# CHAPTER II

## 2. PERFORMANCE AUDIT RELATING TO GOVERNMENT COMPANY

### PERFORMANCE AUDIT ON THE ACTIVITIES OF BIHAR STATE TOURISM DEVELOPMENT CORPORATION LIMITED

# Chapter II

# Performance Audit relating to Government Company

## 2. Performance Audit on the activities of Bihar State Tourism Development Corporation Limited


### *Executive Summary*

#### *Introduction*

***The Bihar State Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government Company in November 1980 with the main objective of promoting tourism in the State.***

***The Company is presently engaged in the construction of tourist infrastructures, hotel/catering services, transport services, operation of ropeway services at Rajgir, leasing of assets such as hotels, wayside facilities, cafeteria, etc., motor boating and light and sound show at Golghar, Patna.***

***As on 31 March 2014, Company had 21 hotels (10 self-run) spread over different locations of the State. The Company also had 13 restaurants (four self-run) attached to its hotels.***

***As on 31 March 2013 the authorised and paid up capital of the Company was ₹ five crore fully owned by the State Government and Reserve & Surplus of ₹ 12.10 crore. During the period 2009-10 to 2012-13, the profit of Company ranged between ₹ 1.07 crore and ₹ 2.08 crore.***

#### *State Tourism Policy*

***The implementation of the State Tourism Policy (STP) 2009 primarily depended on the establishment of the 'Tourism Promotion and Development Council'. The Council was to work as a driver to maintain synchronisation and harmony with all the stakeholders of the tourism industry. However, the State Government failed to establish the said Council even after five years of existence of the Policy, as envisaged in the said STP.***

***Besides, it also failed to create a Special Tourism Security Force to instil a sense of security into the tourists. Further, the Company also failed to prepare any long term/perspective plan/road map clearly defining the targets to be achieved in the coming years. Thus, inaction on the part of the State Government and the Company rendered the State Tourism Policy merely a formality.***

#### *Finance and Accounts wing*

***Lack of proper control over bank balances vis-à-vis cash balances through timely preparation of Bank Reconciliation Statement resulted in a loss of ₹ 1.30 crore to the Company. The Company did not have an Internal Audit wing of its own. The internal audit of the Company was carried out through firms of Chartered Accountants, which was merely confined to compilation of accounts.***

***Performance of Hotels***

***The targeted occupancy percentage for self-managed hotels was fixed (November 1992) by the Company at 60 per cent. Only one self-managed hotel and two self-managed hotels of the Company achieved 60 per cent occupancy target in the year 2011-12 and 2012-13 respectively. Further, though the Company's hotels were not permitted to allow credit in respect of tariffs for its rooms, the total amount recoverable in respect of unauthorised credit allowed by its 10 hotels as on 31 March 2013 stood at ₹ 56.47 lakh. The Company did not have any policy for fixation of room rent.***

***Transport services***

***The performance of transport services of the Company during the period 2009-14 was not satisfactory. It suffered losses during 2009-10, 2011-12 and 2013-14 and earned meagre profit of ₹ 28 lakh and ₹ three lakh in the year 2010-11 and 2012-13 respectively. The sundry debtors of the transport unit increased from ₹ 3.42 crore to ₹ 4.81 crore during the period 2010-11 to 2012-13. The newly purchased buses were not utilised for intended purposes. Non-release of payment as per agreement and purchase of Carvans without any Cost Benefit Analysis resulted in blocking up of ₹ 1.26 crore.***

***Travel-Trade and Ropeway***

***Finalisation of tender without preparing any estimate resulted in excess expenditure of ₹ 12 lakh on account of operation and maintenance charges. Besides, inaction on the part of the Company resulted in non-awarding of telecast rights to the successful bidder as well as revenue loss of ₹ 33.96 lakh.***

***Infrastructure development projects***

***Out of 83 projects for which funds were received during the period 2009-14, only 23 projects were completed of which 12 projects were completed with a delay ranging from one to 32 months. Delay in execution of infrastructural projects was mainly attributable to unplanned execution, viz., preparation of estimates without actual site-survey, poor monitoring and shortage of engineers in the Engineering wing of the Company.***

***Internal control system***

***Monthly meetings to review the progress of units were not held regularly which was indicative of lack of monitoring and supervision by the Top Management. There was no system in vogue for conducting periodical verification of Company's assets.***

***Conclusion***

***The Company failed to formulate a long term/perspective plan/road map with clearly defined targets/milestones to be achieved in the ensuing years as a result of which the tourist potential of the State remained largely untapped despite five years of adoption of State Tourism Policy; the working of Finance and Accounts wing of the Company was not streamlined; lack of***

***basic amenities, non-maintenance of prime assets, lack of manpower and non-professional approach to render quality services resulted in alienation of tourists from Company's hotels; the Company failed to utilise the new fleets for intended purposes which resulted in blocking up of fund.***

***Poor planning, lack of adequate monitoring and supervision of execution of infrastructure projects resulted in inordinate delays and non-availability of tourist facilities.***

## Introduction

**2.1** The Bihar State Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government Company in November 1980 with the main objective of promoting tourism in the State by providing accommodation to tourists, providing transport and catering facilities and developing places of tourist interests. The Company is presently engaged in construction of tourist infrastructures, hotel/catering services, transport services, operation of ropeway services at Rajgir, leasing of assets such as hotels, wayside facilities, cafeteria, etc., motor boating and light and sound show at Golghar, Patna.

The Department of Tourism (DoT), Government of Bihar (GoB) being the Administrative Department of the Company sanctions various projects for development of tourist infrastructure in the State of Bihar and entrusts the same to the Company for execution**.** DoT also extends budgetary support to the Company in form of grants and seeks utilisation certificate in respect thereof.

As on 31 March 2014, Company had 21 hotels (10 self-run, seven leased out, three under renovation and one with the Forest & Environment Department, GoB) spread over different locations of the State. The Company also had 13 restaurants (four self-run, eight leased out and one under renovation) attached to its hotels. Besides, the other assets of the Company included wayside facilities, aerial ropeway at Rajgir, transport services, 266 other assets comprising mainly of cafeterias and small shops, motor boating, light and sound show at Patna, etc. The activities of the Company had five major segments viz. accommodation, catering, transport, ropeway and others.

## Organisational set-up

**2.2** The management of the Company is vested in a Board of Directors (BoD). As on 31 March 2014, the BoD consisted of six Directors including two professionals and one from public nominated by the GoB. The Principal Secretary, DoT is the ex-officio Chairman of the BoD of the Company. The Chairman-cum-Managing Director/Managing Director is the Chief Executive Officer (CEO) of the Company who is assisted by the General Manager, Deputy General Manager (Finance & Accounts), Deputy General Manager (Administration), Chief Engineer and an Executive Engineer in the day to day working of the Company.

## Capital Structure

**2.3** As on 31 March 2013[1] the authorised and paid up share capital of the Company was ₹ five crore fully owned by the State Government ***(Annexure-2.1)***. During the period 2009-10 to 2012-13 the Company had earned a profit ranging from ₹ 1.07 crore to ₹ 2.08 crore. Besides, there was Reserve & Surplus of ₹ 12.10 crore (Subsidy ₹ 0.58 crore and General Reserve of ₹ 11.52 crore).

A comprehensive review on the activities of the Company last featured in the Report of the Comptroller and Auditor General of India, for the year 2008-09 (Commercial), Government of Bihar. This was preceded by a sectoral review on the catering and occupancy performance and a comprehensive review on the activities of the Company which featured in the Reports for the year 1998-99 and 2003-04 respectively. The aforementioned reviews are yet to be discussed by the Committee on Public Undertakings (November 2014).

## Audit Objectives

**2.4** The objectives of Performance Audit of the Company were to assess as to whether:

- the Company had prepared a strategic plan/action plan or signed a Memorandum of Understanding (MoU) with the GoB for implementation of the State Tourism Policy (STP);
- the operations of the hotels and restaurants of the Company were carried out economically and efficiently;
- the transport and ropeway services were being managed on profitable lines;
- the funds received from Government of India (GoI)/GoB for infrastructural development were utilised economically, efficiently and effectively; and
- the Internal Control/Internal Audit system of the Company was adequate and effective.

## Audit Criteria

**2.5** The audit criteria considered for assessing the achievement of audit objectives were:

- State Tourism Policy (STP), i.e., Bihar Tourism Policy-2009;
- Guidelines and instructions issued by the Department of Tourism (DoT), GoI/GoB for sponsored schemes;
- Policies framed by the Government for promotion of tourism and other relevant rules and regulations issued from time to time;
- MoUs entered into between the Company and Government;
- Targets of occupancy and revenue set by the Company for its units/hotels;

[1] Accounts for the years 2011-12 and 2012-13 are provisional. Accounts for 2013-14 had not been prepared by the Company.

- Provisions of the Companies Act, 1956, other applicable Acts, and Memorandum & Articles of Association of the Company;
- Basis of fixation of tariffs; and
- Marketing policy of the Company.

## Audit Scope and Methodology

**2.6** This Performance Audit of the Company was carried out during the period from April 2014 to July 2014 and covered the overall performance of the Company during the last five years ending 31 March 2014 which included implementation of Bihar Tourism Policy-2009, operational performance of units, tariff fixation, catering services, transport services, leasing of assets and infrastructure development activities, etc.

For this purpose, records maintained at the Company Head Office and its four[2] out of 10[3] self-managed hotels and aerial ropeway services at Rajgir were examined. The sample selection of self-managed hotels was done on the basis of revenue generation of hotels during the period covered under Performance Audit by adopting random sampling method.

An Entry Conference was held on 10 April 2014 to apprise the Government and the Management about the objectives of Performance Audit. A mix of audit methodology adopted in the course of Performance Audit included examination of records of the Company at the Headquarters and units' level, examination of agenda and minutes of BoD meetings, Tourism Policy of the State as well as the guidelines and/or instructions issued by the Central/State Government from time to time and issuance of audit enquiries for information and interaction with the Management. The audit findings were reported (July 2014) to the Government and the Management and discussed in an Exit Conference held on 4 September 2014 which was attended by the Managing Director and other officials of the Company and the representatives of the Government. The views expressed by the Government and the Management have been considered while finalising this Performance Audit Report.

## Audit Findings

**2.7** The audit findings are discussed in the subsequent paragraphs.

## State Tourism Policy and its Implementation

**2.8** Government of Bihar notified (July 2009) a State Tourism Policy, i.e., Bihar Tourism Policy-2009. The key objectives of the said Policy, *inter alia*, was to position Tourism as a State priority, focus on domestic tourism as major driver of tourism growth, promote Bihar for cultural, religious and

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[2] (i) Hotel Tathagat Vihar, Rajgir; (ii) Hotel Siddharth Vihar, Bodhgaya; (iii) Hotel Licchavi Vihar, Muzaffarpur and (iv) Hotel Kautilya Vihar, Patna.

[3] (i) Hotel Kautilya Vihar, Patna; (ii) Hotel Licchavi Vihar, Muzaffarpur; (iii) Hotel Siddharth Vihar, Bodhgaya; (iv) Hotel Buddha Vihar, Bodhgaya; (v) Hotel Sujata Vihar, Bodhgaya; (vi) Hotel Tathagat Vihar, Rajgir; (vii) Hotel Ajatshatru Vihar, Rajgir; (viii) Hotel Kaimur Vihar, Mohania; (ix) Hotel Singheshwar Vihar, Madhepura and (x) Hotel Renu Vihar, Purnea.

'wellness' tourism, improve the efficiency of the industry for enhanced social and economic benefits, etc.

We observed that:

- the implementation of the State Tourism Policy primarily depended on the establishment of the 'Tourism Promotion and Development Council' by the State Government. The Council was to work as a driver to maintain synchronisation and harmony with all the stakeholders of the tourism industry. However, the State Government failed to establish the said Council even after five years of existence of the said Policy;
- the State Government also failed to create a Special Tourism Security Force to instil a sense of security into the tourists;
- the State Government should have signed MoUs with the Company to make the Company accountable for implementation of its role as defined in the Policy. However, the State Government failed to sign any MoU with the Company in this regard; and
- the Company failed to prepare any long term/perspective plan/road map clearly defining the targets and/or milestones to be achieved in the coming years.

In Exit Conference, the State Government as well as the Company while accepting the audit observation stated (September 2014) that formation of a new State Tourism Policy-2014 was under process.

*Recommendation: We recommend that the Company needs to prepare a long-term perspective plan/road map clearly defining the targets and /or milestones with due co-operation from the DoT for accomplishment of the goals defined in the STP.*

## Finance and Accounts wing

**2.9** The Company's Finance & Accounts wing is primarily responsible for preparation of accounts, Budgets, Manuals, maintenance of Project-wise Bank Accounts and reconciliation thereof, strengthening internal control measures, carrying out internal audit, etc. in the Company. The following deficiencies were noticed in the Finance and Accounts wing of the Company:

### *Loss due to non-reconciliation of bank balances*

**2.9.1** The Company failed to reconcile its bank balances as per cash book with that of balances with the bank. The bank balances exhibited a shortage of ₹ 1.30 crore as shown in ***(Annexure-2.2)*** when compared with the Company's ledger balance. Passbooks/Bank statements were not available with the Company and banks also intimated that records relating to balances were not available with them. In absence of requisite details, these shortages were being carried forward in the Company's account as fictitious asset. Thus, lack of proper control over bank balances vis-à-vis cash balances through timely preparation of bank reconciliation statement resulted in a loss of ₹ 1.30 crore to the Company.

The Management in its reply accepted (September 2014) the facts and figures.

### *Non-preparation of Project-wise Bank Accounts*

**2.9.2** Though it was decided (June 2008) by the Company to maintain Project- wise Bank Accounts in order to keep a control over the diversion of funds and to keep proper record of savings and interest earned on each project, the Company failed to maintain Project-wise Bank Accounts in respect of its infrastructural projects.

The Management stated (September 2014) that there was no need to maintain Project-wise Bank Accounts since the Company maintained Project-wise sub-ledger to identify the available balance. The reply is not acceptable since it is contrary to the Company's own decision.

### *Non-placement of Budget before the BoD*

**2.9.3** The Budgets were not placed timely before the BoD. The Management stated (September 2014) that as per the Companies Act, 1956 the Budget is not required to be placed before the Board. The reply does not hold good since Budget is part of planning and as per clause 66 (24) of the Articles of Association of the Company, planning comes under the specific powers of the Board.

### *Non-filing of annual return with RoC*

**2.9.4** The Company was required to file annual returns[4] under section 159 of the Companies Act, 1956 with the Registrar of the Companies (RoC). However, the Company failed to file annual return with the RoC from the year 2007-08 onwards as a result of which the Company's name was included in the list of defaulting companies published by the Ministry of Corporate Affairs, Government of India.

### *Non-recovery of outstanding dues*

**2.9.5** The Company had sundry debtors of ₹ 6.08 crore as on 31 March 2013 including ₹ 73.63 lakh being recoverable for more than four years. Further, the aforementioned sundry debtors aggregating to ₹ 6.08 crore comprised of a substantial sum of ₹ 4.81 crore recoverable on account of hiring charges in respect of vehicle hired by the transport wing of the Company during the period 2010-11 to 2012-13. As a result of poor Receivable Management Policy, working capital to the extent of ₹ 3.83 crore[5] lay blocked during the period 2009-10 to 2012-2013.

### *Non-preparation of Accounts Manual, Operational Manual etc.*

**2.9.6** The Company did not prepare any Accounts Manual, Procurement Manual, Operation Manual, etc. even after expiry of 34 years of its incorporation. Further, the Company did not have an Internal Audit wing of its own. The internal audit of the company was carried out through firms of Chartered Accountants. The scope of work of internal audit was merely confined to compilation of accounts, reconciliation of bank accounts, etc. and

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[4] Balance Sheet and Profit and Loss accounts.
[5] This denotes average dues outstanding during the period.

did not include examination of technical as well as financial propriety of expenditures incurred/to be incurred by the Company.

*Recommendation: We recommend that the Company needs to streamline the functioning of Finance and Accounts wing viz. timely preparation of Bank Reconciliation Statement, preparation of Project-wise Bank Accounts, timely finalisation of Accounts and review of the Company's function through regular monitoring and supervision.*

## Performance of Hotels

**2.10** The details of tourist inflow in the State along with the details of tourists who availed accommodation facilities of the Company during the last five year period ending 31 March 2014 is detailed in ***Annexure 2.3.***

It can be seen from the ***Annexure 2.3*** that despite an increase of 37.38 *per cent* in tourists' inflow between 2009-10 and 2013-14, the percentage of tourists availing Company's accommodation facilities drastically declined from 0.24 *per cent* in 2010-11 to 0.13 *per cent* in 2013-14. Reasons for decline in availing Company's accommodation by tourists have been discussed separately in Paragraph 2.11.1.

The Management while accepting the facts stated (September 2014) that process of reforms for services and other facilities were being initiated.

### *Operation of Hotels*

**2.10.1** The performance details indicating number of hotels operated, occupancy percentage achieved by these hotels during the period 2009-14 is given in the following table**:**

**Table No: 2.1**

| Year | 2009-10 | 2010-11 | 2011-12 (Provisional) | 2012-13 (Provisional) | 2013-14 (Provisional) |
|---|---|---|---|---|---|
| No. of self-managed hotels **(Details are given in *Annexure 2.4*)** | 13 | 14 | 14 | 14 | 10 |
| No. of room days | 66065 | 73265 | 73265 | 73265 | 55380 |
| No. of beds (in rooms) | 362 | 402 | 402 | 402 | 304 |
| No. of dormitory beds | 197 | 197 | 197 | 197 | 159 |
| **Occupancy (in *per cent*)** | **35.87** | **35.30** | **35.61** | **34.21** | **31.80** |

**(Source: Information furnished by the Company)**

It can be seen from the above table that the number of room days decreased from 66065 in 2009-10 to 55380 in 2013-14 which was mainly attributable to leasing out of four[6] hotels to private operators.

We further observed that:

- The targeted occupancy rate for self-managed hotels was fixed (November 1992) by the Company at 60 *per cent*[7], only one[8] self-managed hotel and two[9]

[6] Hotel Gautam Vihar, Rajgir; Hotel Vishwamitra Vihar, Buxar; Hotel Koshi Vihar, Saharsa and Hotel Shersah Vihar, Sasaram.

[7] 60 *per cent* occupancy target was fixed by the BoD of the Company in 1992.

[8] Hotel Kaimur Vihar, Mohania.

[9] Hotel Siddhartha Vihar, Bodhgaya and Hotel Kaimur Vihar, Mohania.

self-managed hotels of the Company achieved 60 *per cent* occupancy target in the year 2011-12 and 2012-13 respectively. The targeted occupancy (60 *per cent*) was never reviewed by the Company in respect of its self-managed hotels.

**The occupancy achieved by the flagship hotel was abysmally low**

- the occupancy achieved by the flagship hotel of the Company viz. Hotel Kautilya Vihar, Patna was abysmally low during the period 2009-14 and was as low as 19.15 *per cent* and 15.10 *per cent* in the year 2011-12 and 2012-13 respectively; and
- though the company's units/hotels were not permitted to allow credit in respect of tariffs for its rooms, the total amount recoverable in respect of unauthorised credit allowed by its 10 hotels as on 31 March 2013 stood at ₹ 56.47 lakh.

The Management while accepting the audit observation stated (September 2014) that persuasion for recovery of outstanding dues is being done. It further stated that the Company had initiated steps to frame a policy regarding closure of services to the Government departments/institutions who defaulted regularly in payment of outstanding dues.

In course of test check by conducting joint inspection of Company's four self-managed hotels[10], the following deficiencies were observed which resulted in poor occupancy of the Company's hotels:

- lack of basic amenities/facilities, viz., good ambience of the hotels, absence of lift facility except one hotel, no full back up of power for AC rooms (all four hotels), inadequate transport facilities (except one hotel), non-maintenance of customers' complaint/feedback register (except one hotel), etc. ***(Annexure-2.5)***.
- lack of qualified and/or adequate manpower - As per the norm, the supervisory staff should have a certification of a degree/diploma from Central or State Institute of Hotel Management. Further, there should be an English speaking front office staff. It was observed that a Tourist Complex at Bodhgaya did not have a regular[11] Manager. The manager of a hotel based at Patna did not possess the requisite professional qualification, inadequate and/or irrational deployment of attendants against the prescribed norm of two attendants for each four rooms, in case of Hotel Tathagat Vihar - three attendants for 45 rooms, Tourist Complex, Bodhgaya- five attendants for 13 rooms and 75 dormitory beds, Hotel Kautilya Vihar – eight attendants for 35 rooms and 24 dormitory beds and Hotel Licchavi Vihar – two attendants for 16 rooms, were found deployed and there was absence of regular house keeper in Hotel Tathagat Vihar and Bodhgaya Tourist Complex;
- poor monitoring and inspection on the part of the Company to ensure whether qualitative services were being provided to the tourists: The Company

[10] Hotel Siddharth Vihar, Bodhgaya; Hotel Licchavi Vihar, Muzaffarpur; Hotel Kautilya Vihar, Patna and Hotel Tathagat Vihar, Rajgir.

[11] Receptionist officiated as Manager.

constituted (March 2010) three teams for periodical inspection of its hotels/restaurants to ensure whether the operation of hotels were as per the prescribed norms. However, inspection reports submitted by the inspection team were not found on the record. The system of receiving complaint and taking corrective action was not monitored by the Head Office either through periodical review meetings or through linking receipt of customer feedback on every room occupied at the time of check out;

- There was lack of marketing/advertisement campaign on the part of the Company to promote Company's hotels as the expenditure incurred by the Company during the period 2009-14 on account of advertisement and publicity was dismal and ranged between 0.47 *per cent* and 1.11 *per cent* of the total cash expenditure. Being a hospitable and service oriented Company, it was incumbent on the Company to allocate significant budget towards advertisement and publicity to promote and boost tourism in the State; and
- Further, the Company did not have any system of grading its hotels on the basis of customer feedback/complaints. There was no tie up with travel agents and/or tour operators to attract more tourists to its hotels.

The Management replied (September 2014) that occupancy of the Company's hotels primarily depended on tourists inflow and a decision to stay in the Company's hotels was a tourists discretion. The reply is not convincing since there was a substantial increase in tourists inflow in the State during the period 2009-14 as already mentioned in paragraph 2.11. Further, the reply was silent about deficiencies in Company's hotels, which primarily affected occupancy of the hotels.

### *Fixation of Tariff*

**2.10.2** The Company did not have any policy for fixation of room rent. There was no system to review the tariff after a specified period with reference to the prevailing market trend and/or the need for upgradation of existing services. Audit observed that the tariff was fixed on the recommendation/proposals of the hotel managers as and when they were instructed by the Company's Head Office to submit fresh tariff rates. The recommendation of hotel managers for fixation of tariff though based on market survey was made without carrying out any Cost Benefit Analysis (CBA).

The Management while accepting the fact stated (September 2014) that Cost Benefit Analysis would be done during fixation of tariff in future.

## Performance of Catering Services

**2.11** For providing catering services, the Company had 13 restaurants (Nine leased out) attached to its hotels out of which four were self-managed. Scrutiny of two[12] self-managed catering services/restaurants attached to the Company's self-managed hotels revealed that:

[12] Restaurant Licchavi Vihar, Muzaffarpur and Restaurant Tathagat Vihar, Rajgir.

- the profitability of restaurant of Hotel Licchavi Vihar, Muzaffarpur registered an increase of ₹ 0.87 lakh to ₹ 2.29 lakh during the period 2009-13. However, profitability of the said restaurant declined sharply by 50 *per cent* to ₹ 1.14 lakh in the year 2013-14;
- the profitability of restaurant of Hotel Tathagat Vihar, Rajgir increased from ₹ 7.26 lakh in 2009-10 to ₹ 15.55 lakh in 2012-13. However, the profitability of the said restaurant registered a sharp decline by 24.63 *per cent* to ₹ 11.72 lakh in 2013-14.

The sharp decline in profitability of the said restaurants was mainly attributable to poor occupancy of the hotels, poor service and hospitality due to lack of trained manpower, increase in prices of running expenditure (POL/food materials), etc.

The Management while accepting the Audit observation stated (September 2014) that the reason for reduction in revenue was attributable to deployment of non-professional staff and an effort to up-keep the professional staff was under process.

*Recommendation: We recommend that the Company needs to infuse professionalism in management of its hotels with a view to provide qualitative services to tourists. Besides, the Company also needs to frame a suitable Tariff Policy for the fixation of tariff for its hotels.*

## Transport Services

**2.12** The Company has its transport unit at Patna which provides transport facilities to tourists on hire for site seeing and also to their regular customers on hire. For this purpose apart from providing their own vehicles, the Company also hires vehicles from third parties on commission basis. The Company pays hiring charges to private vehicle operators at the prevailing tariff rate after due deduction of its commission. Subsequently, the Company raises the bill on its customers. The fleet strength of the Company as on 31 March 2014 comprised of 11 buses, two Carvans and 26 light vehicles. Income from the transport unit alone constituted 23.36 *per cent* to 31.47 *per cent* of the total income of the Company during the period 2009-14.

**2.12.1** The operational performance of the transport unit over the past five years ending 31 March 2014 stood as under:

**Table No: 2.2**

**(Amount: ₹ in crore)**

| Year | Actual | Expenditure | | Total | Profit/ (loss) | Percentage of profit/ (loss) |
|---|---|---|---|---|---|---|
| | Income | Operational | Depreciation | | | |
| 2009-10 | 2.80 | 2.18 | 1.39 | 3.57 | (0.77) | (27.50) |
| 2010-11 | 3.61 | 2.49 | 0.84 | 3.33 | 0.28 | 7.76 |
| 2011-12 | 3.15 | 2.76 | 0.50 | 3.26 | (0.11) | (3.49) |
| 2012-13 | 3.21 | 2.59 | 0.59 | 3.18 | 0.03 | 0.93 |
| 2013-14 | 3.28 | 2.88 | 1.20 | 4.08 | (0.80) | (24.39) |

**(Source: Information furnished by the Company)**

It is evident from the above table that the performance of the transport services of the Company during the period 2009-14 was not satisfactory. It suffered losses during 2009-10, 2011-12 and 2013-14 and earned meagre profit of ₹ 28 lakh and ₹ three lakh in the year 2010-11 and 2012-13 respectively. The poor performance of the transport services was mainly attributable to:

- under utilisation of fleet strength on account of non-plying of two Volvo buses on Patna-Purnea route in 2009-10 and discontinuance of regular operation of Volvo bus services since December 2013,
- meagre utilisation of four ISUZU buses introduced in the year 2013-14.
- abrupt revision of tariff rates after a span of nine years in February 2012 and failure of Company to evolve any system for periodical review of tariff in respect of its vehicles with respect to increase in input costs.

***Non-recovery of outstanding hiring charges from the service users***

**2.12.2** The position of outstanding hiring charges from service users viz. Government departments/organisation on account of hiring charges over the past five years ending 31 March 2014 is depicted below**:-**

**Table No: 2.3**

**(Amount: ₹ in crore)**

| Period | Opening Balance | Bills raised for the year | Bills realised during the year | Balance | Increase of sundry debtors with respect to the closing balance of the previous year. (in *per cent*) |
|---|---|---|---|---|---|
| 2009-10 | 2.76 | 2.29 | 2.39 | 2.66 | -4 |
| 2010-11 | 2.66 | 2.24 | 1.48 | 3.42 | 29 |
| 2011-12 | 3.42 | 3.33 | 2.31 | 4.44 | 30 |
| 2012-13 | 4.44 | 3.45 | 3.08 | 4.81 | 8 |
| 2013-14 | 4.81 | 3.43 | 4.24 | 4.00 | -17 |

**(Source: Information furnished by the Company)**

**In absence of credit policy, accumulation of sundry debtors reached up to ₹ 4.81 crore in 2012-13**

It is evident from above that the sundry debtors of the transport unit increased from ₹ 3.42 crore to ₹ 4.81 crore during the period 2010-11 to 2012-13. The increase of debtors ranged between eight *per cent* and 30 *per cent* during the said period. However, realisation from the sundry debtors improved subsequently in the year 2013-14.

We observed that the Company neither had any credit policy nor fixed credit limit for extending credit to debtors. In absence of any credit policy, there was no control over extending credit to various department/organisation which resulted in blocking up of working capital to the tune of ₹ four crore up to 31 March 2014 and the consequential loss of interest thereon.

The Management while accepting the facts stated (September 2014) that approximately 99 *per cent* of the aforementioned dues were recoverable from the Government Departments. It further stated that the Company was contemplating to frame a policy with respect to the closure of the transport services to the Government Departments/Institutions who persistently defaulted in payment of their outstanding dues.

*Recommendation: We recommend that the Company needs to frame a credit policy in respect of hiring of its fleet to the outside parties. The Company should stop hiring vehicles to those parties who persistently default in payment of dues. Besides, the transport division of the Company needs to aggressively pursue the realisation of its dues.*

During test check of records of transport unit following deficiencies were noticed:

***Unfruitful investment on purchase of luxury buses***

**2.12.3** The Company planned (March 2012) to purchase four luxury buses to restore regular bus services for tourists on Patna-Bodhgaya route, and to fulfil the demand of tour and travel agents for operation of buses on Buddhist Circuit with an expected cash inflow of ₹ 4.67 lakh per bus per month. The proposal for purchase of four high end fully AC buses was approved (March 2013) by the BoD of the Company. Accordingly, four SML ISUZU buses were purchased (June 2013) at a cost of ₹ 1.52 crore[13].

**Failure of Company to run the newly purchased buses for intended purposes resulted in unfruitful investment of ₹ 1.52 crore**

We observed that the newly purchased buses as envisaged were neither plied on Patna-Bodhgaya route nor utilised for meeting demand of travel agents for its operation in Buddhist Circuit. Against stipulated 3.24 lakh Kilometers for four buses in nine months period, total plying of buses during the period worked out to 0.37 lakh Kilometers only as these buses were being operated on a chartered basis to the private parties. As a result of under plying of the buses for intended purposes, the Company was deprived of the opportunity to generate a revenue of ₹1.43 crore[14] and very purpose of investment of ₹ 1.52 crore was defeated.

The Management while accepting the fact stated (September 2014) that more options were being explored for sustainable operation of the buses.

***Blocking of fund on purchase of Carvan and Double decker buses***

**2.12.4** The Company placed order (November 2012) for purchase of three Double Decker buses at a cost of ₹ 1.61 crore[15] to a Fabricator. Further, the Company also purchased (March 2013) two luxury vans (Carvan) at a total cost of ₹ 51 lakh for promoting tourism in the State. We observed that:

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13 four buses at the rate of ₹ 38 lakh per bus.

14 Estimated income by one Bus in six months= ₹ 27,89,500. Potential income for nine months: ₹ 27,89,500 * 4 Buses*9/6 months = ₹ 1,67,37,000 less actual income earned by four buses in nine months ( ₹ 24,16,940 ) = ₹1,43,20,060.

15 Double decker: ₹ 53.67 lakh *3= ₹ 1.61 crore.

- The Double decker buses were to be supplied by March 2013. The Company made a payment of ₹ 74.56 lakh (November and December 2012) to the Fabricator. As per agreement 70 *per cent* of cost of chassis and fabrication was required to be paid to the Fabricator before the delivery of buses. However, the Company paid only 47 *per cent* amounting to ₹ 74.56 lakh to the Fabricator. As a result not a single bus was delivered to the Company till date (September 2014) and ₹ 74.56 lakh already paid to the Fabricator was blocked. Further, the warranty on Chassis and Engine of the buses procured by the Fabricator from the manufacturer (of SML ISUZU), was only for a period of 12 months which had already lapsed in December 2013.

**Non-release of payment for double decker buses as per agreement and purchase of Carvans without any CBA resulted in blocking up of ₹ 1.26 crore.**

The Management stated (September 2014) that purchase order for three buses were placed with intent of development of local tourism. However, the Management's reply is silent over non-delivery of the said buses till date (September 2014) as well as blocking up of the Company's fund with the Fabricator.

- The purchase of Carvan was made without any Cost Benefit Analysis and/or utilisation potential of the same as was evident from insignificant number of bookings i.e. only 14 bookings made during a span of 16 months up to July 2014 from which a meagre revenue of ₹ four lakh only was earned. These Carvans are lying parked idle in the Company's campus till date (November 2014).

The Management stated (September 2014) that the purchase of Carvan was made in accordance with the vision of the Company to attract tourists/promote tourism in Bihar. However, the reply of the Management is silent on meagre utilisation of the said luxury vans.

### *Undue benefit to the private operator*

**2.12.5** The Company invited (July 2011) tenders for operation of bus services under Public Private Partnership mode. After finalisation of tender, the Company issued work order (May 2012) to a licensee for operation of bus services on seven routes[16] at a monthly fee of ₹ 15,000 per bus under the Company's logo.

**Failure of the Company to enter into an agreement resulted in non-recovery of licence fee of ₹ 12.72 lakh**

Scrutiny of records revealed that the Company failed to enter into an agreement with the private operator and permitted the operator to ply its buses under the Company's logo. The operator persistently defaulted in payment of monthly rental to the Company since May 2012. Meanwhile, the Company also found (October 2012) that the licensee was plying its buses unauthorisedly on Company's routes. The Company, notwithstanding this, failed to cancel the work order and allowed the licensee to operate buses upto August 2013. The Company finally cancelled the work order in September 2013. The total license fee recoverable from the private operator up to

[16] (i) Patna-Vaishali-Keshariya-Kushinagar- Patna (ii) Bodhgaya-Patna-Siligudi-Jaigaon-Patna (iii) Patna- Bhagalpur- Patna (iv) Patna-Rauxal-Patna (v) Patna- Varanasi- Patna (vi) Patna- Gaya- Kolkata- Gaya and (vii) Kolkata – Bodhgaya – Patna.

September 2013 stood at ₹ 12.72 lakh which remained unrecovered so far (November 2014).

The Management stated (September 2014) that the Company had entered into an agreement with the operator for the use of the logo of the Company and that recovery of dues lying with the operator was under process. The reply does not hold good since the Management failed to produce a copy of the agreement.

*Recommendation: The Company should endeavour to use its fleets for intended purpose i.e. development of local tourism. Further, the Company should also endeavour to enter into an agreement for plying its buses under PPP mode.*

## Travel-Trade and Ropeway

**2.13** The Company has a Travel-Trade and Ropeway wing at its Headquarters' Office which is responsible for organising trade fairs, Mahotsavs, Tour Packages and monitoring the performance of Aerial Ropeway at Rajgir. During course of audit of said wing following deficiencies were observed:

### *Excess expenditure on maintenance of Computerised Ticketing System*

**2.13.1** The Company decided (September 2012) to install a computerised ticketing system in its Ropeway unit at Rajgir. After finalisation of tender the system was installed and made operational from May 2013. The cost of installation of the ticketing system was ₹ 31.50 lakh and its operation and maintenance charges was ₹ 2.20 lakh per month.

We observed that the Management did not prepare any estimate of installation of computerised ticketing system, as required under the Guidance Note[17] and awarded the tender at a higher rate. This was substantiated by the fact that after operation of one year of the said system, the Management renegotiated the rate with the contractor and reduced the operation and maintenance cost to ₹ 1.20 lakh per month as against the earlier quoted rate of ₹ 2.20 lakh per month and thus Company paid ₹ 12 lakh more as maintenance cost.

Thus, due to finalisation of tender without preparing any estimate, the Company incurred an excess expenditure of ₹ 12 lakh.

The Management stated (September 2014) that tender was floated and on the basis of which L1 bidder was selected. The reply is not convincing since tender was finalised by the Company without any estimate as a result of which the Company could not get the best economic deal which was upheld by the fact that the Management had to renegotiate the rate with the Contractor.

[17] Issued (December 2011) by the Department of Information Technology, Ministry of Communication & Information Technology, Government of India.

### *Loss of revenue due to inaction on the part of the Company: ₹ 33.96 lakh*

**2.13.2** The Company invited (July 2011) tenders for awarding rights for live telecast of "Ganga Maha Aarti" at Gandhi Ghat, Patna for a period of one year. In response, the Company received three bids. The tender committee recommended (October 2011) to award the live telecast right to a successful bidder at a licence fee of ₹ 2.83 lakh per month.

**Inaction on the part of the Company on DoT's direction resulted in loss of revenue of ₹ 33.96 lakh**

We observed that the Company referred the matter of award of telecast right to the Department of Tourism (DoT). The DoT directed that all potential Ganga Ghats from Buxar to Bhagalpur where Ganga Maha Aarti is held be identified and an integrated proposal for telecast be submitted for approval. However, the Company failed to take any action in this regard. Thus, inaction on the part of the Company on DoT's direction resulted in loss of opportunity to earn a revenue of ₹ 33.96[18] lakh in respect of telecast right of Ganga Maha Aarti at Gandhi Ghat, Patna for which tender committee had recommended the successful bidder.

The Management in the Exit Conference accepted (September 2014) the audit observation.

## Infrastructure Development Projects

**2.14** The Company being a nodal agency of the DoT for development of infrastructure facilities (viz. hotels, wayside facilities, tourist information centres, tourist complex, etc.) received fund from the DoT, to promote and boost tourism in the State. During the period 2009-10 to 2013-14, the DoT sanctioned a sum of ₹ 273.10 crore for development of tourist infrastructure in the Sate to various agencies viz. District Magistrates, Directorate of Tourism, Bihar Rajya Pul Nirman Nigam Limited, Bihar State Road Development Corporation Limited, CPWD, etc. However, based on the poor performance of the Company in execution of projects, only 35.23 *per cent* (₹ 96.21 crore) of the total fund was sanctioned by the DoT to the Company for development of tourist facilities in the State.

Against the sanctioned fund of ₹ 96.21 crore, the Company received an amount of ₹ 78.72 crore during the period 2009-14 for the purpose of construction/renovation/development of 83 projects.

We observed that:

**Out of 83 projects only 23 projects could be completed of which 12 projects were completed with a delay of one to 32 months**

- Against 83 projects, only 23 projects costing ₹ 15.48 crore could be completed of which 12 projects costing ₹ 6.46 crore were completed with a delay ranging from one to 32 months;
- Works in respect of 17 projects costing ₹ 8.41 crore could not be commenced even after a lapse of 11 to 59 months from the date of receipt of fund due to non-availability of land, revision in design and cancellation of tender, etc.;
- Work in respect of 43 projects costing ₹ 54.83 crore were under different stages of completion. However, the progress of execution of these projects was very slow;

[18] (₹ 2.83 lakh x 12 months).

- Delay in execution of infrastructural projects was mainly attributable to unplanned execution, viz., preparation of estimates without actual site-survey, non-inclusion of essential items in estimates, poor monitoring, lack of co-ordination with the DoT and other local authorities and shortage of engineers in the Engineering wing of the Company. The utilisation of the fund received in respect of the aforementioned projects during the period 2009-10 to 2012-13 was only 37.69 *per cent*.

  The Management accepted (September 2014) the audit observation.

- The Company, in contravention of the provision of the risk and cost clause of the agreement, failed to recover from the defaulting contractors excess expenditure of ₹ 32.84 lakh[19] incurred in respect of two projects viz. Hotel Karn Vihar, Munger and Conference hall at Buxar which were rescinded due to fault of the contractors.

  The Management accepted (September 2014) the audit observation.

**2.14.1** Test check in Audit revealed the following five major incomplete projects costing ₹ 11.40 crore, which should have been completed within their scheduled time of completion. However, these projects were badly delayed and were yet to be completed (November 2014).

***Hotel Janki Vihar, Sitamarhi:*** The Company had undertaken the reconstruction work of Hotel Janki Vihar, Sitamarhi in May 2011. The project included dismantling of the old structure of the hotel and construction of new building together with site development through earth filling and construction of approach road. For the purpose a sum of ₹ 1.84 crore was made available by DoT to the Company in two instalments in May 2010 and January 2013. As per the agreement the scheduled date of completion was May 2012. However, due to slow progress the said Project was incomplete till date (November 2014).

***Construction of rooms at Hotel Buddha Vihar, Bodhgaya***: The DoT sanctioned (2006-07) an amount of ₹ 6.21 crore for construction of additional rooms at hotel Buddha Vihar to upgrade it as star hotel. Out of the sanctioned fund, the Company received a sum of ₹ three crore till March 2014. As per the agreement the said work was to be completed by December 2013. However, due to revision of design the said project was yet to be completed (November 2014).

***Development of tourist facilities at Mundeshwari Temple, Kaimur***: The project included construction of tourist information centre, cafeteria and development of other facilities near the Mundeshwari Temple at a cost of ₹ 3.47 crore. The project was to be completed in 30 months time ending July 2011. However, due to change in site of the project, the project has been delayed by 41 months.

***Way side facility, Birpur, Supaul:*** This included providing way side facility to tourists at a cost of ₹ 1.60 crore in 18 months time ending March 2012.

[19] ₹ 45.36 lakh – ₹ 12.52 lakh (Deductions) = ₹ 32.84 lakh.

Accordingly, the Company was provided with funds in December 2009. However, against tender in December 2009, the work could be awarded in September 2010 only. Thus, there was delay in finalisation of tender and award of work. The construction of the said way side facility was incomplete till date (November 2014).

***Swimming pool at Tourist complex Bodhgaya***: To provide better facility to tourists visiting Bodhgaya, the DoT sanctioned (2008-09) an amount of ₹ 1.49 crore for construction of swimming pool at tourist complex, Bodhgaya. Under the project a swimming pool with a change room and boundary wall were to be constructed. The Company awarded the work to contractor in March 2010. As per the agreement the work was to be completed by June 2011. However, due to slow progress of work the construction of the project was incomplete till date (November 2014).

As a result of delay in completion of the above projects the Company failed to ensure timely availability of tourist facilities.

*Recommendation: We recommend that the Company should make efforts to improve the execution of infrastructural projects by avoiding procedural delay and to ensure transparency in finalisation of tender.*

### *Non-maintenance/upkeep of Mayasarovar*

**2.14.2** Mayasarovar, a centre of tourist attraction consisting of pond, open air theatre, garden and park in front of Company's tourist complex, Bodhgaya, was developed by Central Public Works Department (CPWD). A sum of ₹ 1.50 crore was spent on development of the project consisting of pond, open air theatre, garden and park. Being the nodal agency of the State Government, any asset created on behalf of the department, is handed over to the Company for further maintenance and operation. Accordingly, the Mayasarovar was handed over (May 2007) to the Company.

We observed that:

- the Company, with a view to attract tourists, leased (September 2009) the operation of paddle boats in Mayasarovar at ₹ 1.55 lakh per annum with an increase of 10, 20, 30, 40 *per cent* per annum for five years. However, the operation of paddle boats was discontinued (January 2013) by the lessee;
- a joint inspection of Mayasarovar with the Management team revealed that the aforementioned asset was not maintained properly and was in a very poor condition. The water level in the pond was very low and stinked and was being used by washermen for washing clothes. Open air theatre was not mowed at regular intervals and was filled with long grasses; and
- due to non-maintenance of Mayasarovar, the Company was not in a position to issue fresh NIT to lease out the paddle boats which resulted in loss of revenue of ₹ two lakh per annum to the company. Besides, the paddle boats costing ₹ 1.70 lakh became condemned for not being in use for long.

**Expenditure of ₹ 1.50 crore became unfruitful for want of upkeep and maintenance**

Thus, due to failure on the part of the Company in the upkeep and maintenance of its prime asset, expenditure of ₹ 1.50 crore incurred on its development became unfruitful. Besides, the objective of development of Mayasarovar as centre of attraction for tourists was also defeated.

The Management in exit conference accepted (September 2014) the facts.

*Recommendation: We recommend that the Company needs to put in place a procedure to maintain its assets properly.*

## Internal control

### *Internal Control System*

**2.15** Internal control system is a management tool used to provide reasonable assurance that management objectives are being achieved in an efficient, effective and orderly manner. For a service oriented sector like the Company, there has to be written norms of operation, service standards and targets. Further, there should be a proper management information system to report on performance of the Company *vis-à-vis* the established standards/norms. Review of internal control system prevalent in the organisation revealed that:

- the average tenure of CEO of the Company during the period under performance audit stood at one year only which may be attributed as a reason for non-formulation of any long term/perspective plan with clearly defined targets and goals to be achieved;
- monthly meetings to review the progress of units were not held at regular intervals since only seven, six and three meetings were held during the financial year 2009-10, 2010-11 and 2011-12 respectively. Further, not a single monthly meeting was held in the financial year 2012-13. Besides, only three meetings were held in the financial year 2013-14. This was indicative of lack of monitoring and supervision by the Top Management;
- there was no system in vogue for conducting periodical physical verification of Company's assets.

## Conclusion

- **The Company failed to formulate a long term/ perspective plan/road map with clearly defined targets/milestones to be achieved in the ensuing years as a result of which the tourist potential of the State remained largely untapped despite five years of adoption of State Tourism Policy.**

- **The working of Finance and Accounts wing of the Company was not streamlined as there were cases of loss due to non-reconciliation of bank balances, non-maintenance of Project-wise bank accounts, non-filing of annual report with RoC, etc.**

- **Lack of basic amenities, non-maintenance of prime assets, lack of manpower and non-professional approach to render quality services resulted in alienation of tourists from Company's hotels.**
- **The Company failed to utilise the new fleets for intended purposes which resulted in blocking up of fund.**
- **Poor planning, lack of adequate monitoring and supervision of execution of infrastructure projects resulted in inordinate delays and non-availability of tourist facilities.**