CHAPTER III

3. PERFORMANCE AUDIT RELATING TO STATUTORY CORPORATION

PERFORMANCE AUDIT ON BIHAR STATE ROAD TRANSPORT CORPORATION

Chapter-III

Performance Audit relating to Statutory Corporation

3. Performance Audit on Bihar State Road Transport Corporation

Executive Summary

Introduction

Bihar State Road Transport Corporation (Corporation) was incorporated on 1 May 1959 under section 3 of the Road Transport Corporations Act, 1950 (Act) with mandate to provide efficient, adequate and economical road transport to public. The Corporation had a fleet strength of 414 buses out of which 95 buses were on road as on 31 March 2014. Apart from own buses, the Corporation, without framing any Public Private Partnership (PPP) policy, had implemented a PPP scheme under which private operators were allowed to operate buses on a commission basis.

Financial Performance

The Corporation had finalised its accounts up to the year 2004-05. However, as per provisional accounts, against the paid-up capital of ₹ 101.27 crore, accumulated loss of the Corporation as on 31 March 2014 was ₹ 1395.57 crore.

The State Government (SG) was liable to pay arrear salary of the employees. However, instead of reimbursing the salary to Corporation, the SG made available fund of ₹ 458.77 crore as loan at an interest rate of 15.50 per cent. The Corporation too had accepted the liability and provided for interest of ₹ 251.43 crore on the loan which was avoidable.

Due to non-existence of fare policy and fixation of fare without considering all input costs the Corporation sustained a revenue loss of ₹ 8.63 crore.

Operational Performance

The Corporation could not maintain fleet strength of right age buses despite availability of fund. As a result 54 per cent to 77 per cent of buses could not be plied and the Corporation sustained a revenue loss of ₹ 165.30 crore.

Against the All India Average of 93.52 per cent, the fleet utilisation of the Corporation varied from 35 per cent in 2009-10 to 23 per cent in 2013-14 as a result of which the Corporation suffered a contribution loss of ₹ 15.50 crore.

The Vehicle Productivity of the Corporation ranged between 232 Kilometer (K.M) to 205 K.M per day which was much below the All India Average of 374.18 K.M per day and the Corporation's own target of 280 K.M per day. As a result, the Corporation sustained a revenue loss of ₹ 25.16 crore.

The revenue from operation of buses on 17 per cent to 34 per cent routes were not meeting even the variable cost during 2009-14 due to poor route planning. As a result, the Corporation sustained a revenue loss of ₹ 1.09 crore.

The KMPL achieved by the Corporation was much below the All India Average Kilometre per Litre (KMPL) of 5.06 to 5.16. This resulted in extra expenditure of ₹ 11.51 crore.

The Corporation incurred excess expenditure of ₹ 2.49 crore due to fictitious exhibition of dead K.M.

PPP Scheme

The Corporation implemented operation of buses under PPP scheme without framing any PPP policy.

The Corporation failed to pursue and/or secure the realisation of subsidy amounting to ₹ 9.37 crore from the State Government and to adjust the same from the dues of ₹ 21.06 crore from the defaulting private operators.

Due to short charging of revenue in case of inter-state buses, the Corporation sustained revenue loss of ₹ 1.35 crore.

Non-implementation of PPP agreement relating to charging of commission resulted in a revenue loss of ₹ 1.01 crore to the Corporation.

The Corporation failed to check unauthorised operation of buses by private operators and remained deprived of revenue of ₹ 1.02 crore

The Corporation suffered a revenue loss of ₹ 61 lakh due to non-inclusion of minimum Vehicle Productivity clause in the PPP agreements as well as poor monitoring of operations of buses.

Internal Control

The Internal Control System and Management Information System (MIS) prevalent in the organisation was deficient. Despite having internal audit wing, no regular audit was conducted during last five years ending 31 March 2014.

Conclusion

The Corporation suffered revenue loss of ₹ 8.63 crore due to lack of fare policy and deficient fare fixation.

The Corporation, notwithstanding the availability of fund, failed to strengthen its fleet strength comprising of overaged buses and thus failed to fulfil its objective of providing adequate and well co-ordinated transport system to the public at large which had affected its operational performance.

The Corporation suffered a revenue loss of ₹ 13.72 crore due to deficient PPP agreements and poor monitoring.

The Internal control system prevalent in the Corporation was deficient.

Introduction

3.1 Bihar State Road Transport Corporation (Corporation) was incorporated on 1 May 1959 by the Government of Bihar under Section 3 of the Road Transport Corporations Act, 1950 (Act) as a wholly owned Corporation of the State Government. The Corporation is mandated to provide an efficient, adequate, economical and properly co-ordinated Road Transport.

The Corporation is under the administrative control of Transport Department of the Government of Bihar. As on 31 March 2014, the Corporation had a fleet strength of 414 buses. Out of 414 buses, number of on-road buses which was 145 in 2009-10 decreased to 95 in 2013-14. Neither the State Government nor the Corporation had formulated any Public Private Partnership (PPP) policy. However, the Corporation had implemented a scheme under PPP. Under the said scheme, the Corporation permits private operators to ply their buses on notified routes with road permits issued in the name of the Corporation on a commission basis. Thus under the PPP scheme, the Corporation, in effect, had let out the use of its road permits only.

According to section 38(1) of the Act, if the State Government is of opinion that a Corporation established by that Government is unable to perform the duties imposed on it under the Act, the State Government may with the previous approval of the Central Government supersede the Corporation for such period as specified in the notification. In exercise of Section 38(1) of the Act, the State Government dissolved the Board of the Corporation and appointed an administrator (October 1999) for a period of four years which expired on 11 October 2003. The Government extended (December 2013) the aforementioned supersession period from 12 October 2003 to 31 March 2014. During the period 2009-14, the Administrators were appointed to hold the post as additional charge.

The Corporation had finalised its accounts up to the year 2004-05 and the accounts for the years from 2005-06 were in arrears. As per the latest finalised accounts, as against the paid-up capital of ₹ 101.27 crore, accumulated loss of the Corporation as on 31 March 2005 stood at ₹ 841 crore. As per the provisional accounts, the Corporation incurred loss of ₹ 385.61 crore during last five years ending 31 March 2014 and accumulated loss of the Corporation as on 31 March 2014 stood at ₹ 1395.57 crore which had completely eroded the paid-up capital of ₹ 101.27 crore. Financial position and working results of the Corporation is given in ***Annexure- 3.1***.

Organisational set-up

3.2 The Management of the Corporation is vested in the Administrator of the Corporation who is assisted by Chiefs of Administration, Operation, Vigilance, Accounts, Purchase and Stores and Chief Mechanical Engineer at Headquarters, seven Divisional Managers, 17 Depot Superintendents and two Works Managers in the field units. Organisational chart is given in ***Annexure-3.2***

Audit Objectives

3.3 The objectives of the Performance Audit were to assess:

- whether the Corporation was able to augment its financial resources, raise claims and utilise the same properly;
- whether the Corporation maintained the required fleet strength and utilised the same in efficient and economical manner;

- whether the PPP agreements adequately provided for safeguarding the interests of the Corporation and clauses thereof were implemented properly;
- the effectiveness of Internal Control System prevalent in the Corporation and monitoring by the top management for accomplishment of the organisational goal.

Audit Criteria

3.4 The Audit criteria adopted for assessing the achievement of audit objectives were:-

- performance standards and operational norms fixed by the Association of State Road Transport Undertakings (ASRTU);
- physical and financial target/norms fixed by the Management;
- manufacturer's specifications, norms for life of bus, preventive maintenance schedule, fuel efficiency norms, etc.;
- instructions of the Government of India (GoI) and the State Government and other relevant rules and regulations;
- procedure laid down by the Corporation in respect of operation of buses, tariff collection, etc.; and
- orders of Hon'ble Supreme Court of India with respect to transportation activities.

Audit Scope and Methodology

3.5 The activities of the Corporation were last reviewed and incorporated in the Reports of Comptroller and Auditor General of India (Commercial), Government of Bihar for the year ended 31 March 2006 and 31 March 2009 which are yet to be discussed (November 2014) by the Committee on Public Undertakings (CoPU).

The present Performance Audit, conducted during the period 25 February to 05 July 2014 covered the overall performance of the Corporation for the last five years ending 31 March 2014. This Performance Audit deals mainly with the operational efficiency, financial management including fare policy, fulfillment of social obligations and Management Information System (MIS). Four[1] out of seven[2] divisions (including 13 depots of these divisions), central workshop and Headquarters of the Corporation were selected on the Random Sampling basis for detailed audit scrutiny.

An entry conference was held on 19 February 2014 to apprise the Government and the Management about the audit objectives of performance audit. The audit findings were reported (July 2014) to the Government/Corporation. The exit conference was held on 28 August 2014 which was attended by the Additional Secretary, Department of Transport, Government of Bihar and

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1 Gaya, Patna, Muzaffarpur and Bhagalpur.
2 Gaya, Patna, Muzaffarpur, Bhagalpur, Chapra, Purnea and Darbhanga.

Administrator of the Corporation. The reply of the Corporation has been incorporated. The reply of the Government was not received. The views expressed by the Government in exit conference have been suitably incorporated.

Audit methodology for attaining the audit objectives with reference to the audit criteria consisted mainly of explaining audit objectives to the management, scrutiny of records at Head office and selected units, interaction with the auditee personnel, analysis of data with reference to available norms, raising of audit queries, discussion of audit findings with Management and issue of Draft Performance Audit Report to Government/Corporation for their comments.

Audit Findings

Financial Performance

3.6 The Corporation had finalised its accounts up to the year 2004-05 and the accounts for the years from 2005-06 were in arrears. The gist of Financial Position and Working Results of the Corporation are given in the table 3.1 and 3.2:-

Financial position and Working Results
Table No 3.1

Financial Position **(Provisional figures: ₹ in crore)**

Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
Capital	101.27	101.27	101.27	101.27	101.27
Borrowings & Fund	306.03	427.37	556.72	556.72	556.72
Trade dues and other current liabilities	1212.23	922.53	711.77	746.18	834.58
Total	**1619.53**	**1451.17**	**1369.76**	**1404.17**	**1492.57**
Net fixed assets	37.00	32.00	27.00	22.00	17.00
Current assets, loans & advances	495.90	325.39	149.75	88.00	80.00
Accumulated loss	1086.63	1093.78	1193.01	1294.17	1395.57
Total	**1619.53**	**1451.17**	**1369.76**	**1404.17**	**1492.57**

Table No. 3.2

Working Results **(Provisional figures: ₹ in crore)**

Description	2009-10	2010-11	2011-12	2012-13	2013-14
Total Revenue	22.23	19.56	31.38	26.00	21.06
Operating Revenue	19.50	19.56	21.03	18.00	13.13
Total Expenditure	85.72	39.89	130.61	127.16	122.46
Operating Expenditure	49.54	36.93	40.98	29.46	25.76
Operating Profit/ Loss	-30.04	-17.37	-19.95	-11.46	-12.63
Profit/ Loss for the year	-63.49	-20.33	-99.23	-101.16	-101.40

(Source: Data furnished by the Corporation)

It would be seen from the table above that the Corporation was not able to recover its operational cost during 2009-14 and the loss incurred by the Corporation increased from ₹ 63.49 crore in 2009-10 to ₹ 101.40 crore in 20013-14.

The Corporation failed to prepare any Annual Plan/Annual Budget necessary for exercising financial control and/or to acquire required asset. Further in contravention of Section 32 of Road Transport Corporations Act, 1950, the Corporation did not prepare any budget estimate in the last five years during 2009-14.

Undue creation of Avoidable Liability

3.6.1 It may be seen from the ***Annexure-3.1*** that, the reason for total loss of ₹ 385.61 crore incurred during the period 2009-14, was mainly attributable to the interest provision of ₹ 251.43 crore on Government loans during the said period.

The Hon'ble Supreme Court of India in its orders dated 12.8.2008 had directed the Government of Bihar and the Government of Jharkhand for payment of arrears of salary to staff as under:

(a) The State Government of Bihar and Jharkhand would be liable to pay the arrears of salary to the employees.

We observed that the Government of Jharkhand paid (November 2009 to March 2010) a sum of ₹ 96.65 crore to the Corporation against its share. However, the Government of Bihar, instead of owning up the liability for payment of salary, disbursed (during January 2009 to July 2011) a sum of ₹ 458.77 crore to the Corporation as a loan at an interest rate of 15.50[3] *per cent.* Thus, the Government in effect had actually transferred its liability to the Corporation. The Corporation too in disregard to its crumbling financial position and in contempt of Hon'ble Supreme Court's order did not take up the issue with the Government and accepted avoidable liability on account of Government loan. The total interest burden on this loan over the last five years ending March 2014 stood at ₹ 251.43[4] crore which remained unpaid till date (November 2014).

(b) Apart from above, the State Government of Bihar and Jharkhand had to reimburse the amount of ₹ 77.47 crore paid by the Corporation to its employees during the period July 2004 to February 2009 in the ratio of 65 and 35 respectively.

We observed that the Government of Jharkhand had reimbursed (February 2012) its share of ₹ 27.12 crore to the Corporation. However, the Government of Bihar did not reimburse its share of ₹ 50.35 crore to the Corporation. The Corporation too did not take effective steps to recover the amount from the Government of Bihar.

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[3] Interest rate at a rate of 13 *per cent* per annum plus 2.5 *per cent* penal interest in case of default in payment. The Corporation had defaulted in payment of interest on aforesaid Government loan.

[4] Interest appearing in provisional accounts on principal amount of ₹ 458.77 crore.

The Corporation and the Government while accepting the audit findings in exit conference stated (August 2014) that necessary action would be taken for reimbursement of ₹ 50.35 crore.

Fare Policy of the Corporation

3.6.2 Under Section 67 of Motor Vehicles Act, 1988, the power to fix fare in respect of stage carriage operation in the State and their periodic revision is vested with the State Government. Power to fix fares by the Corporation at its own level on sound business principle was delegated (1998) to the Corporation by the State Government. It was observed that during 2009-10 to 2013-14, the Corporation revised fare thrice with effect from 20 May 2009, 11 October 2010 and 9 October 2012.

Due to lack of fare policy and deficient fare fixation, the Corporation suffered revenue loss of ₹ 8.63 crore

At each revision of tariff, increase in high speed diesel (HSD) price only was considered without linking to other input costs (i.e. tyres, spares, lubricants, depreciation, taxes etc.). Failure on the part of the Corporation to fix fare without taking into consideration other input costs resulted in a revenue loss of ₹ 8.63 crore to the Corporation as detailed in the ***Annexure- 3.3.***

The Corporation stated (September 2014) that the fare of the corporation buses was fixed on the basis of notification of the Transport Department, GoB. The reply is not acceptable since the State Government had already delegated (1998) the power of fare revision to the Corporation and the Corporation had in effect, revised the fare on a number of occasions[5] thereafter.

Recommendation: We recommend that the Corporation, in order to revive itself as well as to augment its financial resources, needs to judiciously utilise its financial resources, observe the canons of financial propriety and take up the matter of conversion of loan into equity/ grant and/or other financial assistance with the State Government.

Operational Performance

3.7 The operational performance of the Corporation for the last five years ending 31 March 2014 is given in the Table no. 3.3. The operational perormance of the Corporation was evaluated on the basis of various operational parameters regarding age profile of vehicles, fleet utilisation, vehicle productivity, load factor, fuel consumption, dead kilometers, repair and maintenance, etc. fixed by the ASRTU/ Corporation.

[5] The Corporation *suo motto* had revised the fare on three occasions during the period 2009-14.

Table No. 3.3

Sl. No.	Particulars[6]	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Total No. of vehicles held at the end of the year	414	414	414	414	414
2.	Average number of vehicles on road	145	171	170	129	95
3.	Percentage of utilisation of vehicles (in *per cent*)	35	41	41	31	23
4.	Number of employees at the end of the year	2036	1765	1516	1204	920
5.	Employee vehicle ratio (4÷2)	14.04	10.32	8.92	9.33	9.68
6.	Number of routes operated at the end of year	163	131	132	108	111
7.	Route Kilometres	32218	23916	22476	20164	22376
8.	Kilometres operated (in lakh) Gross Effective Dead	 126.46 122.48 3.98	 143.78 138.35 5.43	 145.18 136.94 8.24	 108.57 100.65 7.92	 75.37 70.91 4.46
9.	Percentage of dead kilometres to gross Kilometres	3.15	3.78	5.68	7.29	5.92
10.	Average kilometres covered per bus per day	232	222	221	214	205
11.	Average revenue[7] per Kilometres (₹)	15.92	14.14	15.36	17.89	18.52
12.	Number of operating depots	17	17	17	17	17
13.	Average number of breakdown per ten thousand kilometers	0.03	0.026	0.221	0.36	0.39
14.	Average number of accidents per lakh kilometres	0.04	0.076	0.013	0.10	0.07
15.	Passenger kilometres operated (in crore)	1.22	1.38	1.37	1.01	0.71
16.	Occupancy ratio (Load Factor)	65	64	64	69	76

(Source: Data furnished by the Corporation)

Audit findings in this regard are discussed in the subsequent paragraphs:

6 Excludes hired buses.
7 Operating Revenue/Traffic Revenue ÷ Effective Kilometers operated.

Fleet Strength and its Age Profile

3.7.1 The Association of State Road Transport Undertaking (ASRTU) had prescribed (September 1997) the desirable age of a bus as eight years or five lakh kilometers, whichever was earlier. The Corporation had a fleet strength of 414 buses. There was no addition in fleet strength after 2005-06 and the Corporation was not able to achieve the norm of right age buses during the period 2009-14. To achieve the norm of right age buses, the Corporation was required to buy 414 buses additionally which would have cost it around ₹ 75.45[8] crore. We observed that in spite of availability of specific/spare funds of ₹ 34.45 crore for purchase of buses and ₹ 50.35 crore being recoverable from Government of Bihar as reimbursement of salary paid by the Corporation during the period 2004-07 in view of order of Hon'ble Supreme Court (August 2008), the Corporation failed to utilise the available funds judiciously and/or realise the balance recoverable from GoB. Details of buses held are given in the ***Annexure-3.4***.

Corporation sustained loss of revenue due to non-replacement of over-age fleet

It would be seen from the annexure that due to overage, buses became off road frequently and 54 *per cent* to 77 *per cent* of buses could not be plied. As a result of not plying of over-age buses on the roads, the Corporation sustained a revenue loss of ₹165.30 crore during the period 2009-14.

The Government accepted the Audit observation in exit conference (August 2014).

Recommendation: We recommend that the Corporation needs to strengthen its fleet strength replacing its over-aged buses by purchasing new buses through effective management of financial resources.

Fleet Utilisation

3.7.2 Fleet utilisation represents the ratio of buses on road to the buses held by the Corporation. The details of buses held and their utilisation are given in the table below:

Table No: 3.4

Sl. No	Particulars[9]	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Total no. of buses at the beginning of the year	414	414	414	414	414
2.	Average no. of Vehicles on road	145	171	170	129	95
3.	Target for Fleet utilisation (71 *per cent* of total fleet)	294	294	294	294	294
4.	Shortfall in utilisation (3-2) (No. of buses)	149	123	124	165	199

[8] The cost of acquisition of additional 414 buses have been worked out at a rate of ₹ 14 lakh to ₹ 23 lakh per bus.

[9] Excludes hired buses.

5.	Vehicle productivity (KMs run *per* day *per* bus)	232	222	221	214	205
6.	Loss due to low fleet* utilisation (₹ in crore)	5.87	2.04	2.26	3.33	2.00

(Source: Data furnished by the Corporation)

The Corporation failed to achieve its fleet utilisation target of 71 *per cent* and suffered a contribution loss of ₹ 15.50 crore

It would be seen from the table above that against the All India Average[10] of 93.52 *per cent*, the fleet utilisation of the Corporation varied from 35 *per cent* in 2009-10 to 23 *per cent* in 2013-14. Even the fleet utilisation of the Corporation was much below the own target of 71 *per cent* set by the Corporation. The reasons for low fleet utilisation was mainly attributable to shortage of crew, breakdowns, shortage of tyres and overhauling engine defects, etc. and were controllable by the Corporation. However, the Corporation failed to make any effort for recruitment of crew, purchase of spares and to adhere to maintenance schedules for increasing vehicle utilisation as a result of which the Corporation suffered a contribution loss of ₹ 15.50 crore on account of low fleet utilisation.

The Corporation stated (September 2014) that the reason for low percentage of fleet utilisation was inclusion of 193 buses in the fleet which were in the process of condemnation. The reply is not acceptable as the Corporation had initiated action for condemnation of identified buses in June 2014 after completion of Performance Audit and the buses are yet (November 2014) to be declared as condemned.

Vehicle Productivity

3.7.3 Vehicle Productivity refers to the average kilometers (KM) run by each bus *per* day in a year. The vehicle productivity of the Corporation for the five years ending March 2014 is shown in the table below.

Table No: 3.5

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Average no. of Vehicles on road	145	171	170	129	95
2.	Vehicle productivity (KM run *per* day *per* bus)	232	222	221	214	205
3.	Vehicle productivity (Norms of Corporation)	280	280	280	280	280
4	Traffic Revenue per KM (in ₹)	15.92	14.14	15.36	17.88	18.52

* Loss due to low fleet utilisation = (target fleet utilisation – fleet utilised) × vehicle productivity × 365 × contribution.

10 All India Average for the year 2009-13 was as per ASRTU's Report.

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
5.	Loss[11] of revenue due to less vehicle productivity (₹ in crore)	4.04	5.12	5.62	5.56	4.82

(Source: Data furnished by the Corporation)

The Corporation could not achieve its vehicle productivity target of 280 KM per day and sustained a revenue loss of ₹ 25.16 crore

It can be seen from the table above that vehicle productivity of the Corporation decreased from 232 in 2009-10 to 205 in 2013-14. As against the All India Average of Vehicle productivity of 374.18 KM *per* day, the vehicle productivity of the Corporation was much on the lower side during the period 2009-10 to 2013-14. Further, failure of the Corporation to meet its own vehicle productivity target of 280 KM per day resulted in a revenue loss of ₹ 25.16 crore to the Corporation.

The reasons for shortfall in vehicle productivity were non-operation of all the routes, deficient route planning and cancellation of schedules, etc (as discussed in Paragraphs **3.7.4 and 3.7.5**). No effective measures were taken by the Corporation to improve vehicle productivity.

Load Factor/Occupancy Ratio

3.7.4 Capacity utilisation of a transport undertaking is measured in terms of Load Factor, which represents the percentage of passengers carried to seating capacity. The schedules to be operated are to be decided after proper study of routes and periodical reviews are necessary to improve the load factor. The table below shows the load factor and the loss incurred by the Corporation due to low occupancy/load factor for the period from 2009-10 to 2013-14.

Table No. : 3.6

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13	2013-14
1.	Load Factor (*per cent*)	65	64	64	69	76
2.	Traffic Revenue (₹ in crore)	19.50	19.56	21.03	18.00	13.13
3.	Traffic Revenue at targeted 80 *per cent* Load Factor (₹ in crore)	24.00	24.45	26.28	20.87	13.82
4.	Loss of Revenue due to low occupancy/Load Factor (₹ in crore)	4.50	4.89	5.25	2.87	0.69

(Source: Data furnished by the Corporation)

It may be seen from the table above that the load factor of the Corporation ranged from 64 *per cent* in 2010-11 to 76 *per cent* in 2013-14 which was lower than the standard Load Factor of 80[12] *per cent* of seating capacity fixed

[11] Loss of revenue due to less vehicle productivity = (Corporation's own target of 280 per KM - Corporation's Effective KM) x Revenue per KM x 365 x on road buses.

[12] On the basis of the target of the load factor of 80 *per cent* adopted by the Corporation for fixation of fares for its buses.

by the Corporation. As a result Corporation failed to meet its own target of 80 *per cent* of load factor.

The main reasons for low load factor as analysed by the Corporation were permission granted by the State Government to run private buses on the same route, leakage of passenger revenue due to ticketless travellings, plying of buses on uneconomical routes and frequent breakdown of buses on account of inadequate servicing/maintenance due to unskilled workers, overage buses, etc. No serious efforts were made by the Corporation to arrest the declining load factor of the buses.

The Corporation could not meet its own capacity utilisation target of 80 *per cent*

The Corporation stated (September 2014) that despite ageing fleet and some less profitable routes, the Corporation was making efforts to utilise the seating capacity of buses to the maximum. The reply of the Corporation is not acceptable as it failed to achieve its own Occupancy Target of 80 *per cent*.

Route Planning

3.7.5 As the Corporation did not have sufficient number of buses to operate on all routes, it was incumbent upon the Corporation to resort to appropriate route planning so as to achieve higher load factor. We observed that the Corporation failed to evolve a sound route plan to improve the load factor and in turn augment the revenue of the Corporation. The details of schedules operated and profitability are given in the table below:

Table No: 3.7

Year	Total No. of schedules	No. of schedules meeting variable cost	No. of schedules not meeting variable cost	Loss of revenue due to schedules not meeting variable cost (₹ in lakh)
2009-10	184 (100)	152 (83)	32 (17)	7.83
2010-11	195 (100)	165 (85)	30 (15)	11.11
2011-12	159 (100)	138 (87)	21 (13)	6.48
2012-13	129 (100)	90 (70)	39 (30)	40.48
2013-14	97 (100)	64 (66)	33 (34)	42.89
			Total	**108.79**

(Source: Data furnished by the Corporation and Figures in bracket indicate the percentage)

Lack of route planning caused a revenue loss of ₹ 1.09 crore to the Corporation

It would be seen from the table above that percentage of routes not meeting the variable cost increased from 17 *per cent* in 2009-10 to 34 *per cent* in 2013 -14. As a result of poor route planning, the Corporation sustained a revenue loss of ₹ 1.09 crore.

The Corporation stated (September 2014) that the buses were being operated on routes as per existing permits and efforts were being made to rationalise it. The reply is not acceptable since the vehicles could have been utilised on profitable routes through sound route planning.

3.7.6 A review of the operations of eleven depots of the Corporation indicated that the scheduled kilometres were not fully operated mainly due to non-availability of adequate number of buses, shortage of crew, breakdowns, accidents, shortage of tyres, etc. as indicated in the ***Annexure- 3.5.***

Cancellation of scheduled kilometers led to contribution loss of ₹ 15.04 crore

It would be seen from the ***Annexure-3.5*** that 86 to 90 *per cent* of inoperative KM was mainly attributable to cancellation of schedules due to shortage of buses and crew. The buses of the Corporation were not roadworthy. The Corporation failed to evolve any plan to exclude these buses from fleet strength and replace them by new buses. Besides, it also failed to engage the required crew. Thus, lack of planning on the part of the Corporation resulted in a contribution loss of ₹ 15.04 crore to the Corporation.

Manpower Cost

3.7.7 Manpower is an important element of cost and it alone constituted 17.84 *per cent* of the total expenditure of the Corporation during the period 2009-14. The percentage of manpower cost to total expenditure of the Corporation in the year 2009-10 and 2010-11was as high as 29.98 *per cent* and 46.15 *per cent* respectively. Manpower cost registered a sharp decline in the subsequent years which was mainly attributable to employees turnover and accountal of Interest for Government loan from 2011-12 onwards. To keep the manpower cost under control, it was incumbent on the Corporation to utilise its manpower optimally to achieve higher manpower productivity. The details pertaining to manpower, its cost and productivity is indicated in ***Annexure-3.6.***

Manpower productivity of the Corporation was much below the All India Average

It is evident that manpower productivity during last five years ending March 2014 ranged from 16.48 KM to 24.75 KM which was much below the All India Average[13] manpower productivity of 65.56 KM during the period 2009-13. Further, manpower per bus, as compared to the All India norms of manpower per bus of 5.71 during the period 2009-14, was basically high in the range of 8.92 to 14.04 during the said period.

The Corporation stated (September 2014) that due to overage of the buses, percentage of off road buses increased and KM per person remained low as compared to the national average. The reply confirms that the failure to induct new buses resulted in lower manpower productivity.

Fuel Cost

3.7.8 Fuel cost is an important element of cost and on an average it constituted 12.53 *per cent* of the total expenditure during the period 2009-14. Control of fuel costs by a road transport undertaking has a direct bearing on its profitability. The targets fixed by the Corporation for fuel consumption, actual consumption, mileage obtained per litre (Kilo metre per litre i.e. KMPL), All India Average and estimated extra expenditure are given in ***Annexure-3.7.***

[13] Average of Manpower Productivity has been worked out on the basis of ASRTU Manpower Productivity for the period 2009-2013.

The Corporation incurred excess expenditure of ₹ 11.51 crore due to excess consumption of fuel

It can be seen from the ***Annexure-3.7*** that during the period 2009-14, the Corporation's target of KMPL was much below the All India KMPL (5.06 to 5.16) and KMPL of Uttar Pradesh State Road Transport Corporation (4.92 to 5.33). Further, for the given gross lakh kilometers, fuel consumption was in excess of the All India average norms for fuel consumption which resulted in excess expenditure of ₹ 11.51 crore. The main reasons for excess fuel consumption were old buses, poor maintenance of buses, etc.

The Corporation stated (September 2014) that due to general condition of link road of the State, KMPL was low. Reply is not acceptable as the buses were operated generally either on National Highway or on State Highway and not on link road.

Loss of ₹ 2.49 crore due to fictitious exhibition of Dead Kilometer

3.7.9 Dead Kilometer is the difference of distance between the Gross Kilometers and the Effective Kilometers covered in carrying passengers and as such relates to the distance travelled by the bus from Depot/workshop to bus stand, excess KM travelled due to plying of vehicles through longer route due to unavoidable situations, distance between en-route breakdown and workshop, on account of which no revenue or income accrues to the Corporation. The Corporation had set a norm of two *per cent* as the acceptable norm for dead Kilometer. The details of actual gross KM, effective KM, dead KM, fuel consumed and KMPL achieved by the Corporation during the period 2009-14 is indicated in the table below:-

Table No: 3.8

Description	Years					
	2009-10	2010-11	2011-12	2012-13	2013-14	Total
Actual Gross KM(in lakh KM)	126.46	143.78	145.18	108.57	75.37	599.36
Effective KM (in lakh KM)	122.48	138.35	136.94	100.65	70.91	569.33
Dead KM (in lakh KM)	3.98	5.43	8.24	7.92	4.46	30.03
Dead KM of Gross KM (in *per cent*)	3.15	3.78	5.68	7.29	5.92	5.01

(Source: Data furnished by the Corporation)

It may be seen from the table above that as against the norm of two *per cent* for dead Kilometer, the actual dead KM of the Corporation during the period 2009-14 ranged from 3.15 *per cent* to 7.29 *per cent*. While the percentage of dead KM in five[14] divisions were well within the norms, in Bhagalpur division, dead KM was little higher than the target (3.06 to 3.65 *per cent*). However, in the Muzaffarpur Division it was abnormally higher and ranged between 6.47 *per cent* and 18.47 *per cent.*

[14] Patna, Gaya, Chapra, Darbhanga and Purnea.

Scrutiny of records of Muzaffarpur Division i.e. 'Form B registers' in which operational data is compiled at the depot level revealed that:-

- reason, if any, for dead KM was not entered in the register.
- reason, if any, for resorting to longer routes by the driver was also not recorded.
- In Motihari depot of the division, dead KM was drastically reduced (April 2013) with the change of Depot Superintendent.
- Gross KM shown by Muzaffarpur depot ranged between 194 and 202 KM which was higher than the KM shown by the buses of other depots (166 KM) between same places (e.g. Patna to Muzaffarpur).

The Corporation incurred excess expenditure of ₹ 2.49 crore due to fictitious exhibition of dead KM

We observed that dead KM was exhibited in the said 'Form B' without any justification. Possibility of misappropriation cannot be ruled out and it needs investigation. As such Muzaffarpur Division incurred excess expenditure to the tune of ₹ 2.49 crore on account of dead KM during the period 2009-14.

The Corporation stated (August 2014) that the case was being examined in the light of audit observation. Action will be taken accordingly.

Proceeds from Sale of Scrap

3.7.10 A mention was made in paragraph 3.20.5 of the Audit Report of the Comptroller and Auditor General of India (Commercial), Government of Bihar, for the year ended 31 March 2009 that as per revival scheme (1996) submitted by a committee appointed by the Supreme Court of India, a sum of ₹ 12 crore was to be raised through disposal of condemned buses and scrap. The funds so raised were to be utilised for purchasing 133 new buses.

The Corporation failed to utilise the available fund of ₹ 11.17 crore for purchase of 48 new buses.

We observed that the Corporation disposed off 746 condemned vehicles during the period 2009-12 and raised funds to the tune of ₹ 11.17 crore. However, the sale proceeds amounting to ₹ eight crore realised from disposal of condemned vehicles were lying in term deposits with bank for over two to four years. The Corporation failed to utilise these funds for acquisition of 48 new buses so as to mitigate the Corporation's requirement of 414 new buses during the period 2009-14 as already pointed out in Paragraph 3.7.1.

The Corporation stated (September 2014) that the process for purchase of buses has been initiated.

Recommendation: We recommend that the Corporation, in order to improve its operational performance, needs to improve its fleet utilisation, endeavour to achieve its Vehicle Productivity target, Occupancy Ratio, ply buses on profitable routes through proper route planning, reduce fuel cost and manpower cost through effective monitoring and supervision.

Public Private Partnership Scheme

The Corporation implemented PPP Scheme without framing any PPP policy

3.8 To augment revenue and to check illegal operation by the private operators on notified routes, the Corporation, without framing any PPP policy, started (December 2009) a Public Private Partnership (PPP) scheme for operation of buses (including buses owned by the Corporation) on nationalised routes by private operators on a fixed commission basis. The scheme, thus, included operation by private operators of buses owned by the operators, as well as by the Corporation.

Operation of private buses by operators

3.8.1 Under this PPP scheme, permits were to be obtained for buses of private operators in the name of Corporation. There was no competition in getting permits and tenderers, who had submitted security deposit and papers relating to the ownership of buses, were allowed to operate buses under the said scheme after entering into agreements with them. Thus, the Corporation in effect, had let out the use of its road permits. As on 31 March 2014, there were 435 buses operating under this scheme.

Test check of 97 out of 180 agreements, entered into between the Corporation and the operators for operation of buses, revealed three major deficiencies viz., deficient agreement, non-adherence to the clauses of PPP agreements and poor monitoring which are discussed below:

The Corporation did not pursue the subsidy of ₹ 9.37 crore from the State Government

- As per the agreements, the commission was to be recovered from the operators in advance. However, due to non-observance of the terms of agreements, the Corporation could not recover a sum of ₹ 21.06 crore from the defaulting operators. Besides, the Corporation did not pursue the recovery of subsidy of ₹ 9.37 crore from the State Government and thus failed to adjust the same from the recoverable dues on account of commission to that extent.

  The Corporation stated (September 2014) that for realisation of dues, certificate cases were filed in different Certificate Courts. Further, as regards the subsidy, there was no Government notification to give subsidy to private buses.

  The reply is not acceptable since certificate cases for recovery of ₹ 1.56 crore only had been filed by the Corporation till date (November 2014). As regards the issue relating to subsidy, the records of the State Government revealed that provision was made for subsidy under PPP Scheme.

Short charging of commission resulted in revenue loss of ₹ 1.35 crore

- As per agreements the commission was to be charged for each trip as provided in the road permits. However, the Corporation did not raise the demand for commission amounting to ₹ 1.35 crore and realise the same from the private operators in respect of return trip from Jharkhand.

Under charging of commission resulted in revenue loss of ₹ 1.01 crore

- As per the agreements, commission was to be charged on total income calculated on the basis of end to end fare of total seating capacity of the bus. As such the commission was to be charged on the basis of fare charged by the operator from passengers. However, the Corporation charged commission on the amount lower than the fare charged by the operators and as a result sustained revenue loss of ₹ 1.01 crore.

The Corporation did not check unauthorised plying of buses and suffered revenue loss of ₹ 1.02 crore

- On Patna-Madhubani route, permit for one bus was obtained against which, three buses were being operated by the operator unauthorisedly. Similarly one bus was being operated by the operator on Patna - Jogbani route without any permit. The Corporation could not check the unauthorised[15] operation of buses by M/s Girish Infrastructure Limited, Hyderabad on two above routes and as a result suffered loss to the tune of ₹ 1.02 crore.

Operation of Corporation' buses by private operators

3.8.2 To overcome the manpower crisis, operation of old buses and leakage of revenue caused by ticketless traveling, etc., the Corporation launched two schemes viz. Sajhedari[16] scheme and Income per Effective Kilometer (IPEKM[17]) scheme for operation of buses by private operators.

The Corporation failed to recover dues of ₹ 36 lakh

- The Corporation failed to recover its share of revenue income from 12 private operators in respect of three[18] divisions amounting to ₹ 36 lakh during the period September 2012 to January 2014. The operators have stopped the operation and as such the chances of recovery of the dues had became remote.

Due to deficient agreement, Corporation suffered a revenue loss of ₹ 61 lakh

- The PPP agreements in respect of operation under IPEKM were defective since it did not stipulate the minimum kilometers to be operated by the operators. Due to non-inclusion of minimum vehicle productivity clause in the PPP agreement as well as poor monitoring of operation of buses by Corporation, the Corporation suffered a loss of ₹ 61 lakh worked out on the basis of Private Operator's non-attainment of Corporation's actual average vehicle productivity during the period 2009-10 to 2013-14**.**

The Corporation stated (September 2014) that due to vehicles being very old, their operation could not be done as per the norms. Reply is not acceptable as the Corporation had not included the target regarding vehicle efficiency in the agreement.

Recommendation: We recommend that the Corporation, in order to safeguard its financial interest in operation of buses under PPP mode, needs to frame standard form of agreement, adhere to the clauses of PPP agreements and arrest the leakage of revenue through effective monitoring and supervision.

Internal Control System and Monitoring by the Top Management

3.9 Internal control is a management tool used to provide reasonable assurance that management's objectives are being achieved in an efficient, effective and orderly manner. For an organisation like Road Transport Corporation there has to be written norms of operation, service standards and target. Further, there

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15 Operation of buses without valid permit.

16 A scheme under which ownership of the buses, subject to conditions, was to be transferred to the private operators.

17 Under IPEKM scheme private operator was to operate buses in lieu of payment of fixed income per effective KM covered.

18 Muzaffarpur, Patna and Gaya.

should be a Management Information system (MIS) to report on achievement of targets and/or norms. The achievements/performance of the organisation should be reviewed to find out the deviations, if any, from the set norms/standards for fixation of responsibility in respect thereof and for taking remedial measure. Further, the set target/norm should be realistic so as to make the organisation self-reliant. A review of Internal Control System prevalent in the organisation revealed that:

- the Corporation failed to formulate any functional operational manuals;
- the Divisions and Depots did not have any details of work executed by the outside agency;
- basic records like fixed assets register were not being maintained. There was no system of physical verification of stores annually. Physical verification has not been done since 2005-06; and
- The Corporation had an internal audit wing. The internal audit report was to be submitted to the Administrator through Chief of Operation who was in charge of internal audit. However, as against the sanctioned strength of 26, no official was posted in the said wing. Further, no regular audit was conducted during last five years ending 31 March 2014.

The internal control system and MIS was deficient

Thus, Internal Control System prevalent in the organisation as well as monitoring by top Management was deficient. No reply was furnished by the Corporation.

Recommendation: We recommend that the Corporation, in order to ensure economy, efficiency and effectiveness in its operation, needs to strengthen its Internal Control System by formulating functional manuals, setting service standards, MIS etc. together with effective monitoring and supervision by the Top Management.

Conclusion

- **The Corporation did not have a fare policy. Fare fixation was done only with respect to increase in HSD prices and without regard to the increase in other input costs. Due to deficient fare policy alone, the Corporation was deprived of the potential revenue of ₹ 8.63 crore.**
- **The Corporation, notwithstanding the availability of fund, failed to strengthen its fleet strength comprising of over aged buses and thus failed to fulfil its objective of providing adequate and well co-ordinated transport system to the public at large which had affected its operational performance.**
- **As a result of deficient PPP agreements, failure on the part of the Corporation to safeguard its financial interests and poor monitoring, the Corporation suffered a revenue loss of ₹ 13.72 crore.**
- **The Internal control system prevalent in the Corporation was deficient. The Corporation did not prepare annual plan, annual budget. Beside, monitoring by top management of key operational parameters was deficient and Internal Audit Wing was almost non-operational.**