariably audited. Further, a system of strong internal controls and reporting may be evolved to ensure transparent and fair dealings.

7. The Ministry of Textiles in their action taken reply stated as under:-

“Efforts are being made to strengthen the Internal Audit Wing (IAW) by way of filling up the vacant posts.”

8. Audit in their vetting comment stated as under:

“Para pertains to strengthening of Internal Audit Wing of the Ministry. Ministry has stated that efforts to strengthen the IAW are being made, however, status of filling up vacancies is not given. Thus, no comments.”

9. In their updated reply, the Ministry stated as under:

“The matter was taken up by Internal Audit Wings (IAW) with the Cadre Controlling Authority i.e. O/o CGA to fill up the vacant posts in Internal Audit Wings. Subsequently, 1 Senior Accounts Officer, 1 Assistant Accounts Officer in IAW (West Zone) and 2 Assistant Accounts Officers in IAQ (HQ) have been provided. Office of CGA for creation of 2 additional Group A posts, 1 post of Deputy Controller of Accounts and 1 post of Assistant Controller of Accounts has been requested by IAW to strengthen Internal Audit Wings of PAO.”

10. **The Committee had observed that the Executive Committee of AEPC awarded the rent contract to a private party while the Ministry remained a spectator instead of questioning the officials of AEPC in the matter. Further, the Special Internal Audit ordered by the Ministry for the period 1.4.2003 to 31.3.2015 to evaluate the performance of AEPC and to identify the points of shortcomings and deviations from the established rules could not bring out the lapses in awarding rent contract to the private party. The Committee had, therefore, desired that adequate staffing in the internal Audit Wing may be done urgently to make sure that internal audits are conducted as per the schedule and the terms of reference for Internal Audit of the organizations in the Ministry may be reassessed to ensure that all the transactions above a threshold value are invariably audited. Further, a system of strong internal controls and reporting may be evolved to ensure transparent and fair dealings. The Committee note from the reply of the Ministry that the strengthening of the internal audit wing was being done by way of filling up the vacant posts. However, the Committee note that only four posts have since been filled up. The Committee desire that all vacant posts in the Internal Audit wing may be filled up without any further delay and the request for creation of more posts may be pursued vigorously to ensure that all the units prescribed for a particular year are audited in that year itself. Further, the Committee note that Ministry has not responded to the**

recommendation of the Committee regarding reassessing the terms of reference of the internal audit to ensure that the transactions above a threshold level are invariably audited; the internal audit is conducted as per schedule; and evolving a system of strong internal controls and reporting to ensure fair and transparent dealings. The Committee are of the considered opinion that strong system of internal control and internal audit provide an assurance that applicable laws and regulations are being complied with and the operational and financial reporting is reliable besides aiding in preventing, detecting and responding to the shortcomings and deviations from the established rules timely. The Committee, therefore, reiterate their earlier recommendation that all the transactions above a threshold value be invariably audited and a system of strong internal controls and reporting evolved to ensure transparent and fair dealings, and desire to be apprised of the action taken in this regard.

(Recommendation Para No. 4)

11. The Committee found that the out of the 32 members/Exporters of the elected Executive Committee, three members are Government Nominees. Observing that these Government Nominees were purposely nominated in the Executive Committee to safeguard the interest of the Government and public money, the Committee were unable to comprehend the inability of these Government Nominees to prevent the apparent mismanagement of funds and decisions taken in favour of a private party which resulted in a huge loss. The Committee, therefore, desired that explanation of the Government nominees for their inaction in the whole process may be called for an appropriate action.

12. The Ministry of Textiles in their action taken reply stated as under:-

“As directed by the Committee, explanation is being sought from Government nominees.”

13. Audit in their vetting comment stated as under:

“As the explanation is being sought from Government nominees, further action taken will be examined during next audit of AEPC.”

14. In their updated reply, the Ministry stated as under:

“AEPC has furnished its comments on this para vide its letter No. AEPC/HO/SG/2020 dated 31/08/2020. In the above mentioned letter AEPC has stated that Rs.17.42 crore is not the revenue loss to AEPC or to the exchequer and AEPC is not liable to deposit the amount. Further, Council has again submitted that AEPC has consistently followed the same procedure for renting of the property which was followed earlier too. AEPC is of the view that the question of seeking explanations from the Government Nominees does not arise, who

were part of decision making by Executive Committee, a body competent to take decisions as per AEPC's Memorandum and Articles of Association, when the Bhikaji Cama Place premises was rented / rent negotiated. Further the matter of rent reduction from the tenant which was earlier rejected by AEPC, was done at the instance of recommendation from Hon'ble Minister of Textiles.

In order to take a larger view in consonance with the Government of India vision of "Minimum Government and Maximum Governance" Ministry of Textiles has decided to withdraw the name of Government nominees from all Textiles Export Promotion Council. A direction, vide Order dated 13.8.2020 has already been issued to all Textiles EPCs. As per this order, wherever, the Government assistance under any scheme is provided to the Textiles EPCs, a separate Empowered Committee / Standing Committee shall be constituted by respective Councils for monitoring of such expenditure."

15. The Committee had, while observing that the three Government nominees on the Executive Committees apparently did not ensure proper management of funds, and decision taken in favour of the third party resulted in losses, desired that explanation be called from them for their inaction in the whole process. The Committee note from the reply of the Ministry that, as per AEPC, Rs.17.42 crore is not the revenue loss to AEPC or to the exchequer and AEPC is not liable to deposit the amount. Further, Council has again submitted that AEPC has consistently followed the same procedure for renting of the property which was followed earlier too. AEPC has been of the view that the question of seeking explanation from the Government Nominees, who were part of decision making by Executive Committee, a body competent to take decisions as per AEPC's Memorandum and Articles of Association, when the Bhikaji Cama Place premises was rented/rent negotiated does not arise. The Committee, while referring to the reply of the Ministry to another recommendation in regard to the awarding of the rent contract which inter-alia states that the Chairman, AEPC and various members of the Executive Committee and officials like Secretary General of AEPC have been responsible for this decision which apparently lacked propriety, are of the considered opinion that Government nominees who were made part of the Executive Committee primarily to safeguard the interest of the Government and the public money were not effective in discharging their duties. The Committee, while further noting that in consonance with the Government of India vision of "Minimum Government and Maximum Governance", Ministry of Textiles has decided to withdraw the Government nominees from all Textiles Export Promotion Councils and wherever, the Government assistance under any scheme is provided to the Textiles EPCs, a separate Empowered Committee / Standing Committee is to be constituted by respective Councils for monitoring of such

expenditure, are of the view that these Standing Committees need to be adequately empowered so that they can function independently and effectively.

(Recommendation Para No.7)

16. The Committee found that in response to the query regarding the composition of the tendering committee, the Ministry stated that since formal tender was not issued, tendering committee was not constituted. However while replying to another query, the Ministry had given the list of the members of tendering committee, first negotiation committee and second negotiation committee respectively. The matter was formally brought to the notice of the Ministry only on 15.12.2015 through the audit para received from the Principal Director of Audit. Ministry immediately ordered internal audit of the accounts of AEPC and deputed an audit team. However, as per Ministry's own submission the special internal audit for the period 1.4.2003 to 31.3.2015 was ordered on 7.9.2015 and the internal audit of the accounts of AEPC was conducted only in July 2018 after being raised by the PAC. The Committee took strong exception to the callous approach in responding to their queries and contradictory replies sent by the Ministry which has seriously hampered the examination of the subject by them. The Committee desired that the Secretary may look into the matter and take appropriate action against those responsible for such replies. Further, the Committee desired to be apprised of the correct position within one month of the presentation of the Report to the House.

17. The Ministry of Textiles in their action taken reply stated as under:-

“As stated in the written reply to PAC, no tendering committee was constituted. AEPC constituted two Committees on 18.9.2007; viz. 1st Negotiation Committee and 2nd Negotiation Committee. The 1st Negotiation Committee opened the quotations and 2nd Negotiation Committee comprising senior members of the Council to negotiate rent rates. Since formal tender was not issued in the case, no tendering committee was constituted. Only a short classified advertisement was released in the property pages of Tol and HT. Ministry came to know about revenue loss through the draft CAG audit para on 15.12.2015. In its reply on draft CAG Para, AEPC claimed that office space at Bhikaji Cama Place was purchased by AEPC through its own funds. Ministry conducted internal audit of AEPC in May, 2016 to ascertain whether Bhikaji Cama Place building was purchased out of Government money. Audit observations were duly incorporated by the Ministry while replying to draft CAG para on 22.6.2016. Ministry issued an order dated 7.9.2015 for conducting an internal audit, on alleged irregularities brought out by the then SG, AEPC in the functioning of Council. The said irregularities brought out by the then SG, AEPC did not involve the issue of revenue loss due to renting out of office space at

Bhikaji Cama Place. Based on the order dated 7.9.2015, special internal audit for the period 1.4.2003 to 31.3.2015 was conducted from 16.11.2015 to 2.12.2015. In addition to above mentioned audit of accounts of AEPC, Ministry of Textiles once again ordered audit of accounts of AEPC on 4.7.2018 after PAC sitting in order to confirm the source of funding for purchase of Bhikaji Cama Place Building.”

18. Audit in their vetting comment stated as under:

“Reply of the Ministry is factual. However, the reply of the Ministry on the matter of arrangement of funds is not correct. As per Ministry reply dated 22.6.2016, it is clearly confirmed that “Property was purchased from the earnings of Government Funds. Under these circumstances, Government has suffered a loss in letting of furnished office premises to private party, the funds provided by Government for purchase of building have been misutilized.

Reply of the Ministry is factual. Ministry of Textiles conducted the Special Internal Audit of AEPC for the period 1.4.2003 to 31.3.2015.

However, Ministry is silent in respect of the outcome of Ministry's order in July, 2018 regarding the Audit of AEPC.

No reply has been given by the Ministry in respect of this para.”

19. In their updated reply, the Ministry stated as under:

“Ministry was not involved in the process at any stage. Moreover, the matter is under litigation before NCLT. PAC/CAG would be informed consequent upon judgment to be given by NCLT.”

20. **The Committee had observed that even though a special internal audit of AEPC accounts for the period 1.4.2003 to 31.3.2015 was ordered on 7.9.2015, the same was conducted only in July 2018, and that too after the issue was raised by the Committee. They, therefore, had desired that the Ministry may look into the same. The Ministry, in its action taken reply, clarified that a special internal audit was carried out from 16.11.2015 to 02.12.2015 for the period cited above, on the alleged irregularities brought out by the then SG, AEPC in the functioning of the Council, based on the Ministry's order dated 07.09.2015. The Ministry has further stated that the aforesaid internal audit did not involve the issue of revenue loss due to renting out of office space at Bhikaji Cama Place as the Ministry came to know about the revenue loss only through the draft CAG audit para on 15.12.2015. Consequently, the Ministry conducted another internal audit of AEPC in May, 2016 to ascertain whether the building was purchased out of Government money. As per Audit, findings of the internal audit done in May 2016 confirmed that the property was purchased from the earnings of Government Funds and,**

therefore, Government has suffered a loss in letting of furnished office premises to a private party. The Committee further note that as a follow up of their intervention in the matter, the Ministry ordered another audit of accounts of AEPC on 04.07.2018 in order to confirm the source of funding for the purchase of Bhikaji Cama Place Building. However, the Ministry, in the Action Taken Note, has not apprised the Committee of the outcome of the Audit ordered on 4.7.2018. The Committee, while noting that even after being specifically pointed out, the Ministry has failed to apprise the Committee of the findings of the Audit ordered on 4.7.2018. The Committee take exception to the apparently indifferent attitude of the Ministry and desire that the findings of the Audit along with the action taken thereon may be furnished to them within one month of the presentation of this Report to the Parliament. The reply is also silent on the action taken against the officers responsible for furnishing contradictory replies on the constitution of the Tendering Committee. The Committee desire that the matter be inquired into and appropriate action taken against those found responsible for the lapse. The Committee wish to be apprised of the details in this regard within one month of the presentation of this report to Parliament.

NEW DELHI;
February, 2021
Magha, 1942 (*Saka*)

Adhir Ranjan Chowdhury,
Chairperson,
Public Accounts Committee.

CHAPTER II

OBSERVATIONS/RECOMMENDATIONS WHICH HAVE BEEN ACCEPTED BY THE GOVERNMENT

Observation/ Recommendation

On detailed examination of Para No.17.1 of C&AG Report 11 of 2016 on the subject "Undue benefit to a private party", the Committee find gross mismanagement of Apparel Export Promotion Council (AEPC), a body under the Ministry of Textiles, has resulted in loss of Rs.17.42 crore to the company. The Committee find that the Executive Committee of AEPC extended unfair benefit, while renting out office accommodations at Bhikaji Cama Place to M/s. TUL at minimal rates and granted extension of contracts without resorting to competitive bidding to attract other potential parties willing to pay higher rent rates. The Committee also find that the Ministry of Textiles had not taken immediate necessary measures to resolve the aforesaid discrepancy highlighted by audit. The recommendations / observations of the Committee are discussed in the succeeding paragraphs.

[Para No.1]

Action taken by the Ministry

Factual. PAC Para may be resolved as action taken required on the observations / recommendations are discussed in the succeeding paragraphs.

Observation/ Recommendation

Noting the progression of events from notification of advertisement via short classified ads in newspapers without detailed tender enquiry, incomplete information on opening and closing tender dates, awarding rent lease to a private party i.e. M/s. TUL despite it being non-party in the bidding process, grant of rent in favour of the private party and extension of rent contract to the same party without seeking response of other potential bidders etc., the Committee had opined that the Executive Committee of AEPC has not been impartial and intentionally favoured the private party in awarding the rent contract. The Committee felt that the Ministry remained a mute spectator instead of taking the officials of AEPC to task. The Committee noted that matter was formally brought to the notice of the Ministry by Audit on 15.12.2015. However, the Special Internal Audit ordered by the Ministry for the period 1.4.2003 to 31.3.2015 to evaluate the performance of AEPC and to identify the points of shortcomings and deviations from the established rules could not bring out the lapses in awarding rent contract to the private party. The Committee had noted from the submission of the Ministry that due to meager staff strength, Internal Audit Wing could audit only less than half of the units as

prescribed in a year and since internal audit is only an attest audit, it is not possible for it to figure out all omissions and errors of an auditee during the period of audit. The Committee were shocked to note that instead of strengthening the Internal Audit Wing, the Ministry is trying to cover up its inadequacies. The Committee desired that adequate staffing in the internal Audit Wing may be done urgently to make sure that internal audits are conducted as per the schedule and the terms of reference for Internal Audit of the organizations in the Ministry may be reassessed to ensure that all the transactions above a threshold value are invariably audited. Further, a system of strong internal controls and reporting may be evolved to ensure transparent and fair dealings.

[Para No.2]

Action taken by the Ministry

Efforts are being made to strengthen the Internal Audit Wing (IAW) by way of filling up the vacant posts."

Vetting comment of Audit

Para pertains to strengthening of Internal Audit Wing of the Ministry. Ministry has stated that efforts to strengthen the IAW are being made, however, status of filling up vacancies is not given. Thus, no comments.

Updated reply of the Ministry

The matter was taken up by Internal Audit Wings (IAW) with the Cadre Controlling Authority i.e. O/o CGA to fill up the vacant posts in Internal Audit Wings. Subsequently, 1 Senior Accounts Officer, 1 Assistant Accounts Officer in IAW (West Zone) and 2 Assistant Accounts Officers in IAQ (HQ) have been provided. Office of CGA for creation of 2 additional Group A posts, 1 post of Deputy Controller of Accounts and 1 post of Assistant Controller of Accounts has been requested by IAW to strengthen Internal Audit Wings of PAO.

Observation/Recommendation

The Committee noted that the AEPC is a Company registered under Section 8 of Companies Act., Further, the Committee find from the submission of AEPC that since the rent money, collected from M/s. TUL for leasing an office space at Bhikaji Cama Place, was neither received from Government nor to be deposited in Consolidated Fund of India, the question of following General Financial Rules did not arise. The Committee did not concur with the above statement of AEPC as being recognized by the Government it discharges state like functions whilst providing services to its members and therefore, was expected to emulate principles of financial propriety enshrined in the GFRs. The Committee while noting that AEPC had purchased this office out of the Export Promotion Fund and Fashion Design cum Office Building Reserve Fund in 1991,

with grant from the Government of India, opined that the Executive Committee of AEPC has miserably failed in enforcing the relevant financial rules and therefore, their role in the same be inquired into and responsibility be fixed.

[Para No 3]

Action taken by the Ministry

Ministry is instituting an enquiry at the level of Financial Adviser to the Government of India. Based on the inquiry further necessary action will be taken."

Vetting comment of Audit

As the Ministry is instituting an enquiry, further action will be examined during the next audit of AEPC.

Updated reply of the Ministry

Para would be resolved after completion of enquiry at the level of Financial Adviser.

Observation/Recommendation

The Committee found that the out of the 32 members/Exporters of the elected Executive Committee, three members are Government Nominees. Observing that these Government Nominees were purposely nominated in the Executive Committee to safeguard the interest of the Government and public money, the Committee were unable to comprehend the inability of these Government Nominees to prevent the apparent mismanagement of funds and decisions taken in favour of a private party which resulted in a huge loss. The Committee, therefore, desired that explanation of the Government nominees for their inaction in the whole process may be called for an appropriate action.

[Para No. 4]

Action taken by the Ministry

As directed by the Committee, explanation is being sought from Government nominees.

Vetting comment of Audit

As the explanation is being sought from Government nominees, further action taken will be examined during next audit of AEPC.

Updated reply of the Ministry

AEPC has been directed to submit explanation of Government nominees. Para would be resolved after receiving explanation from the Government.

Observation/Recommendation

The Committee note that the Chief Controller of Accounts (CCA), pursuant to special internal audit, has observed that the Council returned the principal amount of Earnest Money Deposit (EMD) and penalties / forfeitures of EMD. However, Council had earned ₹214.44 crore as interest on EMD till the time it is fully returned to the exporters / Government. Out of this amount, only ₹9.90 crore was deposited in the Government Account. Thereafter, the matter was referred to the Ministry of Corporate Affairs for appointment of Government Administrator and for superseding the Executive Body of the Council. In response, the Ministry of Corporate Affairs had ordered an inspection u/s 206(5) of the Companies Act., 2013 in the matter of AEPC in August, 2016. The Ministry of Corporate Affairs has also filed interlocutory application u/s 242(2)(k), 246 read with 336 of the Companies Act 2013 before the Hon'ble National Company Law Tribunal, Principal Bench, New Delhi in August 2018 seeking inter alia, suspension of the Executive Committee of the AEPC and for freezing of the assets of the management of AEPC. The Committee, however, observed that the matter was taken up by the Ministry only after their intervention. The Committee desire that the interest on EMD may be deposited in the Government Account in a time bound manner. Disheartened to note the lackadaisical approach of both the Ministry of Textiles in monitoring the affairs of AEPC and Ministry of Corporate Affairs for taking more than two years in submitting an interim report, the Committee desire that a robust mechanism for speedy detection and timely process of cases of apparent irregularities be developed by the Ministries / Department of Government of India so that such cases are finalized at the earliest.

[Para No. 5]

Action taken by the Ministry

Ministry has already written to AEPC to deposit Rs.214.44 crore in Consolidated Fund of India vide this Ministry's letter dated 31.10.2018, followed by reminder dated 14.1.2019.

Vetting comment of Audit

The matter with regard to the management and functioning of AEPC is pending with the NCLT. Further progress of the matter will be examined during next audit of AEPC.

Updated reply of the Ministry

The issue contained in this para has been challenged by AEPC in the Hon'ble Delhi High Court. AEPC is not depositing the amount. The matter is pending before the Hon'ble High Court of Delhi. Further action would be initiated after judgment of the Hon'ble High Court.

CHAPTER III

**OBSERVATIONS/RECOMMENDATIONS WHICH THE COMMITTEE DO NOT
DESIRE TO PURSUE IN VIEW OF THE REPLIES RECEIVED FROM THE
GOVERNMENT**

-NIL-

CHAPTER IV

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH REPLIES OF GOVERNMENT HAVE NOT BEEN ACCEPTED BY THE COMMITTEE AND WHICH REQUIRE REITERATION

Observation/Recommendation

The Committee find that in response to the query regarding the composition of the tendering committee, the Ministry stated that since formal tender was not issued, tendering committee was not constituted. However while replying to another query, the Ministry has given the list of the members of tendering committee, first negotiation committee and second negotiation committee respectively. The matter was formally brought to the notice of the Ministry only on 15.12.2015 through the audit para received from the Principal Director of Audit. Ministry immediately ordered internal audit of the accounts of AEPC and deputed an audit team. However, as per Ministry's own submission the special internal audit for the period 1.4.2003 to 31.3.2015 was ordered on 7.9.2015 and the internal audit of the accounts of AEPC was conducted only in July 2018 after being raised by the PAC. The Committee take strong exception to the callous approach in responding to their queries and contradictory replies sent by the Ministry was seriously hampered.

[Para No. 7]

Action taken by the Ministry

As stated in the written reply to PAC, no tendering committee was constituted. AEPC constituted two Committees on 18.9.2007; viz. 1st Negotiation Committee and 2nd Negotiation Committee. The 1st Negotiation Committee opened the quotations and 2nd Negotiation Committee comprising senior members of the Council to negotiate rent rates. Since formal tender was not issued in the case, no tendering committee was constituted. Only a short classified advertisement was released in the property pages of Tol and HT.

Ministry came to know about revenue loss through the draft CAG audit para on 15.12.2015. In its reply on draft CAG Para, AEPC claimed that office space at Bhikaji Cama Place was purchased by AEPC through its own funds. Ministry conducted internal audit of AEPC in May, 2016 to ascertain whether Bhikaji Cama Place building was purchased out of Government money. Audit observations were duly incorporated by the Ministry while replying to draft CAG para on 22.6.2016.

Ministry issued an order dated 7.9.2015 for conducting an internal audit, on alleged irregularities brought out by the then SG, AEPC in the functioning of Council. The said irregularities brought out by the then SG, AEPC did not involve the issue of revenue loss due to renting out of office space at Bhikaji Cama Place. Based on the order dated 7.9.2015, special internal audit for the period 1.4.2003 to 31.3.2015 was conducted from 16.11.2015 to 2.12.2015.

In addition to above mentioned audit of accounts of AEPC, Ministry of Textiles once again ordered audit of accounts of AEPC on 4.7.2018 after PAC sitting in order to confirm the source of funding for purchase of Bhikaji Cama Place Building.

Vetting comment of Audit

Reply of the Ministry is factual. However, the reply of the Ministry on the matter of arrangement of funds is not correct. As per Ministry reply dated 22.6.2016, it is clearly confirmed that "Property was purchased from the earnings of Government Funds. Under these circumstances, Government has suffered a loss in letting of furnished office premises to private party, the funds provided by Government for purchase of building have been misutilized.

Reply of the Ministry is factual. Ministry of Textiles conducted the Special Internal Audit of AEPC for the period 1.4.2003 to 31.3.2015.

However, Ministry is silent in respect of the outcome of Ministry's order in July, 2018 regarding the Audit of AEPC.

No reply has been given by the Ministry in respect of this para.

Updated reply of the Ministry

Ministry was not involved in the process at any stage. Moreover, the matter is under litigation before NCLT. PAC/CAG would be informed consequent upon judgment to be given by NCLT.

CHAPTER V

OBSERVATIONS/RECOMMENDATIONS IN RESPECT OF WHICH GOVERNMENT HAVE FURNISHED INTERIM REPLIES

Observation/Recommendation

The Committee noted that the AEPC is a Company registered under Section 8 of Companies Act., Further, the Committee find from the submission of AEPC that since the rent money, collected from M/s. TUL for leasing an office space at Bhikaji Cama Place, was neither received from Government nor to be deposited in Consolidated Fund of India, the question of following General Financial Rules did not arise. The Committee did not concur with the above statement of AEPC as being recognized by the Government it discharges state like functions whilst providing services to its members and therefore, was expected to emulate principles of financial propriety enshrined in the GFRs. The Committee while noting that AEPC had purchased this office out of the Export Promotion Fund and Fashion Design cum Office Building Reserve Fund in 1991, with grant from the Government of India, opined that the Executive Committee of AEPC has miserably failed in enforcing the relevant financial rules and therefore, their role in the same be inquired into and responsibility be fixed.

[Para No. 3]

Action Taken by the Ministry

Ministry is instituting an enquiry at the level of Financial Adviser to the Government of India. Based on the inquiry further necessary action will be taken."

Vetting comment of Audit

As the Ministry is instituting an enquiry, further action will be examined during the next audit of AEPC.

Updated reply of the Ministry

AS&FA submitted an enquiry report on 14.8.2020. As per the said Report, the matter has been further enquired and it is found that although M/s. TEESTA URJA LIMITED did not participate in the tender proceedings, the Chairman, AEPC did direct the Director Administration and HR to include the proposal of M/s. TEESTA URJA LIMITED (TUL) along with three highest bidders who had participated in the tender proceedings. The then Secretary General, Mr. Anil Kumar Bamba, (ITS) AEPC also recommended this inclusion of M/s TUL in violation of General Financial Rules (GFRs). Since, the proposal of M/s. TUL was at higher rate than the other three bidders who had participated in the tender, the proposal of M/s TUL was accepted by the Executive

Committee of AEPC in its meeting held on 11.1.2008 in which the following members of the EC Committee were present:-

1. Mr Vijay Kumar Agarwal, Chairman, AEPC
2. Mr Rakesh Vaid, Sr. Vice Chairman (NR)
3. Mr Vinod Dhawan, Vice Chairman (ER)
4. Mr Qaiser Shamim, Joint Secretary, MoT.
5. Mr Anil Kumar Bamba (ITS), SG, AEPC.

Based on the report, it can be seen that Chairman AEPC and various members of the Executive Committee and officials like Secretary General of AEPC have been responsible for this decision which disregarded the rule of propriety. The issue has been challenged by AEPC before Hon'ble Delhi High Court through Writ Petition No.5846/2019. The matter is sub-judice. PAC will be informed as soon as judgement in the case is delivered.

Observation/Recommendation

The Committee note that from the interim report of the Ministry of Corporate Affairs that AEPC had not complied with the directions of the Ministry of Textiles, issued under Article 101 with regard to renting of premises, which resulted in the loss of Rs.17.42 crore to the company. The report stated that extending undue benefit to a Private Party i.e. M/s. Teesta Urja Limited in letting out the office space at Bhikaji Cama Place, New Delhi at reduced rate amounted to failure on the part of directors to discharge their fiduciary duties to the Company. The Interim report suggested regulatory action for disobedience of Government directions by the company and officers. The interim report also recommended that the Executive Committee of AEPC be suspended and in terms of provisions of Section 242(2) (k), 15 (fifteen) persons be appointed as directors, to manage the affairs of the company and such directors may report to the National Company Law Tribunal (NCLT) on such matters as it may direct. The Committee desire to be apprised whether responsibility had been fixed against officials responsible for the lapses in discharging fiduciary duties and appropriate action taken against the officials. The Committee, noting that an interlocutory application is pending with the NCLT with regard to the management and functioning of AEPC, desire to be apprised of the arrangements made by the Ministry to oversee the functioning of AEPC before the decision on the matter is taken by NCLT. The Committee also desire that the details of the outcome of the matter in NCLT may be intimated to the Committee as and when it is taken.

[Para No. 6]

Action taken by the Ministry

Ministry is instituting an enquiry at the level of Financial Adviser to the Government of India. Based on the inquiry further necessary action will be taken. The outcome of the matter in NCLT will also be intimated to the Committee as and when it is taken.

Vetting comment of Audit

As the Ministry is instituting an enquiry and as the matter with regard to the management and functioning of AEPC is pending with the NCLT, further action taken will be examined during next audit of AEPC.

Updated reply of the Ministry

This matter has been enquired in detail by a Committee headed by AS&FA of Ministry of Textiles and it has been observed that M/s TUL made a request for reducing the monthly rental to the prevailing market rate on 14th November, 2008 and 10th February, 2009. AEPC did reject the request and replied to M/s TUL by their letter dated 19th November, 2008 that the rent already agreed to cannot be changed.

Subsequently, the M/s TUL made a representation to Office of Hon'ble Minister of Textiles and the Office of Hon'ble Minister of Textiles forwarded the representation of M/s TUL to AEPC for sympathetic consideration. In view of the recommendation from the Office of Hon'ble Minister of Textiles, Chairman AEPC constituted a Special Senior Management Committee consisting of few Executive Committee members of the Council along with the Secretary General of AEPC to look into this matter. Accordingly, this Committee met the representative of M/s TUL and negotiated downward review of rental for the premises of Council. During the meeting, M/s TUL submitted a request for reduction of rent from Rs. 270 per sq. ft. per month to Rs. 150 per sq. ft. per month. But this Committee recommended reduction only upto Rs. 190 per sq. ft. per month. The matter was subsequently placed before the Finance and Budget Sub Committee of AEPC during its meeting dated 11.6.2009 where the sub-committee noted the decision taken by the Committee constituted by Chairman, AEPC for this purpose. The Minutes of finance and Budget Sub Committee were subsequently ratified by the Executive Committee of AEPC.

The meeting of the Special Sub Committee which recommended the reduction of rental was attended by following persons. These persons are primarily responsible for the decision:-

- i. Sh. Rakesh Vaid, Chairman, AEPC
- ii. Sh. Praveen Nayyar, Vice Chairman (ER) & Chairman F&B, AEPC
- iii. Sh. HKL Magu, Chairman, AHM Committee, AEPC
- iv. Sh. Vimal Kirti Singh, IAS, Secretary General, AEPC

- v. Sh. Jaideep Lakhtakia, Vice Chairman of M/s Teesta Urja Ltd.
- vi. Sh. Sudhakar Rai, Dy. General Manager, M/s Teesta Urja Ltd.

Subsequently, M/s TUL submitted another request on 14th February, 2012 for reduction of rent and they quoted the similar commercial space which was available for lease in and around Bhikaji Cama Place area at the rate from Rs.80 per sq. ft. per month to Rs.130 per sq. ft. per month. The matter was placed before Finance and Budget Sub Committee of the Council held on 10th March, 2012 where the Committee authorised Mr. HKL Magu, Vice Chairman, Northern Region and Chairman, Finance and Budget Committee to initiate and fixed up a suitable rate so that the revenue loss to the Council may be minimise. The matter was further placed before the Finance and Budget Sub-Committee meeting held on 08th June, 2012 where the Committee ratified the revision of the rate from Rs. 190 per sq. ft. per month to Rs. 165 per sq. ft. per month and the following persons were present for the meeting who are responsible for approval of the second reduction of rent:-

- i. Mr. A. Sakthivel, Chairman, AEPC
- ii. Mr. H.K.L.Magu, VC (NR) & Chairman F&B Committee
- iii. Mr. Ashok G. Rajani, Sr. VC
- iv. Mr. Ashok Logani, VC (ER)
- v. Mr. Praveen Nayyar, Member
- vi. Mr. Rakesh Vaid, Member
- vii. Mr. Vijay Mathur, ASG

It may be seen that in this present case, AEPC in the first instance rejected the request of M/s TUL for reduction of the rent and reconsidered the request only when they received recommendation from the Office of Hon'ble Minister of Textiles. Further, it is noted that the financial collapse of 2008 is well known and the rental usually go down in such situation and land lord to retain the tenant usually agree to the reduction in the rent.

The enquiry report also noted that the same people, who have been involved in constitution of this company which has been formed for a public purpose, continue to remain in management for extremely long duration. In this situation, there is need to change the rules of governance of this organisation in a manner that they would be mandated to follow principles of transparency and accountability as followed by any Government organisations. There should also be provision for inclusion of new and young faces in the Executive Committee and there should be a limit on no. Of years one can stay as part of Executive Committee and at other position of responsibility. Apparently, there appears to an inbuilt system which does not allow new and young garment manufacturers or exporters to join this organisation in management. Resultantly, the effectiveness of this organisation has reduced and can also be seen in stagnation of export of apparel from the country and stagnation of the organisation. So,

it may be in the fitness of the thing to have a serious look at the rules of governance of this organisation to make it more accessible to all exporters of the country.

Fixing responsibility / action against Government nominees may not be possible in view of the Writ Petition pending before the National Company Law Tribunal (NCLT). An exporter has filed Writ Petition No.56 (D)/2016 before the Hon'ble NCLT. AEPC is R-1 in the case.

Ministry has noted the above suggestions of the enquiry report. As the matter is sub-judice before the Hon'ble NCLT, suitable action would be initiated based on the judgment of the NCLT in the above Writ Petition.

Hon'ble PAC would be apprised about judgement in the matter and action initiated by the Ministry.

(APPENDIX – II)

(Vide para 5 of Introduction)

ANALYSIS OF THE ACTION TAKEN BY THE GOVERNMENT ON THE OBSERVATIONS/RECOMMENDATIONS OF THE PUBLIC ACCOUNTS COMMITTEE CONTAINED IN THEIR ONE HUNDRED AND TWENTY NINTH REPORT (SIXTEENTH LOK SABHA)

- (i) Total No of Observations/Recommendations - 7
- (ii) Observations/Recommendations of the Committee which have been accepted by the Government: - **Total: 4**
Percentage - 57.14%
Para Nos. 1,2,4 & 5
- (iii) Observations/Recommendations which the Committee do not desire to pursue in view of the replies received from the Government: - **Total: Nil**
Percentage - 0%
-Nil-
- (iv) Observations/Recommendations in respect of which replies of Government have not been accepted by the Committee and which require reiteration: - **Total: 1**
Percentage–14.29%
Para Nos. 7
- (v) Observations/Recommendations in respect of which Government have furnished interim replies: - **Total: 2**
Percentage –28.57%
Para Nos. 3 & 6

MINUTES OF THE TENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2020-21) HELD ON 4TH FEBRUARY, 2021.

The Public Accounts Committee (2020-21) sat on Thursday, the 4th February, 2021 from 1430 hrs to 1440 hrs in Committee Room 'D', Parliament House Annexe, New Delhi.

PRESENT

Shri Adhir Ranjan Chowdhury - Chairperson

Members

LOK SABHA

2. Shri T. R. Baalu
3. Shri Subhash Chandra Baheria
4. Shree Sudheer Gupta
5. Shri Bhartruhari Mahtab
6. Shri Ajay (Teni) Misra
7. Shri Jagdambika Pal
8. Shri Vishnu Dayal Ram
9. Shri Rahul Ramesh Shewale
10. Shri Rajiv Ranjan Singh alias Lalan Singh
11. Dr. Satya Pal Singh
12. Shri Jayant Sinha
13. Shri Balashowry Vallabhaneni

RAJYA SABHA

14. Shri Rajeev Chandrasekhar
15. Shri C. M. Ramesh
16. Shri Bhupender Yadav

LOK SABHA SECRETARIAT

1. Shri T.G.Chandrasekhar - Joint Secretary
2. Shri S.R.Mishra - Director
3. Smt. Bharti S.Tuteja - Additional Director

OFFICERS OF THE OFFICE OF THE COMPTROLLER AND AUDITOR GENERAL OF INDIA

1. Shri Deepak Anurag - Director General
2. Shri K.S. Subramaniam - Director General
3. Ms. Kavita Prasad - Director General
4. Shri S. V. Singh - Principal Director

2. At the outset, Hon'ble Chairperson welcomed the Members and Officers of the office of C&AG of India to the sitting of the Committee. Thereafter, he invited suggestions of the Members on the following Draft Reports:-

- i. Xxx xxxxx xxxxx
- ii. Xxx xxxxx xxxxx
- iii. Xxx xxxxx xxxxx
- iv. Draft Report on Action Taken by the Government on the Observations/Recommendations of the Committee contained in their One Hundred and Twenty Ninth Report (Sixteenth Lok Sabha) on "Apparel Export Promotion Council"
- v. Xxx xxxxx xxxxx
- vi. Xxx xxxxx xxxxx
- vii. Xxx xxxxx xxxxx

3. After some deliberations, the Committee adopted the aforesaid Draft Reports without any modification and authorised the Chairperson to finalise the Reports in the light of factual verification done by the Audit.

The Committee then adjourned.
