CHAPTER-III

3. PERFORMANCE REVIEWS RELATING TO CORPORATION

PERFORMANCE REVIEW ON IMPLEMENTATION OF THE PROGRAMME FOR REVIVAL OF ASSAM STATE TRANSPORT CORPORATION

Highlights

The revival programme undertaken to attain self-sufficiency and to make the Corporation commercially viable, failed to yield the desired results due to lack of proper planning, monitoring and internal control.

(Paragraphs 3.1, 3.10, 3.9, 3.17 and 3.18)

An amount of Rs.3.54 crore meant for purchase of new buses was diverted for repair of buses. The expenditure, however, proved futile as the efficacy of repair of old buses was not assessed at any stage. As a result 28 buses had to undergo major repairs for three to seven times within a span of 18 months from the date of first repair.

(Paragraph 3.8)

The Corporation unauthorisedly diverted funds of Rs. 5.51 crore received for implementation of a Voluntary Retirement Scheme towards payment of salary arrears, HDFC loan and LIC premium.

(Paragraph 3.10)

Lack of management's control over private bus operation and failure to levy penalty for non-performance resulted in loss of Rs.12.69 crore to the Corporation.

(Paragraph 3.13)

The Corporation failed to revise its share of minimum charges from private bus operators despite several revisions in the fare structure resulting in revenue foregone to the extent of Rs.4.72 crore.

(Paragraph 3.11)

The Corporation's inaction with regard to enforcement of agreement terms with private bus operators resulted in loss of revenue by Rs.3.91 crore during the three years ended March 2006.

(Paragraph 3.12)

Granting of undue reduction in agreed minimum realisable charges from the courier service operator (Assam Courier Service) resulted in loss of revenue to the extent of Rs.16.00 lakh.

(Paragraph 3.18)

Introduction

3.1 Assam State Transport Corporation (ASTC) was incorporated in March 1970 under the Road Transport Corporation Act, 1950 with the objective of providing an efficient, adequate, economical and properly coordinated road transport service. The Corporation is operating transport services both inside and outside the State.

The financial position and working results of the Corporation for the three years ended 31 March 2000 are tabulated in ***Annexure*-14.**

The accumulated losses (Rs.325.70 crore) as on 31 March 2000 had wiped off the entire equity capital (Rs.167.73 Crore) of the Corporation. The reasons for losses as stated by the Management were as under:

- Unremunerative fare structure;
- Depleting fleet strength;
- Unhealthy growth of private operators and overlapping on all the nationalised routes;
- Excess staff in comparison to the numbers of buses on road resulting in high establishment cost, escalating cost of essential spares *etc.*
- Absence of a good managerial structure to cope with the modern needs of a commercial organisation.

The crisis reached (March 2000) a point where the bus-staff ratio[*] was 1:27 against 1:6 recommended by the Committee on Public Undertakings (COPU) in its 30th Report (December 1997) and establishment expense were 176.46 *per cent* of its average traffic earning of the three years ended 31 March 2000, thus making it dependent on the State Government for budgetary support.

[*] Calculated on the basis of average number of vehicles on road (198) and total number of employees (5292).

In the above backdrop, the Management, in order to revitalise/revive the Corporation, formulated a perspective plan, which was approved (April 2000) by the Board of Directors and the State Government (July 2000).

Revival Programme

3.2 The revival and revitalisation programme approved (April 2000) by the Board and the State Government and the follow-up Restructuring Programme envisaged:

(A) Reduction of bus-staff ratio from 1:27 in 1999-2000 to 1:7 by the end of 31 March 2003 by:

- Repair of 235 shutdown buses with Government fund;
- Replacement of old buses in a phased manner by purchasing 100 vehicles out of Government fund and 200 vehicles by obtaining loan from financial institutions;
- Reduction of 2000 employees through a Voluntary Retirement Scheme.

(B) Additional earnings from other schemes:

- Private Bus Operation (POB) under ASTC banner;
- Courier Service;
- Commercial operation of retreading plant and printing press;
- Earnings from rental of passenger amenities and shops, advertisement on the ASTC bus bodies, bus stations and yards.

A total financial package of Rs.89.01 crore was sanctioned and released (on various dates between September 2000 to November 2005 (Refer Para numbers 3.8, 3.9, 3.10 and 3.19 below) by the State Government (Rs.22.71 crore) and Government of India (Rs.66.30 crore) for implementation of the programme.

The Management of the Corporation is vested in a Board of Directors, which as on 31 March 2006 consisted of 10 Directors including the Chairman and the Managing Director. The Managing Director is the Chief Executive of the Corporation and is assisted by Chief Automobile Engineer, Chief Accounts Officer, Chief Personnel Officer, Senior Deputy General Manager and Chief Engineer (Civil).

The operations of the Corporation are carried out through nine Divisions comprising 83 Stations. A Divisional Superintendent/Divisional Manager heads each Division.

The accounts of the Corporation had been finalised only upto the year 2002-03. The Corporation, however, had prepared provisional accounts upto the year 2005-06.

A review on the operational performance of the Corporation for the five years ended 31 March 2000 was incorporated in the Audit Report (Commercial)—Government of Assam for the year ended 31 March 2000.

Scope of audit

3.3 The present review conducted during the period January 2006 to May 2006 covers the performance of the Corporation with regard to implementation of six[*] schemes (out of seven schemes, one scheme was not taken up) under the revival programme during the period from 2001-02 to 2005-06.

Besides examining records at the Head office, five out of nine Divisional offices were selected on the basis of their geographical spread for the performance audit.

Audit objectives

3.4 The audit objectives were to assess how far the Corporation achieved the targets and objectives set under various schemes against the programme for revival and restructuring of the Corporation. Towards this end, Audit analysed whether:

- adequate survey and planning were done before formulation and implementation of the revival schemes;
- there was proper co-ordination between the Head office and Divisional offices and also between different wings of the Corporation;
- special Central Assistance funds/State Government funds received by the Corporation were utilised efficiently, effectively, economically and for the purpose for which they were received;
- interim evaluation of performance of the schemes was conducted;
- there was an effective system in the Head office to monitor the programme during and in the post implementation period.

[*] a) Repair of vehicle, b) Purchase of vehicle, c) Voluntary Retirement Scheme (VRS), d) Operation of Private Buses under ASTC, e) Commercial operation of Tyre Retreading Plant and Printing Press and f) Courier Service.

Audit criteria

3.5 The following audit criteria were adopted:

- Revival policy formulated and targets set by the Corporation.
- Various proposals to Government by the Corporation, sanction orders of Government to Corporation and funding mechanism from other sources.
- Cost estimates.
- Project profile/sanctions/release orders and other policy decisions of the Corporation.
- Management action plan.
- Corporation's guidelines.
- Management's circulars.
- Norms fixed by the Corporation on life expectancy of the buses, runner/bus-staff ratio, preventive maintenance, allowable percentage of break-down/shut-down of vehicles etc.
- Terms and conditions of agreements entered into with the private bus operators, courier service operator.

Audit methodology

3.6 For the performance audit, the following mix of methodologies was adopted:

- Analysis of data in respect of implementation of the schemes under the revival programme. For this purpose, Audit scrutinised the minutes of Board meetings, agenda notes, different orders issued by the Headquarters Office, returns furnished by the divisions/stations, workshops, fuel pumps *etc*, from time to time.
- Review of records relating to repair, purchase of buses, realisation of ASTC share of income from private operators and the courier service operator.
- A questionnaire seeking answers to various queries was given to the Divisional Managers/Superintendents/Station Superintendents and answers thereto were obtained.

Audit findings

3.7 Audit findings arising from the performance audit of "Programme for Revival of Assam State Transport Corporation for the period from 2001-02 to 2005-06" were reported to the Government/Management in May 2006 and discussed in the meeting of the Audit Review Committee on Public Sector Enterprises (ARCPSE) held on 7 September 2006, which was attended by the Director-cum-Officer on Special Duty, Transport Department, Government of Assam who is also the Managing Director of the Company. The views expressed by the members have been taken into consideration while finalising the Audit findings, which are discussed in the succeeding paragraphs.

Programme implementation

Repair of shut down buses

3.8 As a part of the revival programme, the Corporation sought (March 2000) a grant of Rs.2.50 crore from the State Government to enable it to undertake repair of 235 shutdown buses, which was approved by the State Government in July 2000.

As against the 235 buses, the Corporation identified 162 shutdown buses for repair and submitted the proposal to the Government, which accorded (April 2001) approval for repairs of 160 buses at a cost of Rs.3.54 crore under a crash programme, the funds for which were diverted by the State Government from Plan fund meant for the purchase of new buses.

Scrutiny (April—May 2006) of records during the audit review revealed that:

- Programme for repair was taken up without proper survey/planning and investigation and also without studying its efficacy from the economy point of view.
- Management had not fixed any time frame for completion of repair work by the workshops.
- There was no system in the Head office to monitor the programme for repair and performance of the buses in the post repair period.

Diversion of Rs.1.98 crore for purposes not approved by the Board.

- Out of the identified 162 buses approved by the Board for repair, only 69 buses were repaired by the Management utilising an amount of Rs.1.56 crore out of the sanctioned fund of Rs.3.54 crore and the balance amount of Rs.1.98 crore was utilised/diverted by the Workshop Managers towards repair of 93 other buses (not included in the list of 162 buses) without any approval from the competent authority.

Improper selection of buses for repairing.

- Out of 69 buses repaired at a cost of Rs.1.56 crore, one bus repaired at a cost of Rs.2.37 lakh had been condemned (15March 2002) within a year of repair and was awaiting disposal (May 2006).

- 28 buses repaired at a cost of Rs.35.38 lakh had undergone major repairs ranging from three to seven times within a span of 18 months from the date of first repair. Cost of subsequent repairs in addition to first repair was not furnished by the Management.

In reply, the Management stated that the repair against Board's approved list of buses was not commercially viable for which a fresh set of buses was selected and since the fresh set was also overaged, these could not augment the buses on road.

Management's reply confirms the audit finding that the Management had not carried out proper planning or evaluated the efficacy of repair of old buses at any stage.

Purchase of new buses out of Government fund

3.9 As a follow-up of the revival programme, the State Government, during the period from 2001-02 to 2005-06, sanctioned Plan fund of Rs.18.97 crore for procurement of new buses. Year-wise receipt of Government fund and expenditure incurred for purchase of 146 chassis and body building of 142 buses out of the Government fund were as follows:

Year	Fund received		Chassis purchased		Chassis cost (Rupees in lakh)	Delivery of constructed bodies/placement on road		Cost of construction (Rupees in lakh)	Total cost (Rupees in lakh)
	Amount (Rupees in lakh)	Period	No.	Period		No.	Period		
2000-01	37.76	September 2000 to January 2001	-	-	-	-	-	-	-
2001-02	407.06	October 2001 to February 2002	-	-	-	-	-	-	-
2002-03	304.00	October 2002 to March 2003	34	April 2002	201.59	34	June 2002 to November 2002	177.64	379.23
2003-04	506.10	August 2003 to January 2004	36	July 2003 to September 2003	238.32	36	November 2003 to December 2003	227.69	466.01
2004-05	300.00	November 2004 to March 2005	40	April 2004 to July 2004	276.48	40	June 2004 to November 2004	224.54	501.02
2005-06	342.43	June 2005 to November 2005	36	April 2005	228.30	32	July 2005	221.96	449.89
Total	**1,897.35**		**146**		**944.69**	**142**		**851.83**	**1,796.15**

Delay in procurement and placement of order for buses.

It will be seen that the Corporation received Rs.4.45 crore during 2000-01 and 2001-02 but did not purchase any chassis during these two years. Consequently, placement of new buses on road was delayed. As on 31 March 2006, four bus bodies (146-142) were still under construction. There were no recorded reason for delay in placement of purchase orders for chassis during 2000-01 and 2001-02.

It was noticed during audit that bus body builders took excess time ranging from seven to 99 days in construction and delivery of 25 bus bodies to the Corporation over the scheduled dates of delivery leading to total delay of 1,045 bus-days. As a result the Corporation sustained loss of potential earning to the extent of Rs.30.17 lakh calculated on the basis of projections made in the revival and restructuring plan, besides denying the intended service to the people.

In its reply, the Management attributed the delay in procurement and placement of buses to tendering process, registration of buses *etc.*

The Management's reply is not tenable as the model and make of buses to be procured were proprietary in nature and purchases were made as per the manufacturer's price list. The procurement could have been started on receipt of sanction of fund by the State Government.

Reduction of staff through Voluntary Retirement Scheme

3.10 In order to reduce the recurring wage burden, the Corporation with the approval of the State Government (July 2000), implemented (February 2001-June 2003) a VRS, which was funded out of the Special Central Assistance by the Union Government.

The scheme as originally proposed (October 2000) by the State Government to the Government of India stipulated a fund requirement of Rs.55 crore for granting VRS to 2000 employees of the Corporation.

The State Government sanctioned and released funds amounting to Rs.66.30 crore during the period from February 2002 to March 2003 for granting VRS to 2,000 employees. 2015 employees opted for the scheme. The scheme was implemented in three phases. The details of phase-wise release of funds by the State Government, number of employees actually released in each phase and payment made against each phase are as under:

	Date of sanction	**Fund released by the State Government with date (Rupees in crore)**	**Number of employees released**	**Actual expenditure incurred (Rupees in crore)**	**Period of release**
Phase-I	03-12-2001	25.00 (19-02-2002)	727	26.01	28-02-2001 to 15-03-2001
Phase II	12-08-2002	25.00 (05-10-2002)	649	25.39	30-09-2002 to 31-01-2003
Phase III	04-02-2003	16.30 (15-03-2003)	431	17.19	28-03-2003 to 30-06-2003
Total		**66.30**	**1,807**	**68.59**	

It was noticed in audit that against the target of 2000 employees originally proposed (October 2000) to be covered under the VRS at a cost of Rs.55 crore (later Rs.66.30 crore), only 1,807 employees were released under the scheme incurring an expenditure of Rs.68.59 crore. The details of expenditure of Rs.68.59 crore included an amount of Rs.7.80 crore towards the following payments:

- Salary arrears amounting to Rs.7.12 crore;
- Housing Development Financial Corporation's loan amount of Rs.0.15 crore and
- LIC premium amount of Rs.0.53 crore.

Thus, against Rs.66.30 crore received from the State Government, the Corporation spent an amount of Rs.60.79 crore (Rs.68.59 crore *minus* Rs.7.80 crore) towards VRS of 1,807 employees. The remaining amount of Rs.5.51 crore was diverted by the Corporation, besides utilising its own funds of Rs.2.29 crore towards salary arrears, HDFC loan and LIC premium.

Moreover, due to failure of the Corporation to settle the cases of 193 (2,000—1,807) remaining optees the Corporation retained with it a recurring liability on account of their wages.

In reply, the Management (August 2006) stated that the implementation of the scheme was delayed due to delayed release of fund by the State Government for which escalation of cost occurred on account of annual increment, gratuity, unutilised leave salary and CPF.

The reply is not tenable as the first batch of 727 VRS optees was released (February 2001 to March 2001) even before receipt of fund. Moreover, diversion of VRS funds towards payment on account of salary arrears, HDFC loan and LIC premium was unauthorised.

Additional earnings from other schemes

Operation of private buses under ASTC banner

3.11 The Corporation introduced (August 2001) a scheme under the name and style **'**Self Employment Scheme'**.** Under the scheme, the Corporation allowed private bus owners to operate buses under the ASTC banner on routes approved by ASTC on revenue sharing basis. Accordingly, the Corporation entered into agreements (valid for three years) with private bus owners to operate their buses on approved routes.

Since the commencement of operation (September 2001) with 559 buses under ASTC, the fleet of private buses had risen to 1,790 (March 2006).

Year-wise number of buses held, buses on road, ASTC's share received during the five year ended March 2006 are given in next page:

Year	Buses held	Buses on road	ASTC's share actually realised
			(Rupees in lakh)
2001-2002	559	527	208.50
2002-2003	1,089	1,055	752.55
2003-2004	1,584	1,437	1,161.57
2004-2005	1,689	1,518	1,325.12
2005-2006	1,790	1,599	1,416.68

As per Clause 1 (a) of the agreement (Self-employment Scheme of ASTC 2001), the bus owners are liable to pay 10 *per cent* of the fare collected subject to a minimum of Re.1 (for 709 type bus), Rs.1.25 (District type bus), Rs.1.35 (Deluxe bus), Rs.1.40 (Executive Class bus) and Rs.1.50 (Air Conditioned Class bus) per kilometer covered. The Corporation was, however, realising its share of revenue on the basis of minimum applicable rates only.

Loss due to non-revision of realisable minimum charges alongwith the enhancement of fare structure.

It was noticed in audit that although the State Government had revised the fare structure upward for different types of buses under ASTC by 33.33 (Ordinary buses) to 50 *per cent* (Deluxe buses) during the period from September 2001 to January 2005, the minimum charge realisable from operation of private buses was not revised commensurate with the hike in the fare structure, resulting in minimum loss of revenue of Rs.4.72 crore♣ for the year 2005-06.

In reply, the Management stated that the minimum rate had not been enhanced to attract new entrepreneurs and keep existing operators under ASTC from going out of ASTC.

The reply is not acceptable as this is an assumption and there was no evidence that indicated that any increase in minimum fixed charges would result in existing operators going out of the ASTC banner.

Performance of private buses under ASTC banner

3.12 As per Clause 31 of the agreement executed with the private bus owners, if a particular bus did not maintain 80 *per cent* of the scheduled operations in a year, the agreement was liable for termination.

Data furnished by four Divisions, (Tinsukia, Nagaon, Tezpur and Silchar) with regard to performance of private buses under the banner of ASTC during the period from 2003-04 to 2005-06 were as under:

♣ Rs.1,416.68 lakh x 33.33 *per cent*.

Year	Bus days available (Kilometers available)	Minimum required bus days as worked out by the corporation (Kilometers)	Actual bus days performed (Kilometers)	Shortfall of bus days (Short fall of Kilometers) Excess (+) Shortfall (-)
(1)	(2)	(3)	(4)	(5) (Col. 3—Col. 4)
2003-04	1,83,127 (5,04,47,527)	1,53,881 (4,21,77,441)	1,26,585 (3,36,10,865)	(-) 27,296 (85,66,576)
2004-05	2,21,747 (6,05,62,130)	1,84,843 (5,06,06,711)	1,38,372 (3,11,65,341)	(-) 46,471 (1,94,41,370)
2005-06	2,29,302 (6,22,05,176)	1,92,606 (5,19,79,668)	1,42,968 (4,08,35,495)	(-) 49,638 (1,11,44,173)
Total	**6,34,176 (17,32.14,833)**	**5,31,330 (14,47,63,820)**	**4,07,925 (10,56,11,701)**	**(-) 1,23,405 (3,91,52,119)**

It would be seen from the table above that actual performance in terms of bus days was below the mandated minimum. Total shortfall in performance for the three years worked out to 3,91,52,119 Km. Thus, due to non-performance on minimum required bus days, the Corporation sustained revenue loss of Rs.3.91 crore calculated *at the rate of* Re.1 per kilometer being the lowest tariff applicable for 709-type bus.

Loss of revenue of Rs.3.91 crore due to shortfall in the performance of POBs.

In reply, the Management stated that a large number of old buses were inducted under the scheme, which affected the performance. The Management's contention is not acceptable since induction of old buses was on the operator's own volition and reasons for non-performance of old buses had never been analysed by the Management nor had it taken any steps to insist that the private bus operators maintain 80 *per cent* of the scheduled operations as envisaged in the agreement.

Non-recovery of penalty from private operators working under ASTC banner

3.13 As per Clause 40 of the agreement, 'in case the bus owners failed to make available the bus without giving forty-eight hours' notice the Corporation was at liberty to levy penalty at the rate of Rs.500 per day'.

An analysis of data furnished by six Divisions for the period 2003-04 to 2005-06 with regard to non-performance/non-placement of buses by the private operators for more than 10 days in a month without any intimation to the Station authorities is given below:

Name of Division	Period	Period of non-performance for more than 10 days	Penalty leviable at Rs.500 per day (In Rupees)
Guwahati	June 2003 to March 2006	1,67,423	8,37,11,500
Jorhat	April 2003 to February 2006	45,617	2,28,08,500
Nagaon	April 2003 to March 2006	26,251	1,31,25,500
Tinsukia	April 2003 to March 2006	8,639	43,19,500
Silchar	March 2003 to February 2006	1,919	9,59,500
Tezpur	April 2003 to March 2006	3,929	19,64,500
Total		**2,53,778**	**12,68,89,000**

It would be seen from the table at prepage that:

- Buses remained off-road for periods ranging from 10 to 30 days in a month / for months together at a stretch upto a maximum of 935 days.
- The Station authorities did not recover any penalty from the private bus operators for non-performance. At the agreed rate of penalty, the revenue foregone by the Corporation was Rs.12.69 crore during the above period.
- The cases of prolonged non-performance of the private operators were reported to the head office by the Station authorities on which the Management failed to take any action as per the agreement.

Inaction on the part of the authority to take action against defaulter operators.

The Station/Divisional authorities reported to Audit that with their limited infrastructure they had occasionally detected cases where private operators were plying their buses without reporting to the Station authorities. The Management, however, did not take any action against the defaulting operators.

In view of the above, and also the fact that the Corporation did not have any vigilance wing for surveillance over this huge network of private buses, large-scale proliferation of unauthorised buses (under ASTC banner) could not be ruled out.

Further, inaction of the Management in enforcing the penal provisions of the agreement also resulted in the Corporation forgoing revenue to the extent of Rs.12.69 crore as shown in the table.

In reply, the Management stated that buses usually remained off-road due to breakdown, mechanical defects *etc.*, and also that the operators were ignorant about the provisions of the agreement.

As the reasons for buses remaining off-road had never been intimated to the authorities, Management's contention is only an afterthought and was not supported by any evidence on record.

Non-levy of penalty from Volvo service operator working under ASTC

3.14 As per Clause 39 of the Agreement entered into (February 2005) for three years by the Corporation with the Volvo service operator, Prerona Transport and Carrying Corporation (P) Limited (PTCCL), the owner of the bus shall give at least 48 hours notice to ASTC when the bus is not likely to be made available on any particular day. Further, as per Clause 40 of the same agreement, 'in case the owner of the bus fails to make available the bus within 48 hours notice, ASTC shall be at liberty to levy a penalty of Rs.500 (Rupees five hundred) for each day of default'.

It was noticed that during the period from February 2005 to March 2006, against 3,227 bus days available for operation, the operator actually performed only 1,547 bus days.

As reported by the Station Superintendent, Paltanbazar Station, for the shortfall of 1,680 bus days (3,227-1,547) the operator had neither given any notice to the Station authority nor had the Station authority levied any penalty as per the agreement.

Due to non-enforcement of the penal provision, the Corporation had forgone revenue to the extent of Rs.8.40 lakh (1,680 bus days at the rate of Rs.500 per day).

In reply, the Management stated (August 2006) that Volvo buses owned by a private company had the natural tendency to stop operation on uneconomic and loss giving route. Management's reply is not acceptable as the operator was under a contractual obligation to operate on the routes. Besides, the reply is based on assumption and not supported by any evidence.

3.15. In May 2004, PTCCL submitted an offer to the Hon'ble Minister of Transport, Assam to operate High-tech world standard VOLVO bus services on four Inter-State routes which was forwarded to the Managing Director of ASTC. The Board of Directors approved the proposal in August 2004.

The Management provided space for waiting room, booking counter, two sheds for maintenance and parking place at a prime location in Guwahati (Corporation's Ulubari campus) at a nominal monthly rent of Rs.10,000.

The PTCCL started its operations from 7 February 2005 initially on two inter-district routes with three buses on each route.

Extension of unsolicited additional relief to a private operator.

As per the agreement (February 2005), the operator was liable to pay 10 *per cent* of its total earnings to ASTC. On February 2005, the operator requested the Management to allow him to pay at the rate of Rs.500 per day per vehicle for the first two months till commercial viability was attained. The Chairman of the Corporation instead of acceding to the request of the operator for a period of two months only, fixed (March 2005) the maximum limit of Rs.1,20,000 payable per month for six buses without any time limit. This meant that after the first two months the Volvo bus operator was required to pay Rs.666.67 per day per bus which was lower than Rs.753 per bus for deluxe buses (a category lower then Volvo buses). Before issuing orders to the Station authorities approval of the Board was not obtained. This facility also continued for three other Volvo services inducted by the same operator in the month of August 2005.

Loss of revenue due to grant of unjustified relief to private operator.

The decision of the Management to allow the aforesaid relief without any time limit lacked justification and was detrimental to the interest of the Corporation. As a result, the Corporation lost revenue of Rs.7.62 lakh (realisable share: 10 *per cent* on total earning of Rs.289.48 lakh *less* actually realised: Rs.21.33 lakh) during the period from February 2005 to March 2006.

3.16 The total earnings of Rs.289.48 lakh could have been more as it was noticed in audit that the Station authority (Tinsukia) had been indulging in malpractice by short exhibition of Station income on the time sheet. In view of this, the actual loss of revenue would be more than Rs.7.62 lakh.

Test check of 15 Time-sheets relating to the months of September-October 2005 in respect of Digboi-Guwahati Volvo service selected at random revealed manipulation of income in four time-sheets as detailed below:

Date of service	Vehicle No.	Route	Income entered in time-sheet	Actual as per passenger register	Short exhibition
26-09-2005	NL-01-0105	Digboi—Guwahati	11,140	12,140	1,000
30-09-2005	AS-01-5575	Digboi—Guwahati	2,400	13,970	11,570
01-10-2005	AS-01-5565	Digboi—Guwahati	4,500	14,460	10,160
15-10-2005	AS-01-5565	Digboi—Guwahati	6,200	11,320	5,120

In the light of the above facts, large-scale malpractices cannot be ruled out.

In reply, the Management stated that the matter of refixation of ASTC’s share would be placed before the Board. As regards the malpractice by the Station authorities of Tinsukia Station, it was stated that the matter would be enquired into.

Lack of control over private bus operators working under ASTC banner

3.17 Audit scrutiny revealed that:

- In all the cases, only minimum charges were realised from the private operators.

- There was no mechanism to verify actual earnings of the buses. Traffic coaching-cum-earning summary and the time sheet returned by the operators at the close of the service did not indicate ticket numbers against earning. Income figures indicated on the time sheet, which were considered by the Station authorities for computation of ASTC’s share were, therefore, inaccurate.

- Ticket books issued to the operators were not returned after use, thus, evading scrutiny and verification of actual earning from the services.

- Operational data in respect of POB furnished to the Head office by the field offices were mostly sketchy and were not perused by the Management for decision making and control.

Instances were also noticed in audit where:

- the buses did not report to the terminating stations or the ASTC Stations enroute. Therefore, plying of buses or operation of trips without the knowledge of the Station authorities could not be ruled out;

- trips were operated from private parking counters/parking centers instead of from ASTC Stations;

- wayside earnings were shown only on the carbon copies of wayside tickets without filling up and issuing original tickets to passengers, thus concealing the actual revenue earning;

- instead of collecting the Corporation's share from private buses at the close of a trip, undue credit facility was allowed to the operators. In most of the cases, the operators delayed in depositing ASTC's share. The delays ranged from one to 170 days;

- there was no mechanism to keep a proper watch over unpaid dues of the defaulting operators which would be corroborated by the fact that out of 21,219 services performed by private operators from Paltanbazar Station (Guwahati) during the period from October 2004 to March 2005, dues in respect of 704 services had not been cleared even up to the end of March 2006 and the fact of non-payment remained unnoticed by the Station authorities.

The Management stated (August 2006) that they were taking remedial steps for effective control and smooth functioning of the scheme.

Courier service

3.18 As a part of the revival plan, the Board of Directors approved (April 2000) introduction of courier service in ASTC, which was expected to fetch revenue of Rs.40 lakh annually to ASTC. Accordingly, the Corporation introduced (December 2002) a Courier service through a private firm Assam Courier Service (firm). The firm was provided with free accommodation.

As per the agreement signed (November 2002) with the firm, the firm was required to pay the following charges to ASTC:

- Fixed charge at the rate of 15 *per cent* on gross income, *plus*

- Freight charge at the rate of Re.1 per Kg (subject to a minimum of Rs.5 per mail/parcel) or at the rate of Rs.2 per Kg (subject to a minimum of Rs.10 per mail/parcel) for delivery outside the State, *less*

- Incentive payable to drivers at the rate of Rs.5 per bag/packet.

Total charges payable as above were further subject to monthly minimum charges payable at the rate of Rs.30,000 for the first year, Rs.60,000 for the second year and Rs.1,00,000 from the third year onwards.

Audit scrutiny revealed that:

- Before selecting the firm, the Corporation did not float any tender. The selection, therefore, lacked transparency besides depriving the Corporation of the benefit of competitive rates.

- The courier firm was provided with free electricity although the agreement did not provide for the same.

- From the beginning, the firm had been defaulting in payment for which the Management did not initiate any action.

In December 2004, when dues had accumulated to Rs.5.45 lakh, the Management, acting upon instructions from the Minister, Transport, Government of Assam slashed the monthly minimum charges from Rs.60,000 to Rs.36,000 (for the second year) and from Rs.1,00,000 to Rs.43,200 (for the third year onwards) on the plea that the firm's earning from courier operation was not adequate. Revision of rates was effected without approval of the Board.

Despite this relief, the firm did not pay its dues of Rs.2.57 lakh upto November 2005. The firm paid Rs.80,000 by way of final settlement through negotiation. The payment so accepted was without any justification. The matter was not placed before the Board for its consideration.

In February 2006, a fresh agreement was entered into whereby the monthly minimum charge with effect from 1 February 2006 was further reduced to Rs.40,000 without approval of the Board of Directors.

Audit scrutiny further revealed that:

Absence of control over courier service operator.

- The Headquarters office did not communicate the provisions of the agreement to the Station authorities. Consequently, the Station authorities had neither maintained records in connection with payment of incentive to drivers, actual number of mails or other articles booked by the firm, number of bags/packets despatched through the courier nor had insisted upon maintenance and submission of the same by the firm to ASTC for record. There was, thus, complete absence of control over the activities of the courier firm.

- Barring one Station (Paltanbazar), the Station authorities in all cases realised only fixed charges at the rate of 15 *per cent* of the total income of the firm leaving out its share of freight charges.

Loss due to evasion in payment of ASTC's due share from courier service.

- In respect of Paltanbazar Station, it was noticed that in order to evade payment of ASTC's share the firm maintained records for despatch of mails/parcels only through ASTC buses and no records were maintained for despatches made through private buses. At the same time incentives paid to the drivers of both the ASTC and private buses were deducted from freight charges payable to ASTC, depriving the Corporation of its due share on two counts *i.e.*, 15 *per cent* fixed charge and freight charges on despatch of couriers through private buses.

Thus, by granting reduction in agreed minimum charges, the Management extended undue benefit to the firm for which the Corporation incurred loss of revenue to the extent of Rs.16 lakh*.

In view of the above, Management's acceptance of the firm's plea of inadequate earnings from business was unjustified.

The Management assured (August 2006) to look into the entire process as pointed out by Audit.

Commercial operation of tyre retreading plant and ASTC's printing press

3.19 In order to earn additional revenue, the Board of Directors decided (September 2000) to operate the existing three tyre retreading plants at Jorhat, Silchar and Guwahati as well as the printing press, on commercial basis by obtaining job orders from private firms as well as Government Organisations.

The Corporation received (April 2001) fund of Rs.20 lakh in one instalment from the State Government for the purpose.

It was seen during audit that despite receipt of Rs.20 lakh, the scheme was not implemented.

In reply, the Management stated (August 2006) that the printing press of ASTC had been 'dissolved' as most of the staff operating the press had opted for VRS.

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* **Realisable as per agreement**

- December 2002 to November 2003 @ Rs.30,000x12 months=Rs. 3,60,000
- December 2003 to November 2004 @ Rs.60,000x12 months=Rs. 7,20,000
- December 2004 to January 2006 @ Rs.1,00,000x14 months=Rs.14,00.000
- February 2006 to March 2006 @ Rs.40,000x2months= Rs. 80,000
- **Total:Rs.25,60,000 (A)**

Actual realisation after granting relief:

- From December 2002 to November 2004 Rs.6,15,000
- December 2004 to March 2006 Rs.3,44,822

Total: Rs.9,59,822 (B)
Loss: Rs.16,00,178 (A—B)

The Management's reply is not tenable since the decision of floating a VRS and commercial operation of the press were taken under the same restructuring plan.

As regards the retreading plant, the Management stated that commercial utilisation of the retreading plant was under active consideration of the Corporation.

Impact of the Revival programme

3.20 The operational performance of the Corporation during the five years ended 2005-06 is given in the following table:

Particulars	**2001-02**	**2002-03**	**2003-04 (Provisional)**	**2004-05 (Provisional)**	**2005-06 (Provisional)**
	(Rupees in lakh)				
(A) Operational income:					
ASTC's own buses	1,106.30	1,262.77	1,331.75	1,612.93	2,134.80
Operation of Private buses	208.50	765.17	1,183.47	1,348.52	1,446.42
Total (A)	**1,314.80**	**2,027.94**	**2,515.22**	**2,961.45**	**3,581.22**
(B) Operational expenses	1,324.84	1,264.51	1,370.62	1,632.20	1,867.31
(C) Surplus (+) Deficit (-) **(A-B)**	(-) 10.04	(+) 763.43	(+) 1,144.60	(+) 1,328.25	(+) 1,713.91
(D) Fixed expenses	2,269.52	2,960.74	2,590.61	2,639.60	2,993.74
Percentage of surplus to fixed expenses **[(C)/(D) x100]**	-	25.79	44.19	50.32	57.25

Operational surplus was less than the fixed overhead cost.

It would be observed from the table above that the operational surplus could not meet the fixed overhead in any year. Increase in operational income during the five years period was due to additional earning from operation of private buses and also due to revision of fares by 33.33 to 50 *per cent* in respect of different types of buses during the period from 2001-02 to 2004-05.

Further, against the target of reduction of bus-staff ratio to 1:7 by the end of 2002-03, the actual bus-staff ratio at the end of March 2006 stood at 1:11.

Operational performance of ASTC's own buses

3.21 In view of the operational losses incurred by the Corporation over a long period, it was the responsibility of the Management to gear-up its traffic and workshop wing to provide necessary support to the revival effort of the Corporation by maintaining and utilising the optimum number of buses on road.

It was, however, noticed in audit that:

- The Corporation did not install any Management Information System (MIS) for regular and periodical submission of data to the Head office of the Corporation on the performance of the workshops under it.

- The traffic wing of the Head office as well as field offices did not maintain adequate and reliable data with regard to performance of the traffic operations.

Operational data furnished by six Divisionional Offices for the period 2004-05 to 2005-06 were as under:

Year	Bus days available	Bus days suspended	Break-up of suspension of bus days				
			Unavoidable reasons	Avoidable reasons			Reasons not furnished
			Bandh/strike/ natural calamities	Breakdown/ shutdown for repair	Uneconomic service	Shortage of driver	
2004-05	44,063	16,831	1,847	7,947	2,464	252	4,321
2005-06	42,292	13,573	1,975	7,325	2,627	-	1646
Total	**86,355**	**30,404**	**3,822**	**15,272**	**5,091**	**252**	**5,967**

It was noticed in audit that suspension of:

- 15,272 (19 *per cent*) out of 82,533 (86,355—3,822 days) bus days for repair and break down of buses was on the higher side. Further, no norm for repair and breakdown was fixed by the Corporation.

- 252 bus days for shortage of drivers is not tenable in view of the fact that bus-staff ratio (1:10 and 1:11) during 2004-05 and 2005-06 was higher than the standard (1:7) accepted by the Management, even after implementation of VRS in 2002-03. This indicated uneven allocation of staff throughout the nine Divisions.

- 5,967 (7.23 *per* cent) bus days for which the Station authorities had not recorded any reason indicated lack of accountability and lack of monitoring.

In reply, the Management stated (August 2006) that road condition of remote and rural areas of Assam were not up to the mark causing frequent breakdowns and also that repair was delayed due to the system of centralised purchase of spare parts *etc.*

The reply is not acceptable since most of the buses were operating on highways and the contention that the centralised purchase system was delaying repair is not acceptable since, during the period in question, the Corporation had allowed the Divisional Workshops to locally purchase the spares required.

As regards suspension of bus days for shortage of drivers, the Management stated that number of drivers was reduced for implementation of VRS.

The reply is not tenable in view of the fact that despite VRS the bus-staff ratio was high. Besides, the Management could hire drivers on contract basis so as to overcome the shortage of drivers.

Loss incurred on uneconomic routes—Rs.38.07 lakh

3.22 The Management issued (December 2003) instructions to the Station Authorities that if the drivers and conductors of the Stations failed to provide fortnightly income of more than 80 *per cent* of full capacity earning, either bus conductors should be replaced or running of those buses should be stopped on such routes.

Scrutiny of records relating to vehicle-wise performance of ASTC's own buses for the period from October 2004 to March 2005 and from September 2005 to February 2006 revealed that on an average 50 buses of the Corporation were running at loss. Passenger earnings against these services could not even meet the direct operational cost *viz.,* cost of fuel, lubricant, tyres & tubes and repairs and maintenance charges.

Year-wise number of Uneconomic Services, Earning from these Services, Direct Expenditure incurred against these services are tabulated below:

Year (Period)	No. of Buses	Amount (Rupees in lakh)		
		Earnings	Expenditure	loss
2004-05 (October 2004 to March 2005)	58	61.76	83.77	22.01
2005-06 (September 2005 to February 2006)	41	51.09	67.15	16.06

The losses would be more if salaries and wages of the crews and other administrative overheads are taken into consideration.

The Station Authorities in violation of the Head office instructions continued to ply the buses on uneconomical routes, which resulted in loss of Rs.38.07 lakh even though the bus conductors were replaced.

Unauthorised expenditure against Rhino service

3.23 The Chief Engineer (Automobile and Traffic), ASTC issued orders (February 2004) to the Station Authority (City Bus Service) allowing payment of incentives to the crew of Rhino low floor city buses. In compliance of the orders, an amount of Rs.27.07 lakh was paid to the crew as incentive during February 2004 to February 2006.

It was noticed in audit that the scheme was neither approved by the Board nor by the Managing Director, which rendered the entire expenditure unauthorised. The Management had not taken any action against the defaulter as yet (May 2006).

Unclaimed discount

3.24 The Corporation entered (June 2005) into an agreement with Indian Oil Corporation Limited, Assam Oil Division (IOCL, AOD), whereby IOCL allowed with effect from 21 January 2005, a special discount of Rs.200 per Kilolitre (KL) on landed price of High Speed Diesel (HSD) subject to monthly minimum lifting of more than 100 KL by ASTC. The agreement, *inter alia*, provided for issuance of credit notes to ASTC by IOCL against the discount eligible as such.

Scrutiny of records revealed that against total procurement of 11,091.822 KL of HSD by ASTC during the period from 21 January 2005 to 31 March 2006, the Corporation had not lodged claim with IOCL for Rs.22.18 lakh (11091.822 KL x Rs.200) on account of discount due to it.

In reply, the Management stated (August 2006) that at the instance of Audit, the Corporation had initiated action to claim the rebate and had realised an amount of Rs.5.38 lakh from IOC till date (5 September 2006). Report regarding recovery of the balance amount of Rs.16.80 lakh is awaited.

Internal control

3.25 Internal control is a Management tool used to provide reasonable assurance that the Management objectives are being achieved in an efficient, effective and adequate manner. A good system of internal control should comprise *inter-alia* proper allocation of functional responsibilities within the organisation, proper operating and accounting procedures to ensure accuracy and the reliability of accounting data, efficiency in operations and safeguarding of assets, competence of personnel commensurate with their responsibilities and duties and review of the work of one individual by another whereby possibility of fraud or error in the absence of collusion is minimised.

The following instances showing lack of internal control were noticed:

- Management Information System (MIS) installed and internal control procedures followed were not commensurate with the size and activities of the Corporation. The system installed was not reviewed regularly by the Management for monitoring and taking corrective measures, whenever required.
- The system of submission of regular and periodical data on the performance of workshops under the Corporation, though prescribed, was not actually in operation.
- The Corporation did not have any Vigilance Wing. Surveillance over traffic operation by the Station/Divisional Authorities was inadequate.
- The Management at the Head office had failed to fix responsibility at different levels of the organisation to ensure accountability and compliance by all concerned.

- The Corporation did not have any manual specifying duties/responsibilities at each level.

Acknowledgement

3.26 Audit acknowledges the co-operation and assistance extended by the staff and Management of the Company at various stages of conducting the performance audit.

The matter was reported to the Government in July 2006; their replies are awaited (November 2006).

Conclusion

The revival programme undertaken to attain self-sufficiency and to make the Corporation commercially viable failed to yield the desired results due to lack of proper planning, monitoring and internal control. Funds meant for purchase of new buses were diverted for repair of buses. The expenditure, however, proved futile as the efficacy of repair of old buses was not assessed at any stage, as a result 28 buses had to undergo major repairs for three to seven times within a span of 18 months from the date of first repair.

The Corporation unauthorisedly diverted funds received for implementation of a Voluntary Retirement Scheme towards payment of salary arrears, HDFC loan and LIC premium. There was lack of management control over private bus operation. It failed to levy penalty on the private bus operators for non-performance. The Corporation also failed to revise its share of minimum charges from private bus operators despite several revisions in the fare structure. Agreement terms with the private bus operators were not enforced and undue reduction in agreed minimum realisable charges was granted to the courier service operator.

Recommendations

The Corporation needs to:

- **Properly plan and monitor its functions in order to achieve the desired results;**
- **Rationalise manpower deployment;**
- **Exercise adequate control over the private bus operators;**
- **Strictly enforce the terms of agreements with the private bus operators and courier service operator.**