

CHAPTER-III
CIVIL DEPARTMENTS
SECTION-A
(AUDIT REVIEWS)

TRANSPORT DEPARTMENT

3.1 Operational Performance of Sikkim Nationalised Transport

Highlights

Despite enjoying a near monopoly over road transport in the State, the operations of Sikkim Nationalised Transport (SNT) were characterised by chronic losses on account of its ageing fleet; low vehicle productivity, fleet utilisation and fuel efficiency; losses incurred on passenger traffic; inordinate delays in repair and commissioning of vehicles, and poor material management and inventory control.

SNT sustained a total operating deficit of Rs.38 crore during the period 1998-99 to 2002-03.

(Paragraph 3.1.4)

SNT incurred an extra expenditure of Rs.3.92 crore due to low fuel efficiency.

(Paragraph 3.1.11)

The weighbridge at Siliguri was inoperative since July 1996 for want of minor repairs which led to a revenue loss of Rs.17.88 lakh.

(Paragraph 3.1.14)

Shortage of stock materials worth Rs.43.85 lakh from three divisional workshops was noticed.

(Paragraph 3.1.21)

Local purchase of spares was resorted to at rates 23 to 287 per cent higher than the rate contract. In respect of local purchases worth Rs.29.97 lakh test checked, the extra expenditure worked out to Rs.12.28 lakh. There was an unexplained difference in issue and consumption of HSD valuing Rs.14.58 lakh in two depots.

(Paragraph 3.1.22 & 3.1.23)

Introduction

3.1.1 There was no public transportation system in Sikkim till 1944 when a Truck Department was created which was subsequently renamed Sikkim Nationalised Transport (SNT) in 1955. As most of the routes within the State were nationalised prior to 1975, all passengers and goods were exclusively transported by SNT buses and trucks or under its supervision. However, the system has been diluted after the extension of the Central Motor Vehicle Act, 1988 (MVA) to Sikkim. Nevertheless, the bulk of passenger and goods traffic in the State are still being carried by SNT.

SNT has 12 depots-cum-ticket booking offices¹ for buses within the State and one at Siliguri (West Bengal). In addition, there are four private ticket booking agents² at other places within the State and one at Kalimpong (West Bengal). SNT also operates three depots for trucks at Gangtok, Rangpo and Jorethang. It has one Central Workshop at Jalipool for major repairs and workshops at Gangtok, Rangpo, Jorethang and Rhenock for minor repairs.

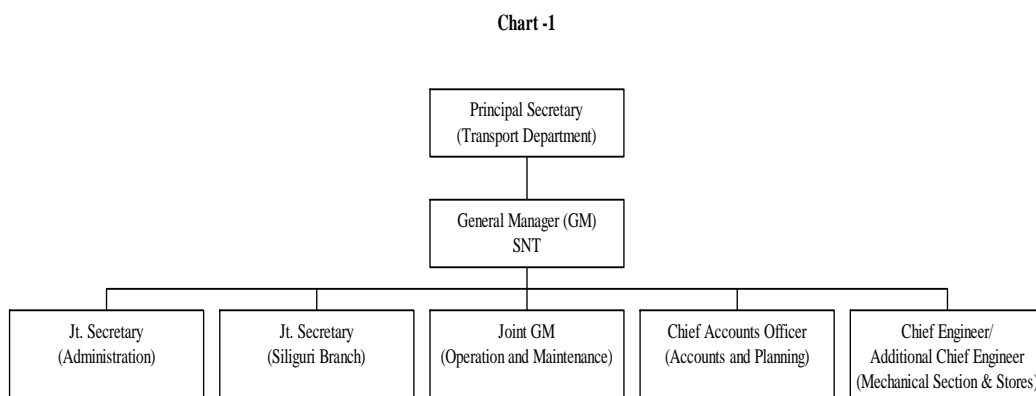
As on 31 March 2003, SNT had 101 buses and 114 trucks of which 86 buses and 108 trucks were on road.

Scope of Audit

3.1.2 Working of SNT was last reviewed in the Report of the Comptroller and Auditor General of India for the year 1994-95 covering the period 1990-91 to 1994-95. The current review conducted during February-April 2003 covers the performance of SNT for the period from 1998-99 to 2002-03.

Organisational set up

3.1.3 SNT functioned as an independent Department till 6 June 2000 following which it was amalgamated with the Motor Vehicles Department as one of the two wings of the newly formed Transport Department headed by a Principal Secretary. SNT functions under a General Manager assisted by other officials as shown in the organisational chart below:



¹ Gangtok, Rhenock, Singtam, Rangpo, Jorethang, Namchi, Melli, Ravangla, Sombaria, Geyzing Chunthang and Mangan.

² Legship, Pelling, Tumin and Lingdok.

Financial position and working results

3.1.4 The table below shows the working results of SNT for the years 1998-99 to 2002-03:

Table-3.1*(Rupees in crore)*

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
Operating revenue	9.53	10.10	11.91	15.41	17.46
Passenger traffic	1.36	1.66	2.39	2.18	1.68
Goods traffic	4.50	4.76	4.65	8.13	10.42
Sale of POL	3.56	3.61	4.56	4.78	5.12
Miscellaneous	0.11	0.07	0.31	0.32	0.24
Operating expenses	17.92	20.38	19.47	22.49	22.15
Passenger traffic	12.03	12.73	12.63	16.32	16.38
Goods traffic					
Purchase of POL	5.43	6.99	6.24	5.40	5.07
Miscellaneous	0.46	0.66	0.60	0.77	0.70
Operating deficit (-)	(-) 8.39	(-) 10.28	(-) 7.56	(-) 7.08	(-) 4.69
Percentage of deficit to Revenue	88	102	63	46	27

Source: Information furnished by SNT to Audit

As would be seen from the above table, overall, SNT sustained a total operating deficit of Rs.38 crore during 1998-2003. Operating revenue and expenses rose by 83 and 24 *per cent* respectively. Operating deficit registered a decline of 44 *per cent* during the same period. These figures are further analysed in the succeeding paragraphs.

Operating revenue during 1998-2003 went up by Rs.7.93 crore. During this period while revenue from passenger traffic, sale of POL and miscellaneous income rose by Rs.32 lakh, Rs.1.56 crore and Rs.13 lakh respectively, revenue from goods traffic increased by Rs.5.92 crore and contributed the lion's share (75 *per cent*) of the increase in operating revenue.

The revenue from goods traffic comprised the following:

Table-3.2*(Rupees in crore)*

Particulars	1998-99	1999-00	2000-01	2001-02	2002-03
Revenue from SNT's trucks/tankers	3.45	2.57	1.88	2.97	3.41
Revenue from hire charges	1.05	2.19	2.24	4.22	6.06
Supervision charges	-	-	0.53	0.94	0.95
Revenue from goods traffic (total)	4.50	4.76	4.65	8.13	10.42

As mentioned earlier, SNT held a monopoly in the carriage of passengers and goods in the State and it was only with the extension of the MVA Act in 1988 that this position was somewhat diluted. Nevertheless, privately owned trucks can be hired in the State only through SNT for which it levies hire charges from the

users. Even when SNT itself hires private carriers (when its fleet is inadequate to meet demand), the charge is leviable. The hire charge, which is determined by SNT, is so structured so as to allow SNT to retain a portion of it. For example, the hire charge notified by SNT on 29 November 2000 was Rs.4.45 per ton per kilometre. Of this, Rs.3.35 was passed on to the owner of the truck and Rs.1.10 retained by SNT. Further, with effect from 5 January 2001, all goods carriage originating from other states on entry into Sikkim were also required to pay supervision charge to SNT at Rs.1.10 per ton per kilometre.

It will be seen that revenue earned by SNT from its own fleet was Rs.3.45 crore in 1998-99 and during the next three years came down to Rs.2.57 crore, Rs.1.88 crore and Rs.2.97 crore. Even in 2002-03, the revenue was still below the 1998-99 level by Rs.0.04 crore. Revenue from hire charges on the other hand recorded a sharp increase from Rs.1.05 crore in 1998-99 to Rs.6.06 crore in 2002-03. Further, supervision charges since 2000-01 had constituted between 9 and 12 *per cent* of the operating revenue. Thus, while revenue earned from SNT's own fleet in 1998-99 constituted 77 *per cent* of the total revenue from goods traffic, this had come down to 33 *per cent* in 2002-03. The percentage of hire charges and supervision charges on the other hand had during the same period consistently showed a rising trend. To that extent, the increase in the operating revenue during 1998-2003 by 83 *per cent* was not the outcome of increased operational efficiency but the effect of the increased inflows to SNT from hire charges and supervision charges both of which accrued to it by virtue of its monopoly position and for which it had to expend virtually nothing.

This also explains why though operating revenue increased by 83 *per cent*, operating expenses increased by only 24 *per cent* during the same period.

SNT did not maintain the break up of operational expenditure between goods traffic and passenger traffic nor had it ever attempted an analysis to ascertain their profitability separately. If the operational expenses of Rs.16.38 crore in 2002-03 are apportioned on the basis of the gross kilometres run by buses and trucks during the year, Rs.6.60 crore and Rs.9.78 crore would be the operating expenses for buses and trucks respectively against operating revenues of Rs.1.68 crore and Rs.10.42 crore. By this count, the operation of passenger services was grossly unsustainable. The same was the case for goods traffic also, considering that as much as Rs.7.01 crore (67 *per cent* of total revenue) during 2002-03 came from hire and supervision charges, the collection of which entailed little effort and minimal cost on the part of SNT.

Outstanding dues

3.1.5 SNT as of March 2003, was owed freight charges totalling Rs.46 lakh from the Food Corporation of India which remained unrealised for nine years.

On these dues, SNT suffered loss of interest income to the tune of Rs.35.19 lakh till March 2003³. No effective steps were taken by SNT to recover the arrears. Given this position, it was surprising that SNT had not thought it fit to incorporate a clause in its agreement with clients for charging interest in case of delayed payment of freight bills.

Operational performance

Vehicular strength and age profile

3.1.6 The fleet holding, age profile, fleet utilisation and other operational details at the end of the years 1998-99 to 2002-03 are given in **Appendix-IX, X and XI**. The operational performance of SNT is discussed through the following selected parameters.

Fleet strength

3.1.7 The fleet strength of SNT comprised 151 buses and 162 trucks as on 31 March 1998. During 1998-99 to 2002-03, it added 23 buses and 12 trucks and condemned 73 buses and 60 trucks leaving it with 101 buses and 114 trucks as on 31 March 2003.

According to SNT norms, the average age of a bus should be nine years or 2.5 lakh kilometres and a truck eight years or 2.5 lakh kilometres, whichever was earlier. Scrutiny revealed that 49 buses (49 *per cent*) were more than nine years old and 85 trucks (75 *per cent*) more than eight years old. SNT did not maintain records of the kilometres run by each vehicle in its fleet.

The age norm followed by SNT was contrary to the norm laid down by the Association of State Road Transport Undertakings (ASRTU) that 60 *per cent* of the fleet strength should be less than four years old. By this yardstick, SNT had only 24 buses (24 *per cent*) less than four years old. Similarly, only 20 trucks (18 *per cent*) were less than four years old.

SNT had not formulated any time bound action for phasing out the old vehicles with new ones by generating surplus out of own resources or through an effective capital/loan outlay programme. The ageing fleet (particularly trucks, since they contributed the major share of operating revenues) would have had an adverse effect on both operational and maintenance costs, but the same could not be quantified due to non-maintenance of vehicle-wise, year-wise records by SNT relating to the consumption of fuel, maintenance cost, dead kilometres, break-downs, etc.

Fleet utilisation

3.1.8 Fleet utilisation is the ratio of the vehicles on road to the average number of vehicles held. According to the recommendation of the ASRTU, 92 *per cent* of

³ Calculated at the average rate of Government borrowings (8.5%).

the fleet should be road worthy of which 90 *per cent* shall be kept in operation and 2 *per cent* as reserve. In respect of buses, the fleet utilisation of SNT ranged between 75 to 85 *per cent* during 1998-99 to 2002-03, falling short of the norm by 7 to 17 *per cent*. The fleet utilisation of trucks ranged between 70 to 95 *per cent* during 1998-99 to 2002-03.

Vehicle Productivity

3.1.9 The vehicle productivity (VP) indicates the average revenue earning kilometres covered by each vehicle per day, for which SNT had not fixed any norm. The VP of SNT buses for the period 1998-99 to 2000-01⁴ compared with that of other hill States' Road Transport Corporations (RTC) are shown below:

Table-3.3

State Road Transport Corporations	1998-99	1999-2000	2000-01
SNT	85.64	81.90	80.72
Himachal RTC	215.10	224.80	223.40
Meghalaya RTC	186.10	121.10	136.90
Nagaland RTC	NA	103.90	132.50
Mizoram RTC	118.40	119.60	118.80
All India Average	279.00	295.00	267.00

Source: Data compiled by the Central Institute of Road Transport

While the VP of the other RTCs in the hill States and the All India Average ranged between 104 to 295 kilometres per day, the VP of SNT buses was a paltry 81 to 86 kilometres per day. During 2001-02, the VP of SNT buses was 81.34 kilometres and in 2002-03, the VP further declined to 76 kilometres.

Operational efficiency

Operation of bus fleet

3.1.10 According to the latest fare formula of SNT adopted with effect from February 2002, the expenditure per kilometre per bus worked out to Rs.20.02 (for long distance) and Rs.18.74 (for short distance). Out of 9,638 bus trips operated out of Gangtok during 2002-03, in 2,923 and 6,715 long and short distance trips respectively the per kilometre earning per bus was less than the cost. The loss on this account worked out to Rs.1.17 crore during 2002-03 for Gangtok depot alone.

It was also seen that SNT discontinued services, reasons for which were not on record, from Gangtok to Pelling (long distance) and District Courts (short distance) from August 2000 and September 2002 even though these services recorded high average earning of Rs.33.78 and Rs.27.99 per kilometre. The SNT resumed the Pelling service from October 2000 to November 2000 during which period the average earning came down to Rs.7.23 per kilometre. Thereafter, this service was discontinued. Considering that the service to Pelling was started in April 2000 and in the few months of its operation had recorded a high average earning, the management's decision to discontinue it just after two months of its

⁴ Years for which data was available for other States

resumption without first ascertaining the reasons for the drop in average earning was ill-considered and hasty. Likewise, the discontinuation of the services to the District Courts did not make commercial sense.

Extra expenditure due to low fuel efficiency

3.1.11 SNT had fixed the fuel efficiency of buses at three kilometres per litre (kmpl) of HSD. However, the actual consumption as worked out by Audit was 1.82 kmpl (1998-99), 2.41 kmpl (1999-00), 2.19 kmpl (2000-01), 1.88 kmpl (2001-02) and 1.82 kmpl (2002-03). The extra expenditure on HSD incurred by SNT due to the lower fuel efficiency of its bus fleet worked out to Rs.3.92 crore during 1998-2003. Despite the fuel efficiency being 27 to 37 *per cent* less than the norm and the consequent adverse impact on its profitability, SNT did not consider it necessary even once during the period under review to ascertain the reasons or take remedial measures.

Further, the fuel efficiency of SNT buses for the period 1998-2002⁵ was the lowest compared to the Road Transport Corporations (RTC) of other States with topographies similar to Sikkim, as evident from the table below:

Table-3.4

(In kilometres per litre)

Name of the Transport Corporation	1998-99	1999-2000	2000-01	2001-02
SNT	1.82	2.41	2.19	1.88
Meghalaya RTC	3.19	3.11	3.17	N.A
Mizoram RTC	3.00	3.00	2.87	2.74
Nagaland RTC	Not available	3.5	3.5	3.5
Tripura RTC	3.68	3.67	3.53	3.57
All India Average	3.68	3.67	3.53	4.59

Source: Data compiled by the Central Institute of Road Transport

Delay in commissioning of vehicles

3.1.12 During the period under review, SNT had acquired 23 and 17 new buses and trucks. It was noticed that there were unjustified delays at every stage leading up to the commercial operation of these vehicles as below:

⁵ Years for which data was available for other States.

Table-3.5

Days Stages	< 30	>30 < 90	>90 < 180	>180<240	>240<365
	1. Receipt of chassis and handing it over for fabrication				
Bus	5	4	7	-	3
Truck	8	6	-	3	-
2. Time taken between handing over of chassis and receipt of fabricated body					
Bus	-	9	9	2	-
Truck	-	19	1	-	-
3. Time lag between receipt of fabricated body and commercial operation					
Bus	14	6	-	-	-
Truck	15	5	-	-	-

A further analysis showed that

- the time lag between receipt of the chassis and handing it over for fabrication ranged between 13 to 305 days for buses and 14 to 234 days for trucks;
- fabrication of the body took anywhere between 49 to 209 days for buses and 33 to 123 days for trucks as against the stipulated time given in the work order between 35 to 70 days for buses and 22 to 45 days for trucks resulting in delays in fabrication ranging from four to 174 days (in 20 cases) for buses and 10 to 38 days (in 17 cases) for trucks;
- even after the vehicles were received back from the coach builders, SNT took another 10 to 67 days in the case of buses and three to 53 days for trucks, to put them into commercial operation.

The revenue loss incurred by SNT due to the above unwarranted delays would have been considerable.

Short realisation of freight

3.1.13 According to SNT notification no. 1(31)/368/T dated 10 November 1992, the freight rate would be 40 *per cent* extra over and above the normal rate for carriage of materials more than 15 feet in length.

In the course of audit of SNT conducted prior to this review, 61 cases were detected where SNT trucks had transported goods like GI pipes, torsteel, etc., which were more than 15 feet in length from Siliguri to different destinations in Sikkim during April 1998 to September 2002. The failure to charge 40 *per cent* extra resulted in short realisation of freight charges to the tune of Rs.7.23 lakh.

After the above observation was issued to the management in September 2002, SNT in December 2002 while revising its freight rate (effective from 1 April 2003) also increased the length of materials to be carried at the normal rate to 20 feet. Although the latter would have a negative impact on revenues, there was no evidence on record to indicate that the decision was taken after due consideration of the pros and cons.

Non - repair of Weigh Bridge at Siliguri and consequential loss of revenue

3.1.14 For carriage of goods from Siliguri to different destinations in Sikkim, SNT hires private trucks to supplement its own fleet. SNT had installed a weighbridge at its complex at Siliguri sometime during 1990 for the purpose of weighing the loads carried by these trucks. For this service a fee was charged. The weighbridge was however, inoperable since July 1996 for want of minor repairs costing Rs.0.31 lakh. Apart from the fact that the equipment was idle for almost seven years, it is not clear how SNT was ensuring that the loads carried by its trucks were within the legally permissible limits in the absence of the facility.

Further, the charge for use of SNT weighbridges was last fixed in August 1998 at Rs.50 per vehicle. Due to non-functioning of the weighbridge at Siliguri, SNT in just the three years 2000-01, 2001-02 and 2002-03 lost a revenue of Rs.17.88 lakh on 35,764 trucks hired by it for carrying goods from Siliguri to Sikkim.

Performance of Workshop

Delay in repairing of vehicles in departmental workshop at Rangpo

3.1.15 Scrutiny of minor repair works carried out at Rangpo workshop in 2001-02 revealed that 112 trucks and tankers were detained in excess of 10 days for a total of 3005 days although the foreman of the workshop certified in these cases that the work would take 2-3 days. Detention of these vehicles far beyond the estimated repair time of 2-3 days, apart from reflecting poorly on the functioning of the workshop, caused a revenue loss of Rs.15.19 lakh⁶ in 2001-02.

Excess consumption of Engine Oil

3.1.16 No norm for consumption of engine oil for topping purposes in bus/truck/tanker had been fixed by SNT. The Association of State Road Transport Undertakings (ASRTU) specified the consumption of one litre of oil in the sump for every 1,000 kilometres run. During the period 1998-99 to 2002-03, it was seen that consumption of engine oil for topping purposes was 130 *per cent* in excess of

⁶ average earning per truck/tanker per day in 2001-02 of Rs.505.55 X 3005 days

the ASRTU norms resulting in extra avoidable expenditure of Rs.24.28 lakh as below:

Table-3.6

Year	Gross kilometres run during the period (in lakh)	Mobil required for topping as per ASRTU norms (in litres)	Mobil actually utilised for topping (in litres)	Excess consumption	Rate (in Rupees per litre)	Excess Expenditure (in Rupees.)
1998-99	83.17	8317	24317	16000	39.00	624000.00
1999-00	77.77	7777	20843	13066	50.52	660094.32
2000-01	73.78	7378	16620	9242	67.57	624481.94
2001-02	66.76	6676	12671	5995	57.88	346990.60
2002-03	60.86	6086	8732	2646	65.00	171990.00
Total	362.34	36234	83183	46949		2427556.86

The Department (November 2003) stated that high engine oil consumption was because most of its fleet of vehicles were over aged. The reply corroborates Audit's contention in paras 3.1.7 and 3.1.16 of this review.

Wastage of burnt engine oil

3.1.17 Government of India vide letter no.17011/4/86-SUP dated 19 September 1988 pointed out the urgent need for all bulk users to get their used oils (burnt oil) re-refined by registered and licensed re-refiners so that this becomes available as an addition to the restricted supply of lubricants and this move also had the potential of saving valuable foreign exchange. As calculated by Audit, during 1998-99 to 2002-03 SNT would have discarded 17,100 litres⁷ of burnt engine oil, which was not sent for recycling leading to wastage of the burnt oil. Neither did SNT collect and sell this oil to the re-refiners to earn some revenue. Further, for topping, the reclaimed engine oil could have been used which was more economical. During 1998-99 to 2002-03, 83,183 litres of fresh engine oil costing Rs.44.25 lakh was consumed –a portion of this quantity could have been substituted by the reclaimed oil thereby reducing expenditure as reclaimed oil was approximately half the cost of fresh engine oil.

The Department (November 2003) while accepting the point stated that efforts were being made to contact registered oil refining units to get the engine oil reclaimed.

Avoidable expenditure on retreading of tyres by a private firm

3.1.18 The Tyre Retreading Plant (TRP) at Central Workshop, Jalipool had the capacity to resole four tyres a day. Scrutiny of records relating to the period April 1998 to March 2003 revealed that while 2,687 tyres were resoled at the TRP, resoing of another 480 tyres during the same period was outsourced to a private

⁷ During this period 20,516 litres of fresh oil was used for refilling. Capacity of a sump being 18 litres, refilling was therefore done 1,140 times. Assuming that the sump would contain on an average 15 litres of burnt oil, the figure of burnt oil hence works out to 17,100 litres (1140 X 15 litres).

firm at a cost of Rs.8.10 lakh which was totally avoidable as the TRP had adequate spare capacity available as shown below:

Table-3.7

Period	Working days during the period	Number of days TRP was not in working condition	Number of days TRP was working	Number of resoled tyres that could be produced @ 4 per day	Resoled tyres actually produced	Extent of unused capacity (in number of tyres)
1998-1999	267	103	164	656	563	93
1999-2000	271	109	162	648	560	88
2000-2001	267	121	146	584	355	229
2001-2002	264	50	214	856	682	174
2002-2003	275	72	203	812	527	285
Total	1344	455	889	3556	2687	869

In reply (November 2003) the Department stated that the TRP at Central Workshop, Jalipool was closed down due to non availability of resolvable tyre casing, delay in receipt of resoling materials and defects in the compressor, tyre builders and buffing machines. As evident from the reply, all these factors were clearly controllable by appropriate management actions.

Loss due to sale of condemned vehicles without following the tender process

3.1.19 During 1999-00⁸ to 2002-03, 94 condemned vehicles valuing Rs.52.45 lakh were disposed off by the Central Workshop, Jalipool. While only 13 of these vehicles were sold through tender, 81 vehicles were sold, without following the due procedure of calling for tenders, etc., to nominees of the public representatives at the values assessed by SNT which in 71 cases were found to be lower than the depreciated value of the condemned vehicles by a total of Rs.5.24 lakh.

The Department's reply (November 2003) that the vehicles were allotted to public representatives as per the valuation and the approval of the Minister is not acceptable as it violated due procedures of auction besides resulting in avoidable loss of Rs.5.24 lakh.

Avoidable engagement of private firms for body building/renovation work

3.1.20 The Central Workshop at Jalipool was equipped to carry out fabrication of truck bodies on new chassis and all bus and truck body repairs. Despite this, during 1998-2003, SNT got these works done through private firms at a cost of Rs.36.72 lakh. It was explained that due to non-availability of Sal timber, fabrication of truck bodies could not be taken up at the Central Workshop. The reply was untenable since it was observed that this work was executed through a firm based at Singtam which is just 20 kilometres from Jalipool.

⁸ Records relating to 1998-99 were not furnished to Audit.

Material Management

Shortage of stock materials

3.1.21 Cross verification of the stock issue register of the Central Store, Jalipool with the stock registers of three divisional workshops viz., Gangtok, Rangpo and Jorethang, in respect of 22 items issued and received during 1998-99 to 2002-03 revealed that there was an unexplained shortfall in the receipt of these items by the depots with reference to issues by Central Store the value of which worked out to Rs.43.85 lakh. The details are given in **Appendix XII**.

The Department replied (November 2003) that all the stock registers had been called for from the depots to cross check and verify the shortfall.

Extra expenditure due to local purchase of spares at higher rates

3.1.22 SNT makes annual bulk purchase of spare parts from firms under Association of State Road Transport Undertakings (ASRTU) rate contract. However, it was seen that SNT during the period under review also made substantial local purchase of spares costing Rs.2.44 crore (out of total purchase of Rs.5.06 crore). A test check of 35 items purchased locally for Rs.29.97 lakh revealed that rates of local suppliers were 23 to 287 *per cent* higher than rates of the firms under ASRTU rate contract due to which an extra expenditure of Rs.12.28 lakh was incurred.

As seen from departmental records, reason for the local purchases was that supplies from the rate contract firms took two to three months lead time to execute and hence in order to cater to the need during the lead time, SNT resorted to local purchases every year. This justification was unacceptable considering that the spares in question were fast moving items and the stores were therefore, expected to keep a minimum amount of these in stock. This only highlighted the lack of a proper inventory management and reordering system. In case of the items test checked, owing to inflated prices the overall extra payment worked out to 41 *per cent*. Considering that Rs.2.44 crore was spent on local purchases during 1998-2003, the extra expenditure incurred by SNT would have been substantial.

The Department (November 2003) while accepting the audit observation stated that inventory and purchase had been computerised and steps were being taken to minimise local purchases.

Discrepancy between HSD issued and actually consumed

3.1.23 The earning statement of every bus contains a record of the actual amount of HSD filled in before every trip. A cross-check of these statements with the records of Gangtok and Jorethang fuel depots for 2001-02 and 2002-03 revealed the following:

Table-3.8

Depots	Year	HSD issued as per depot records (litres)	HSD filled-in from the depot as per earning statement of vehicles (litres)	Difference (litres)
Gangtok	2001-02	547888	521373	26515
Gangtok	2002-03	490750	482900	7850
Jorethang	2001-02	348687	307792	40895
Jorethang	2002-03	304233	292437	11796
Total		1691558	1604502	87056

Source: Department's figure

While Gangtok depot as per its records showed an issue of 10,38,638 litres of HSD, the vehicle records indicated that they had filled in a total of 10,04,273 litres at the depot. The figure for Jorethang depot was 6,52,920 and 6,00,229 litres respectively. There was thus an inexplicable difference of 87,056 litres of HSD valuing Rs.14.58 lakh⁹ in just two (out of four) depots in two years. Similar variations could not be ruled out in the other depots as well.

Other points of interest

Irregular Engagement of Muster Roll (MR) Employee

3.1.24 There were seven bus conductors as on 31 March 2003 employed on MR, handling cash and tickets. No security or fidelity bond was obtained from these persons as required under the rules.

Despite directions by the Home Department in December 1994, August 1995, January 1997, April 1998 and February 2001 banning fresh employment of staff on MR, SNT appointed 37 persons on MR basis during the period 1998-2003. This also resulted in avoidable expenditure of Rs.86.84 lakh¹⁰ on account of their wages.

Un-remunerative service

3.1.25 SNT is tasked with issuing prepaid coupons for MS, HSD and engine oil to all Government departments in Sikkim. Government vehicles are required to produce the coupons at various private filling stations to obtain their requirements. The stations raise their bills against these coupons with SNT for payment for which SNT levies a service charge of Rs.0.02 per litre from the dealers.

During 1998-99 to 2002-03, SNT earned Rs.1.80 lakh as service charge on 90.03 lakh litres of fuel and lubricants purchased by various Government departments whereas it incurred Rs.10.21 lakh on salary and printing charges (on coupons) for

⁹ @ Rs. 16.29 per litre

¹⁰ Figures furnished by the Department.

the purpose. The cost incurred by SNT for the service rendered thus far exceeded its earnings and only served to contribute to its losses year after year.

System deficiency in printing, stock keeping and issue of bus tickets

3.1.26 Test check of records of printing of tickets, issue and stock keeping revealed the following irregularities and system deficiencies:

- Series and serial numbers of each denomination of tickets printed at Government press/private printers and their receipts were not recorded in the stock register maintained at the head office.
- No proper records were maintained for issue and receipt of tickets at head office and the depots.
- Verification of ticket cash book, ticket stock register and physical balance of tickets both at head office as well as in depots was never carried out by any designated officer(s) of SNT even once during 1998-2003.

As a consequence of above system deficiencies, the following were noticed during cross-check of records of five depots¹¹ with that of head office:

- Some tickets were missing from the records.
- Tickets issued from head office were not recorded in the stock registers of depots concerned.
- Tickets not shown as issued by head office were recorded as received in the depots.
- Tickets valuing Rs.63.65 lakh printed during August 1995 to March 2002 could not be properly accounted for. Their misuse and related loss of revenue could not be ruled out.

Delay in deposit of departmental receipts

3.1.27 Sikkim Financial Rules stipulate that all moneys received by or on behalf of the Government should be credited into the government account without any delay.

Test check of the cash book of Gangtok booking office for 2001-02 and 2002-03 revealed that in 55 instances as detailed below, sale proceeds of tickets amounting to Rs.18.49 lakh were retained by the cashier for periods ranging from five days to nine months without the infractions even once being detected by his superiors which was suggestive of lack of effective supervision and control by the management.

Table-3.9

Year	<31days		>31 < 90 days		>90 < 180 days		>180 days	
	No of cases	Amount (In Rupees)	No of cases	Amount (In Rupees)	No of cases	Amount (In Rupees)	No of cases	Amount (In Rupees)
2001-02	--	--	--	--	10	2,71,572	1	60,000
2002-03	13	7,11,001	30	7,91,744	1	15,000	--	--
Total	13	7,11,001	30	7,91,744	11	2,86,572	1	60,000

¹¹ Gangtok, Jorethang, Rangpo, Melli, Namchi.

Avoidable payment of Rs.26.90 lakh

3.1.28 SNT vehicles were insured against third party and the insurance premium paid from 1998-99 to 2002-03 totalled Rs.26.90 lakh. It was noticed that vehicle no SK-04-2667, which inexplicably was not insured, met with an accident on 24 September 1998. As a consequence, SNT had to bear the compensation payment of Rs.15.25 lakh to the accident victims which otherwise the insurance company would have borne had the vehicle been insured.

Conclusion

3.1.29 Despite a near monopoly over road transport in the State, the operations of SNT was characterised by losses year after year. The picture would have been more dismal but for the fact that the percentage contribution to revenues from its non-core business, viz., hire charges and supervision charges rose from 33 *per cent* in 1998-99 to 77 *per cent* in 2002-03. This state of affairs was largely on account of the old age of its fleet; low vehicle productivity, fleet utilisation and fuel efficiency; losses incurred on passenger traffic; inordinate delays in repair and commissioning of vehicles; inept material management and inventory control. To reverse the trend, SNT should take urgent steps to address these issues.