

Investment of surplus funds, procedures of investments, banking transactions, responsibilities of Board of Directors, etc.—Recommendations of the Joint Parliamentary Committee.

The undersigned is directed to say that the Joint Parliamentary Committee (JPC) in their report on "irregularities in securities and banking transactions" have made a number of recommendations covering the areas mentioned above. These recommendations have been considered by the Government. The decisions of the Government on these recommendations are given below for information and necessary action by the respective administrative Ministries and the public sector enterprises.

- i. It was noted by the Committee that while the Government permitted PSUs to have banking transactions with foreign banks, it was not monitored properly. The Government have decided that the administrative Ministries dealing with particular PSU should monitor adherence to all guidelines issued by the Government. The PSUs should report to the administrative Ministry in case of inability to comply with particular guidelines and the Ministry will consider condonation or enforcement by issue of a Presidential directive. In this connection, attention is also invited to the Department of Public Enterprises OM No. 6/6/88-Coord. dated 8.4.91 wherein it is indicated that the Boards of Directors of the PSUs will have the discretion not to adopt these guidelines for reasons to be recorded in writing. The Board Resolution on the subject given the reasons therein should be forwarded both to the administrative Ministries as well as to the DPE. The valid reasons should be fully rendered in speaking orders/ resolutions.
- ii. On an observation of the Committee about the policies and procedures followed by the public sector undertakings in respect of the investments of their surplus funds, the Government have taken note of the fact that the policies and procedures followed by the PSUs in many cases were not in conformity with the guidelines and did not satisfy acceptable norms. The administrative Ministries are requested to take appropriate action to demarcate the responsibilities of the Government in its different Ministries/Departments and their nominee Directors as well as the Board of the Public Sector Undertakings, the whole time Directors and its top managers. By effective performance of their respective functions, these agencies should ensure laying down the correct policies and procedures and monitor their faithful implementation.
- iii. The Committee have raised the question of the duty and responsibility for ensuring, implementation of guidelines. It is the primary responsibility of the PSU itself to abide by Governmental guidelines. Government recognizes that the prime duties of a Government nominee on the Board of Directors of a PSU are to safeguard the interest of the shareholders, contribute to the efficient functioning of the PSUs and report back the same regularly to the Government. The Department of Public Enterprises and the Cabinet Sectt. had earlier issued instructions in this regard. DPE OM No. 18/1/84-GM dated 19th September, 1984 and Cabinet Sectt. D.O. Letter No. 6/1/7/92-CAB dated 30th September, 1992, addressed to the Secretaries of administrative Ministries may be referred to this matter . The administrative ministries are requested to take action in order to ensure that the nominee Directors comply with the responsibility cast on them and the instructions issued already on the subject are reiterated.

- iv. With regard to investment of surplus funds, the Committee have suggested that the policies should be clear-cut and transparent. Administrative Ministries are requested to lay down guidelines for different types of PSUs under their control indicating the destination and procedures of investment of their surplus funds. Administrative Ministries are also requested to direct the Boards of Directors of their PSUs to the effect that instructions regarding investment of fund shall be transparent and taken only by the delegated authority and that exercise of such authority shall be monitored by the Board. The administrative Ministries are also desired to lay down guidelines for the PSU under their control in the matter of regular reporting of financial transactions to the Board having regard to the nature of its business, size of financial transactions and the level to which the financial powers have been delegated.
- v. Boards of Directors of all non-financial PSUs should ensure that decisions regarding investments of funds are transparent and taken only by the delegated authority, and that the proper exercise of such authority is monitored by the Board. Boards of all PSUs are directed to lay down clear policies on investment of surplus funds, establish transparent procedures, review delegation of authority and prescribe regular reporting of investments to the Board. The streamlining of policies and procedures is to be with the knowledge of the administrative Ministry and as and when required, the Board will be given guidance by the administrative Ministry. The latter will include the performance of the company in this sphere as one of the items to be considered in its periodic reviews. The administrative Ministry, in turn, will seek the guidance of the DPE and the Ministry of Finance and follow up closely the implementation of the policies on investment laid down by these Ministries. Administrative Ministries are requested to ensure that this course of section is carefully followed by all concerned.
- vi. The administrative Ministries and the Public Enterprises are advised to keep the decisions of the Government on these various recommendations of the JPC in view and take appropriate measures in accordance with the Government decision indicated above. The Ministries may, in turn, issue suitable instructions to the enterprises for strict compliance. The action taken in this matter may be intimated to the Department of Public Enterprises.

(DPE O.M. No. 4/3/92-Fin. dated 27/06/1994)
