CHAPTER – VI
GOVERNMENT COMMERCIAL AND TRADING ACTIVITIES

6 General

This chapter deals with the results of audit of Government companies and departmentally managed commercial undertakings.

Paragraphs 6.1.1 to 6.1.16 give an overview of Government companies and departmentally managed commercial undertakings, paragraph 6.2 contains review on the working of Arunachal Pradesh State Transport Services, and paragraphs 6.3 to 6.6 deal with miscellaneous topics of interest.

6.1 Overview of Government companies and departmentally managed commercial undertakings

6.1.1 Introduction

As on 31 March 2004 there were five Government companies (three working companies and two non-working companies[#]) and two departmentally managed commercial undertakings *viz.*, State Transport Services and State Trading Scheme as against same number of Government companies and departmentally managed commercial undertakings as on 31 March 2003 under the control of the State Government. The accounts of the Government companies (as defined in Section 617 of Companies Act, 1956) are audited by Statutory Auditors who are appointed by the Comptroller and Auditor General of India (CAG) as per provisions of Section 619(2) of the Companies Act, 1956. These accounts are also subject to supplementary audit conducted by the CAG as per provisions of Section 619 of the Companies Act, 1956. The accounts of departmentally managed commercial undertakings are audited solely by the CAG under Section 13 of CAG's (Duties, Powers and Conditions of Service) Act, 1971.

[#] *Non working Government companies are those that are in the process of liquidation/ closure/merger etc.*

Working Public Sector Undertakings (PSUs)

6.1.2 Investment in working PSUs

As on 31 March 2004, the total investment in three working PSUs (Government companies) was Rs.20.14 crore[#] (equity : Rs.8.84 crore and long term loan[Ψ]: Rs.11.30 crore) as against three working PSUs (Government companies) with a total investment of Rs.10.73 crore (equity : Rs.8.84 crore and long term loan : Rs.1.89 crore) as on 31 March 2003.

Increase in investment in 2003-04 as compared to the previous year was mainly due to increase in loans (Rs.9.41 crore) in Forest sector.

The summarised statement of Government investment in the working Government companies in the form of equity and loan is given in **Appendix – XXXIII**.

As on 31 March 2004, the total investment in working Government companies, comprised 43.89 *per cent* of equity and 56.11 *per cent* of loan compared to 82.38 *per cent* and 17.62 *per cent*, respectively as on 31 March 2003.

6.1.3 Budgetary outgo, grants/subsidies, guarantees, waiver of dues and conversion of loans into equity

The details regarding budgetary outgo, grants/subsidies, guarantees issued, waiver of dues, and conversion of loans into equity by the State Government to working Government companies are given in **Appendices – XXXIII and XXXV**.

The budgetary outgo in the form of equity capital and loans and grants/subsidies from the State Government to working Government companies for the three years upto 2003-04 was nil, Rs.22 lakh and nil respectively.

During the year 2003-04, the Government had guaranteed the loans aggregating Rs.12 crore obtained by one working Government company. At the end of the year guarantees amounting to Rs.11.20 crore against two Government companies were outstanding. There was one case of default[β] in repayment of guaranteed loans during the year. One company (Sl. No. 3 of **Appendix – XXXV**) paid guarantee commission amounting to Rs.12 lakh to State Government during 2003-04.

Figure as per Finance Accounts 2003-04 is Rs.7.80 crore, the difference is under reconciliation.

Ψ *Long term loans mentioned in the para 6.1.2 and 6.1.8 are excluding interest accrued and due on such loans.*

β *Sl. No. 3 of Appendix-XXXV.*

6.1.4 Finalisation of accounts by working PSUs

The accounts of the companies for every financial year are required to be finalised within six months from the end of relevant financial year under Section 166, 210, 230, 619 and 619-B of the Companies Act, 1956 read with Section 19 of the Comptroller and Auditor General's (Duties, Power and Conditions of Service) Act, 1971. They are also to be laid before the Legislature within nine months from the end of financial year.

It could be noticed from **Appendix – XXXIV** that none of the three working Government companies had finalised their accounts for the year 2003-04 within the stipulated period. During the period from October 2003 to September 2004, two working Government companies finalised four accounts for previous years.

The accounts of all the three working companies were in arrears for periods ranging from two to 10 years as on 30 September 2004 as detailed below:

Table 6.1

Sl. No.	Number of working Government companies	Year from which accounts are in arrears	Number of years for which accounts are in arrear	Reference to Sl. No. of Appendix-XXXV
1.	1	2002-03 to 2003-04	2	1
2.	1	1999-2000 to 2003-04	5	3
3.	1	1994-95 to 2003-04	10	2

It is the responsibility of the Administrative Departments to oversee and ensure that the accounts are finalised and adopted by the companies within prescribed period. Though the concerned Administrative Departments and officials of the Government were appraised quarterly by the Audit regarding arrears in finalisation of accounts, no effective measures have been taken by the Government, and as a result, the net worth of these Government companies could not be assessed in audit.

6.1.5 Financial position and working results of working PSUs

The summarised financial results of working PSUs (Government companies) as per their latest finalised accounts are given in **Appendix – XXXIV**.

According to the latest finalised accounts of three working Government companies all the three companies had incurred an aggregate loss of Rs.4.22 crore.

6.1.6 Loss incurring working Government companies

One company, out of the three loss incurring working Government companies, (Sl. No.1 of **Appendix – XXXIV**) had accumulated losses amounting to Rs.10.85 crore which has exceeded its paid up capital of Rs.1.97 crore.

6.1.7 Return on capital employed

As per the latest finalised accounts (upto September 2004) the capital employed[#] worked out to Rs.36.48 crore and total return[Ψ] thereon amounted to Rs.(-) 3.29 crore as compared to total return of Rs.64.81 lakh (1.60 *per cent*) in the previous year. The details of capital employed and total return on capital employed in case of working Government companies are given in **Appendix – XXXIV**.

Non-working Public Sector Undertakings (PSUs)

6.1.8 Investment in non-working PSUs

As on 31 March 2004, the total investment in two non-working PSUs (Government companies) was Rs.3.15 crore (equity: Rs.0.42 crore and long term loan: Rs.2.73 crore). There was no change in the total investment as compared to 2002-03.

The plants of both the non-working Government companies remained inoperative from December 1986 and July 1987 and all the employees had been retrenched. Although no budgetary support was extended during 2003-04 to the non-working companies for disbursement of salaries and wages, the proposals for disposal of assets (including plant and machinery) of the companies were long pending with the Government.

6.1.9 Finalisation of accounts of non-working Government companies

The accounts of two non-working companies were in arrears for periods ranging from 17 to 20 years as on 30 September 2004 as could be noticed from **Appendix – XXXIV**.

[#] *Capital employed represents net fixed assets (including capital work-in-progress) plus working capital except in case of Arunachal Pradesh Industrial Development and Financial Corporation Limited, where it represents a mean of aggregate of opening and closing balances of paid-up-capital, free reserves and borrowings (including refinance).*

[Ψ] *For calculating total return on capital employed, interest on borrowed fund is added to net profit/subtracted from the loss as disclosed in profit and loss account.*

6.1.10 Financial position and working results of non-working Government companies

The summarised financial results of non-working Government companies as per their latest finalised accounts are given in **Appendix – XXXIV**.

The summarised details of paid-up capital, net worth, cash loss and accumulated loss of one non-working PSU (Sl. No.4 of **Appendix – XXXIV**) as per its latest finalised accounts are given below while the other non-working PSU (Sl. No.5 of **Appendix – XXXIV**) was in its construction stage.

Table 6.2

(Rupees in lakh)

Year	Paid-up capital	Net worth#	Cash lossΨ	Accumulated loss
1986-87	13.50	83.42	1.78	15.40

6.1.11 Internal Audit

The Statutory Auditors (Chartered Accountants) are required to furnish a detailed report upon various aspects including the internal audit/internal control systems in the companies audited by them in accordance with the directions issued by the CAG to them under Section 619(3)(a) of the Companies Act 1956 and to identify areas which needed improvement. Accordingly, the Statutory Auditors in their reports qualified that one Company (Sl. No.1 of **Appendix – XXXIV**) did not have any internal audit system.

6.1.12 Recommendations for improving performance or closure of Government companies

Even after completion of five years of its existence, the turnover of one working Government company, *viz.*, Arunachal Pradesh Industrial Development and Financial Corporation Limited, had been less than Rupees five crore in each of the preceding five years of the latest finalised accounts. The Company also had been incurring losses for five consecutive years (as per latest finalised accounts) leading to negative net worth of Rs.8.52 crore. In view of poor turnover and continuous losses, the Government may either improve performance of above Government Company or consider its closure.

Net worth represents paid up capital plus free reserves less accumulated loss.

Ψ *Cash loss represents loss for the year less depreciation for the year.*

6.1.13 Response to Inspection reports, draft paras and reviews

Observations made during audit and not settled on the spot are communicated to the heads of the companies and concerned Departments of State Government through Inspection reports. The heads of the offices/companies are required to furnish replies to the Inspection reports through respective Heads of Departments within a period of six weeks. Inspection reports issued upto March 2004 pertaining to seven Government companies/departmental commercial undertakings and Power (Electricity) Department disclosed that 465 paragraphs relating to 90 Inspection reports remained outstanding at the end of September 2004. Of these, 22 Inspection reports containing 103 paragraphs had not been replied to for more than five years. Department-wise break-up of Inspection reports and audit observations outstanding as on 30 September 2004 is given in **Appendix – XXXVI**.

Similarly, draft paragraphs and reviews on the working of the Government companies and departmentally managed commercial undertakings are forwarded to the Principal Secretary/Secretary of the Administrative Department concerned demi-officially seeking confirmation of facts and figures and their comments thereon within a period of six weeks. It is observed that four draft paragraphs and one review which were forwarded to the various Departments during April-May 2004 as detailed in **Appendix – XXXVII**, have not been replied to so far (October 2004).

It is recommended that the Government should ensure that (a) procedure exists for action against the officials who failed to send replies to Inspection reports/draft paragraphs/reviews as per the prescribed time schedule, (b) action to recover loss/outstanding advances/overpayment in time bound schedule and (c) system of responding to the audit observations is revamped.

6.1.14 Position of discussion of commercial chapter of Audit Report by the Committee on Public Undertakings (COPU)/Public Accounts Committee (PAC)

The reviews/paragraphs of commercial chapter of Audit Reports pending discussion as on 31 March 2004 by the PAC/COPU are as follows:

Table 6.3

Period of Audit Reports	Total number of reviews/ paragraphs appeared in Audit Report		Number of reviews/paragraphs pending discussion	
	Reviews	Paragraphs	Reviews	Paragraphs
(1)	(2)	(3)	(4)	(5)
1987-1988	2	2	-	1
1988-1989	-	3	-	1
1989-1990	-	1	-	1

(1)	(2)	(3)	(4)	(5)
1990-1991	1	1	-	-
1991-1992	-	4	-	1
1992-1993	1	1	-	-
1993-1994	1	3	-	-
1994-1995	-	5	-	2
1995-1996	-	2	-	1
1996-1997	-	5	-	2
1997-1998	-	4	-	1
1998-1999	1	4	1	4
1999-2000	1	4	1	4
2000-2001	-	6	-	6
2001-2002	1	7	1	7

6.1.15 Departmentally managed Government commercial and quasi-commercial undertakings

Though the State Transport Services and the State Trading Scheme (Central Purchase Organisation) of Transport and Supply Directorates are commercial in nature and are functioning as such, they have not been declared as commercial organisations by the Government (October 2004).

Preparation of proforma accounts of the State Transport Services and of State Trading Scheme for 2001-02, 2002-03 and 2003-04 were in arrears. The arrear in finalisation of accounts was last brought to the notice of the Government in September 2004.

The financial position, working results and operational performance of the State Transport Services for the three years upto 2000-01 as per finalised accounts are given in **Appendix – XXXVIII**.

During last three years upto 2000-01, the State Transport Services had incurred operating losses varying from Rs.1.53 crore to Rs.2.66 crore and net losses varying from Rs. 10.58 crore to Rs.12.60 crore. As on 31 March 2001, the accumulated loss stood at Rs.84.44 crore which was 88.91 *per cent* of capital of Rs.94.97 crore. As analysed in audit, the reasons for incurring losses were attributable to high incidence of salaries and wages, poor operation of buses per day (average 92.00 to 99.07 kms) and low occupancy ratio (45.68 to 87.48 *per cent*).

The working results of State Trading scheme for the three years upto 2000-01 as per finalised accounts are given in **Appendix – XXXIX**.

With effect from September 1975, the selling price of each commodity had been fixed by adding 30 *per cent* to cost price to cover the overhead charges.

During the three years upto 2000-01, the actual overhead charges worked out to a higher percentage is as shown below:

Table 6.4

(Rupees in lakh)

		1998-99	**1999-00**	**2000-01**
1.	Overhead charges (items (b) and (c) of trading expenses)	250.46	263.64	216.40
2.	Cost of procurement (opening stock plus purchases less closing stock)	314.10	399.17	396.57
3.	Percentage of overhead cost to cost of procurement (percentage of 1 to 2)	79.74	66.05	54.57

The reasons for higher percentage of overhead charges to cost of procurement was attributable to high incidence of establishment and contingent charges which alone constituted 62.35 *per cent*, 49.08 *per cent* and 50.99 *per cent* of cost of procurement during the three years respectively.

6.1.16 Power (Electricity) Department

The operational performance of the Department for the last three years upto 2002-03 is given in **Appendix – XL**. Submission of performance data for 2003-04 by the Department is awaited (October 2004).

The Auxiliary Consumption was excessively high ranging from 7.41 to 8.46 *per cent* of total power generated.

The transmission and distribution (T&D) losses ranged from 49.22 to 56.12 *per cent* to total power available for sale as against the norms of 15.5 *per cent* fixed by the Central Electricity Authority (CEA). During three years upto 2002-03, the excess T&D loss beyond norm was 172 MU or Rs.27.81 crore in financial terms.

During the three years upto 2002-03, the losses per unit sold were Rs.6.27, Rs.6.13 and Rs.4.44 respectively. The total expenditure during the period was Rs.57.82 crore, Rs.57.85 crore and Rs.53.55 crore respectively as against revenue of Rs.13.60 crore, Rs.11.79 crore and Rs.12 crore in respective years. The Department incurred losses amounting to Rs.44.22 crore, Rs.46.06 crore and Rs.41.55 crore during the three years upto March 2003 respectively.

REVIEW

TRANSPORT DEPARTMENT
ARUNACHAL PRADESH STATE TRANSPORT SERVICES

6.2 Working of Arunachal Pradesh State Transport Services

Highlights

The Arunachal Pradesh State Transport Services (APSTS) started functioning from March 1975 to provide transport services in an economic and efficient manner. A review on working of APSTS revealed very poor operational performance.

(Paragraph 6.2.1)

The APSTS had incurred heavy operating cash losses every year varying from Rs.9.18 crore to Rs.10.95 crore and net losses varied from Rs.11.99 crore to Rs.13.92 crore.

(Paragraph 6.2.6)

Revenue shortfall to target during four years was Rs.2.79 crore and unutilised lapsed provision for procurement of buses was Rs.1.23 crore.

(Paragraphs 6.2.7 & 6.2.8)

Claims amounting to Rs.12.15 lakh for delay in delivery of chassis and penalty amounting to Rs.21.27 lakh for delay in fabrication of bus bodies have not been preferred.

(Paragraph 6.2.9)

Extra expenditure of Rs.1.67 crore for excess consumption of 13.69 lakh litres of HSD and Rs.27.42 lakh for retreading of tyres through private parties had been incurred.

(Paragraphs 6.2.13 & 6.2.18)

6.2.1 Introduction

The Arunachal Pradesh State Transport Services (APSTS) started functioning from 7 March 1975 with a view to provide safe, regular, well co-ordinated and economical transport services for socio-economic development of the people of Arunachal Pradesh.

6.2.2 Organisational set up

The Department is under the administrative control of Secretary, Transport, Government of Arunachal Pradesh. The APSTS is under the overall charge of the General Manager who is assisted by Additional General Manager, Finance & Accounts Officer and two Assistant General Managers. At the district level there are 12 Operating Stations each headed by a Senior Station Superintendent/Station Superintendent. The APSTS also has a Central Workshop at Karsingsa (Naharlagun) headed by an Assistant Engineer (Auto) to undertake major repairs.

6.2.3 Scope of audit

The performance of APSTS featured in the Report of the Comptroller and Auditor General of India for the year ended 31 March 1998. Recommendations of Public Accounts Committee (PAC) thereon were awaited (July 2004).

The present review covers the working of APSTS for the last five years ending 31 March 2004. It is based on a test check of records maintained in the Head Office, four operating Stations (out of 12) and Central Workshop. The results of test check are discussed in the succeeding paragraphs. Audit findings as a result of review of working of APSTS were reported to Government/ Management in June 2004, with a specific request for attending the meeting of audit review Committee for State Public Sector Enterprises (ARCPSE) so that view point of Government/Management were taken into account before finalising the review. The meeting was held on 7 December 2004 with the Management of the APSTS. No Government members/representative was present. The views expressed by the members and replies of the Management of APSTS have been taken into consideration during finalisation of the review.

6.2.4 Source of finance

On the basis of estimates submitted by the Department, required funds are provided by the State Government through budgetary grants/capital outlay. The year wise budget provision and expenditure under respective heads during the financial years 1999-2000 to 2003-04 were as follows:

a) Budgetary grant

Table 6.5

(Rupees in crore)

Year	Budget provision			Expenditure			Excess (+) Saving (-)
	Management	Operation	Total	Management	Operation	Total	
1999-2000	1.29	14.35	15.64	1.48	14.11	15.59	(-) 0.05
2000-01	1.36	14.70	16.06	1.34	14.82	16.16	(+) 0.10
2001-02	1.43	16.02	17.45	1.37	15.83	17.20	(-) 0.25
2002-03	1.46	18.08	19.54	1.42	18.00	19.42	(-) 0.12
2003-04	1.79	28.89	30.68	1.77	28.78	30.55	(-) 0.13

b) Capital Outlay (Plan)

Table 6.6

(Rupees in crore)

Year	Budget provision					Expenditure					Excess (+) Saving (-)
	Object heads				Total	Object heads				Total	(bracket indicates percentage of savings to allocations)
	Acquisition of fleet	Other capital expenditure	Land and buildings	Machinery		Acquisition of fleet	Other capital expenditure	Land and buildings	Machinery		
1999-2000	1.22	0.20	0.85	0.20	2.47	0.90	0.14	0.56	0.20	1.80	(-) 0.67 (27.13)
2000-01	1.14	0.30	0.40	0.30	2.14	1.01	0.28	0.15	0.30	1.74	(-) 0.40 (18.69)
2001-02	1.64	0.20	0.39	0.30	2.53	1.63	0.20	0.32	0.26	2.41	(-) 0.12 (4.74)
2002-03	1.90	0.30	0.45	0.40	3.05	1.36	0.27	0.25	0.40	2.28	(-) 0.77 (25.25)
2003-04	1.98	0.30	0.17	0.60	3.05	1.75	0.30	0.12	0.60	2.77	(-) 0.28 (9.18)
Total	**7.88**	**1.30**	**2.26**	**1.80**	**13.24**	**6.65**	**1.19**	**1.40**	**1.76**	**11.00**	**(-) 2.24 (16.92)**

It would be seen from the above table that during 1999-2000 to 2003-04 there was persistent significant savings between budget provision and actual expenditure under capital (Plan) head varying from Rs.0.12 crore to Rs.0.77 crore (4.74 to 27.13 *per cent*). The Department stated (September 2004) that the savings were due to late sanction received from Government. It was, however, observed in audit that the main reasons for savings was attributable to delay in submission of proposal to Government for sanction as discussed in paragraph 6.2.9.

Further, the Controlling Officer did not surrender the savings to enable the Finance Department to reallocate funds to other needy Departments to the extent of Rs.2.24 crore under Plan-heads and Rs.0.43 crore under the Revenue heads during five years up to 2003-04.

6.2.5 Medium Term Fiscal Reforms Programme (MTFRP)

The State Government signed (March 2003) a Memorandum of Understanding (MOU) with the Government of India (Department of Expenditure, Ministry of Finance) to work together to enable the State Government to achieve fiscal sustainability in medium term in accordance with MTFRP of Arunachal Pradesh for 2000-01 to 2004-05.

As the gap between revenue and expenditure of APSTS is funded from budget of the State Government, the following Transport Sector reforms with target dates were proposed in the MOU:

- In the purchase of spare parts/tubes and tyres to effect greater economy (01.01.2003).
- Strict measures to curb/reduce revenue leakages (01.01.03).
- Review and rationalization of routes to restrict uneconomical/unviable routes (every year by December).
- Phasing out of overaged buses.
- Automatic increase in fare linked to input cost *w.e.f.* 1.4.2003.
- Identification of wasteful/unessential expenditure in order to restrict and eliminate the same.
- To review and rationalise the organisational structure of the State Transport Department (31.3.2003).
- To engage the services of a competent agency, such as Pallavan Transport Consultancy Services, to conduct a detailed study of the operations of the APSTS and suggest remedies/solutions and a strategy/action plan for turning it around. The study report was to be submitted by 31 March 2003.

The targeted reforms of APSTS have not been implemented as action to economise on purchase of spare parts have not been undertaken, the overaged buses represented 35.98 *per cent* of total fleet strength as on March 2004, fares have not been hiked and the concerned agency has not been engaged (March 2004).

6.2.6 Working results

Compilation of proforma accounts of APSTS by the Department for 2001-02 to 2003-04 were in arrears (March 2004). Based on finalised accounts upto 2000-01 and provisional figures furnished to the Planning Commission for 2001-02 and 2002-03 the (a) working results, (b) operating expenditure under each head and percentage of expenditure under each head to operating revenue, and (c) trend of revenue, expenditure, and loss per effective kilometer operated for the four years ending 2002-03 are tabulated in **Appendix – XLI**.

The analysis of the working result has revealed the following:-

- During four years ended 2002-03 the APSTS had incurred heavy operating cash losses every year varying from Rs.9.18 crore to Rs.10.95 crore and net losses varied from Rs.11.99 crore to Rs.13.92 crore.
- The employee cost per effective kilometer operated ranged between Rs.8.43 to Rs.9.68 whereas the revenue income per effective kilometer was between Rs.9.14 to Rs.10.30 during the last four years ending 31 March 2003.

- The operational expenditure varied from Rs.23.02 per km to Rs.26.09 per km with increasing trend. The losses incurred on operation per effective kilometer varied from Rs.13.10 to Rs.15.87.
- During the four years from 1999-2000 to 2002-03 the percentage of operational cost (cost of tyres, tubes, spare parts, repairs, HSD and lubricant) to operating revenue represented 133, 139.36, 124.83 and 144.01 respectively indicating high incidence of running expenses.
- Cost of tyres, tubes, spare parts and repairs was excessively high and represented 51.54 to 68.67 *per cent* of total operating revenue as against All India average of 6.08 to 7.22 *per cent*.

The Department while furnishing the provisional figures to the Planning Commission (March 2004) attributed the reasons for losses to (a) high operating cost for plying the buses in poor road condition, frequent road blocks due to landslide, heavy snowfall, strike/bandh called by various organizations in the State and in Assam, (b) poor load factor because of low density of population, (c) concessions provided to students and staff, (d) increased number of aged buses, (e) operation of buses on un-economic routes, and (f) competition faced by APSTS buses from private bus operators and Tata Sumo services.

In addition to these, the Management in the ARCPSE meeting sated (December 2004) that the rivers of the State hindered the operational performance dividing the areas into different bank.

Audit analysis revealed that the main reasons for incurring heavy recurring losses were (i) high incidence of repair and maintenance, (ii) under utilisation of fleet, (iii) cancellation of scheduled trips under controllable factors, (iv) vehicles off road due to excessive time taken for repair, and (v) inability of APSTS buses to compete with private operators.

6.2.7 Revenue target and achievement

The Department in concurrence with Planning Commission (Transport Division) annually set up revenue target based on expected scheduled kms, load factor, and fare per km.

The target of revenue earnings and actual during the four years period from 1999-2000 to 2002-03 were as follows:

Table 6.7

(Rupees in crore)

Year	Target	Actual	Shortfall	Percentage of shortfall to target
1999-2000	6.57	6.18	0.39	5.94
2000-01	7.01	6.29	0.72	10.27
2001-02	8.04	7.53	0.51	6.34
2002-03	8.20	7.03	1.17	14.27
Total	**29.82**	**27.03**	**2.79**	**9.36**

It would be seen from above that the revenue shortfall to target varied from 5.94 to 14.27 *per cent* and total shortfall during four years upto 2002-03 amounted to Rs.2.79 crore. This has defeated the medium term fiscal reforms programme (MTFRP) to achieve fiscal sustainability by the State in the Transport Sector, as discussed in para 6.2.5 *supra*. The Management in their reply (December 2004) attributed the same reasons for shortfall as discussed in the previous paragraph. The reply is not tenable as the target was fixed taking all these factors into consideration.

6.2.8 Vehicle strength and age profile

The productivity of State Transport undertakings depends on the age profile of the fleet and policy adopted for scrapping the buses. The Transport Research Wing (TRW), Ministry of Road Transport and Highways, Government of India also expressed the view that aging fleets are a hindrance for better public service (February 2002).

The fleet strength and age-wise position of APST buses for the four years upto 2002-03 is given below:-

Table 6.8

Sl. No.	Particulars	1999-2000	2000-01	2001-02	2002-03
(1)	(2)	(3)	(4)	(5)	(6)
1	Fleet strength at the beginning of the year	232	232	226	233
2	Number of buses acquired	12	13	20	23
3	Number of buses sold / earmarked for disposal	12	19	13	20
4	Effective fleet strength at the end of the year	232	226	233	236
5	Age-wise analysis of buses held at the end of the year (bracket indicate percentage to total fleet strength)				
	(a) Over seven years	105 (45.26)	91 (40.27)	115 (49.36)	87 (36.86)

(1)	(2)	(3)	(4)	(5)	(6)
	(b) Over six years but below seven years	19 (8.19)	20 (8.85)	16 (6.87)	9 (3.81)
	(c) Four to six years	22 (9.48)	25 (11.06)	52 (22.32)	73 (30.93)
	(d) Two to four years	72 (31.03)	69 (30.53)	39 (16.74)	21 (8.90)
	(e) Less than two years	14 (6.04)	21 (9.29)	11 (4.71)	46 (19.50)
6	Average number of vehicles on road	154	151	152	160
7	Road worthy buses (4-5a)	127 (54.74)	135 (59.73)	118 (50.64)	149 (63.14)
8	Off road buses (4-6)	78 (33.62)	75 (33.19)	81 (34.76)	76 (32.20)

The following points emerged from an analysis of the data tabulated above:

- As per recommendations made in 1971 by Association of State Road Transport Undertakings (ASRTU), 92 *per cent* of fleet should be road worthy (90 *per cent* in operation and two *per cent* kept as reserve and percentage of off-road buses should not exceed eight *per cent* of total fleet). As against this, off-road buses represented 32.20 to 34.76 *per cent* of the effective fleet strength.

- During the last four years ending 2002-03, the overaged buses (over seven years) that required to be replaced varied from 87 to 115. As against this the Department acquired 12 to 23 buses. The Department did not move the Government to provide adequate fund for replacement of overaged buses by new buses and during this period it failed to utilise the budget allocation for purchase of buses as discussed in paragraph 6.2.5 *supra*. Thus, the reform measure under MTFRP could not be attained.

  The Management in their reply (December 2004) stated that the Department was trying to get additional fund under State plan to replace all the overaged buses.

- During the last five years period from 1999-2000 to 2003-04 the budgetary allocation for acquiring new buses was Rs.7.88 crore and expenditure was Rs.6.65 crore leading to unutilised provision of Rs.1.23 crore which was almost equivalent to cost of 15 new buses at an average cost of Rs.8.49 lakh per bus. The Department did not take timely action to obtain expenditure sanction from Government to acquire new buses utilising the budgetary allocations.

- As per report (February 2002) of Transport Research Wing (TRW), the State Road Transport Undertakings (SRTUs) were to scrap the buses which had run five lakh kilometers or complete eight years of life whichever is earlier. As against this norm, the life of APST buses is at lower side *i.e.*, run of 1.35 lakh kilometers or seven years of life. The

Department has not considered upward revision of norm of life of buses in line with TRW report.

6.2.9 Procurement of buses

The APSTS obtained *proforma* invoice for procuring chassis from the Chassis Manufacturers after a delay of five to nine months from the date (1 April each year) from which Annual Operating Plan becomes effective. There was a further delay of one to four months in obtaining Government sanction for advance payment. Belated action by the Department inspite of having specific annual budgetary allocations, caused delay in placement of order for buses by one year leading to delay in replacement of over-aged buses which adversely affected improvement of fleet position. The details of extent of delay in obtaining *proforma* invoice and obtaining expenditure sanction from Government are given in **Appendix – XLII**. The Management in their reply (December 2004) stated that there was delay in placement of orders for purchase of chassis and its fabrication due to late sanction and approval of Department's proposal by Government.

Mention was made in paragraph 8.4.4 (a) of the Report of the Comptroller and Auditor General of India for the year 1997-98 that the chassis manufacturers delayed delivery of chassis varying from six to 12 months of advance payments but in absence of any explicit clause in the supply order, the APSTS could not charge interest (Rs.15.90 lakh) on blocked Government fund (after allowing reasonable time of one month) at Government borrowing rates besides loss of revenue for bus days lost. On this being pointed out in audit, the Department took up the matter (August 1999 and May 2000) and the chassis manufacturer informed (July 2000) that interest @ 12 *per cent* per annum would be paid from 46th day of invoicing. The Management in their reply (December 2004) stated that TELCO committed to pay only Rs. 5.03 lakh, realisation of which was awaited (December 2004).

During 1999-2000 to 2002-03, the APSTS paid Rs.3.71 crore against proforma bills plus escalation charges amounting to Rs.4.99 lakh to chassis manufacturer for supply of 68 Chassis. Only two chassis were delivered within 45 days and delay in delivery of remaining 66 chassis beyond scheduled period ranged from 59 to 333 days but interest @ 12 *per cent* per annum from 46th day of advance payment worked out in audit to Rs.12.15 lakh was not claimed from manufacturer. The Management in their reply (December 2004) stated that interest claim due to delay in delivery of chassis was being taken up.

The Department did not realise penalty for abnormal delay of 395 days (beyond scheduled time) in fabrication of six bus bodies by a local firm in accordance with terms of agreement. This was commented in paragraph 8.4.4 (b) of the Report *ibid*. Consequently the APSTS imposed (November 1998) penalty amounting to Rs.35.70 lakh on the firm which was, however, waived by Government restricting the penalty to Rupees five lakh leading to loss of Rs.30.70 lakh to Department.

During August 1999 to March 2004 the Department delivered 68 chassis for fabrication of bus bodies to four Kolkata firms (61 chassis), one Guwahati firm (two chassis) and two local firms (five chassis). There was delay in fabrication of 64 buses beyond scheduled date which ranged from three to 124 days but penalty, amounting to Rs. 21.27 lakh @ Rs.100 per day for delay in delivery as per agreement was not levied. On this being pointed out in audit, the Management in their reply (December 2004) stated that there was delay in fabrication of bus bodies due to failure of the Department to conduct scheduled inspections during fabrication and before delivery of bus bodies outside the State. No penalty was imposed as the firms were not responsible for the delay.

6.2.10 Operational efficiency

The number of routes operated, fleet utilisation, distance operated per bus per day and occupancy ratio (percentage of actual passenger earnings to expected earnings at full load) for four years from 1999-2000 to 2002-03 are given in **Appendix – XLIII**.

The operational performance of the buses was much below the All India average and other STUs as discussed below:

6.2.11 Fleet utilisation

The Department has not fixed any norm/target for utilisation of fleet by APSTS. During the last four years ending 2002-03 the fleet utilisation varied from 66.38 to 68.67 *per cent* which was far below the All India average of 89.62 *per cent* (September 2001) to 91.11 *per cent* (September 2000). In similar road condition (hilly and remote) the Sikkim Transport attained much higher fleet utilisation varying from 76.47 *per cent* (September 2001) to 76.81 *per cent* (September 2000). Reasons for poor fleet utilisation were not analysed by the Department to take remedial measures. Review in audit revealed that the main reasons attributable were cancellation of scheduled trips, delay in repair of buses and high percentage of off-road vehicles.

6.2.12 Vehicle productivity

The Department has not fixed any norm for vehicle productivity (performance of minimum passenger kms per vehicle per day *vis-à-vis* revenue).

The productivity (kms operated per bus per day on fleet strength) was very low and varied from 79.90 kms to 83.33 kms as against All India average of 285.96 (September 2000) to 287.86 (September 2001) kms. Due to such poor productivity of APST buses the earning per km ranged between Rs. 9.14 to Rs.10.22 during the period 1999-2000 to 2002-03.

The occupancy ratio (percentage of actual passenger earning to expected earning at full load) varied from 45 to 52 *per cent* as against break- even occupancy ratio of 84 *per cent* worked out by the Department.

6.2.13 Fuel efficiency

The Department had fixed a norm of 3.5 kms per litre of high speed diesel oil (HSD) by the APSTS buses on operation as against norm of 3.7 km per liter fixed by State Government. The route wise position of HSD consumed and kms run were not available in the Head Office or in the Stations for analysis and control purposes. The average km run per litre (KMPL) and excess consumption of HSD compared to norm for four years upto 2002-03 are tabulated below:

Table 6.9

Sl. No.	Particulars	1999-2000	2000-01	2001-02	2002-03
1	Total Gross kms operated (in lakh)	67.77	68.91	70.31	69.17
2	HSD consumed (litres in lakh)	24.03	23.93	22.32	22.31
3	KMPL achieved	2.82	2.88	3.15	3.10
4	Consumption of HSD as per norm (Sl. 1 ÷ 3.5 litres) in lakh litres	19.36	19.69	20.09	19.76
5	Excess consumption of HSD compared to norm (2-4) in lakh litre	4.67	4.24	2.23	2.55
6	Average rate of HSD per litre (Rupees)	7.99	12.45	16.43	15.98
7	Value of HSD consumed in excess at average cost per litre (Rupees in lakh)	37.31	52.79	36.64	40.75

It would be seen that fuel efficiency of APSTS varied from 2.82 to 3.15 kms per litre against All India average which varied from 4.54 (September 2000) to 4.58 (September 2001) kms/litre. In similar road conditions (hilly and remote), the other STUs attained higher fuel efficiency {Sikkim : 3.54 kms/litre (September 2001) to 3.86 kms/litre (September 2000); Nagaland: 3.50 kms/litre (September 2001); Tripura: 3.58 kms/litre (September 2001) to 3.60 kms/litre (September 2000)}.

The APSTS could not achieve its own norm for which reasons were not on record. An extra expenditure of Rs.1.67 crore was incurred towards excess consumption of 13.69 lakh litres of HSD as compared to the norm of APSTS during last four years upto 2002-03.

The Management put forth (December 2004) the reasons for excessive consumption of HSD to ‘operation in hilly terrain, inadequate maintenance facility in roads, and old age buses’ which were viewed in ARCPSE meeting as too general and were not supported by survey reports/technical analysis. The Management consented to look into this matter.

6.2.14 Off road buses

The APSTS has not introduced the management information system to ascertain the position of off road buses and to take remedial measures for improvement of fleet utilisation.

Audit examination of performance of 10 vehicles disclosed that the buses remained off-road varying from 16.99 to 64.50 *per cent* of available bus days due to want of drivers, want of tyres, HSD crisis, breakdown, repairs, road block, bandh *etc*., of which, shut down period for repair ranged between 8.97 to 58.85 *per cent*. As a result the average daily run of buses was very poor and varied from 28.25 to 86.41 kms. The reasons relating to want of drivers, want of tyres and abnormal time taken for repairs were controllable and the Department could have taken measures to minimise the possibility of the buses remaining off road due to these reasons. The details of Audit examination of performance of these vehicles based on log books maintained in the stations are shown in **Appendix – XLIV**.

6.2.15 Staff productivity

The table below indicates the vehicle staff ratio and staff productivity (average revenue earning kms per worker/day) of APSTS for four years from 1999-2000 to 2002-03:

Table 6.10

Particulars	1999-2000	2000-01	2001-02	2002-03
Effective fleet strength at the close of the year	232	226	233	236
Average number of vehicles on-road	154	151	152	160
Effective kilometers operated (in lakh)	67.77	68.91	70.31	69.17
Staff strength:				
(a) Traffic	535	535	535	535
(b) Workshop/Maintenance	175	175	175	175
(c) Administration	92	92	92	92
Total	**802**	**802**	**802**	**802**
Staff productivity (kms per worker/per day)	23.15	23.54	24.02	23.63

The staff productivity was very low and varied from 23.15 to 24.02 as against All India average of 42.93 (September 2000) to 43.74 (September 2001) kms/staff/day. The reasons for low staff productivity were poor productivity of buses and fleet utilisation as analysed in Audit. The Management in their reply (December 2004) stated that the staff productivity was poor due to low manpower of APSTS resulting in delay in repair of vehicles, *etc*. The reply is not tenable in view of position as discussed in Paragraphs 6.2.12 and 6.2.14 *supra*.

6.2.16 Route analysis

The APSTS had 147 operating routes but position of occupancy ratio of the routes was not monitored in Head Office under MIS system ascertaining the reasonable occupancy of the routes after periodical survey.

The Head Office could not furnish the details of the routes where the private buses and Sumo services were plying. Audit analysis of 23 such routes for the period April 2002 to November 2002 under four stations disclosed that out of 18 routes (in respect of five routes the performance data for occupancy ratio not being available), only one route had occupancy ratio of above 80 *per cent*. The occupancy ratio of remaining 17 routes was as under:

Table 6.11

Range of occupancy ratio	Number of routes
Upto 20 *per cent*	1
20 but below 30 *per cent*	1
30 but below 40 *per cent*	6
40 but below 50 *per cent*	4
50 but below 60 *per cent*	2
60 but below 70 *per cent*	1
70 but below 80 *per cent*	2

Since the private operators are operating, these routes should evidently have high occupancy ratio. This would indicate that the APST services could not compete with private operators.

The Department has neither studied/analysed the economic viability of the routes nor have taken remedial measures to improve occupancy ratio ascertaining the causes.

6.2.17 Maintenance/repairs in workshop

The APSTS has a Central Workshop at Karsingsa, Naharlagun and maintenance centers attached to each station. The Central Workshop undertakes all major repairs, overhauling of assemblies (except machining of engine and repair of fuel injection pumps which are done through private parties), repair of bus bodies and retreading of tyres. The minor day to day repairs and weekly maintenance are attended to by the maintenance centers.

In order to obtain long, efficient and trouble free services from vehicles, the assemblies such as engine, gearbox, differential, steering, fuel injection pump, self-starter, alternator, *etc*., are required to be overhauled/ reconditioned after performance of certain prescribed kms. Reconditioning after prescribed km. coverage reduces the life of the assemblies.

It was observed in audit that no norms (run of kms) for reconditioning of assemblies have, however, been prescribed by APSTS. These are carried out only after the defects develop and the vehicles are sent to the Central Workshop. No record has been maintained in Central Workshop to watch the kms covered at the time of each overhauling/reconditioning for analysis/ control purposes and to assess the adverse effect on life of vehicles due to reconditioning of assemblies after excessive run.

No time frame has been prescribed for repair works according to nature of defects and for reconditioning of assemblies. Test check of log books of buses maintained in the stations disclosed that inordinately long period (seat and body repairing : 87 to 184 days; rectification of mechanical defect 41 to 92 days; break down repair 64 to 100 days) was taken for repair of vehicles/ reconditioning of engines.

The off-road period/time taken for reconditioning/overhauling of engines since the date of defect and the date of placement on service ranged as below:

Table 6.12

Period	Number of vehicles
Within 20 days	3
20 to 40 days	3
40 to 60 days	4
60 to 80 days	5
80 to 100 days	3
100 to 150 days	9
150 to 200 days	3
200 to 250 days	2
Above 250 days	9

The excessive days taken for repairs/reconditioning had led to poor vehicle productivity with resultant loss of revenue. In absence of any norm fixed for repair according to nature of defects and for reconditioning of assemblies, the bus days lost and consequent revenue loss could not be worked out in Audit.

No management information system has been adopted by the Head office to monitor the timely repair and placement of buses on-road by the stations. Scrutiny of vehicle position of Ziro station disclosed that two buses put on road in 1995 and costing Rs.7.49 lakh and Rs.8.17 lakh respectively remained in defective condition from September 1999; however, no action was taken to make them road-worthy. In March 2003 the vehicles were declared prematurely condemned.

Test check of records relating to repair works maintained in Central Workshop revealed the following points:

- The cost of spares/repairs were not indicated in all the cases.

- Maintenance of complaint register at the Central Workshop was defective as the dates of (a) receipt of the vehicles, (b) taking up of repair works and (c) release of bus after repairs were not noted in all cases.

- The complaint about nature of defects of the vehicles reported in originating stations widely differs from the nature of defects noted in the complaint register of Central Workshop. No recorded reasons for differences were on record.

In the ARCPSE meeting held in December 2004 the Management assured to take corrective measures with regard to (a) maintenance of complaint register in Central Workshop, and (b) differences about nature of defects of vehicles reported in originating stations and noted in complaint register of Central Workshop. Follow up action is yet to take place.

6.2.18 Performance of tyre retreading plant

The APSTS set-up (February 1993) a Tyre Retreading Plant (TRP) at Central Workshop, Karsingsa at a cost of Rs.42 lakh with a capacity to retread 200 tyres per month (2400 tyres per annum) under cold process which was increased to 2829 tyres per annum from 2003-04 after installation of one four tyres auto clave, dish type electric chamber at a cost of Rs.5.66 lakh.

The Government in a memorandum (December 2001) issued directives that the TRP was to utilize its optimum capacity and to achieve the target of six tyres retreaded per working day. During the five years from 1999-2000 to 2003-04, only 4301 tyres under cold process were retreaded in TRP *i.e.*, only 2.36 tyres were retreaded per day. The capacity utilisation ranged from 19.62 to 46.38 *per cent*. The average cost varied from Rs.1377 to 1434 per tyre.

It was further noticed in audit that although its own plant remained largely under utilised during the last five years ending 2003-04, 2855 tyres were got retreaded from private firms by different stations (2530 tyres) and Central Workshop (325 tyres) involving higher retreading cost at rates varying from Rs.2108 to Rs.2477 per tyre. This resulted in an extra expenditure of Rs.27.42 lakh.

6.2.19 Performance of tyres

The Government of Arunachal Pradesh had fixed (September 1985) the norm of performance of tyres to 50,000 kms on plain roads and 40,000 kms on hilly terrain after three to four retreads while new tyre to perform minimum 16,000 kms before removal for retreading.

Performance of new tyres and retreaded tyres have not been monitored by Head office. Test check in audit of the performance of 456 new tyres before removal for retreading for the period 2000-01 to 2003-04 of four stations (out of 12) revealed the followings:

Table 6.13

Sl. No.	Range of kms performed	Number of tyres	Percentage to total tyres
1	Below 5000	17	3.73
2	5000 to 6000	15	3.29
3	6000 to 7000	15	3.29
4	7000 to 8000	19	4.17
5	8000 to 9000	15	3.29
6	9000 to 10,000	17	3.73
7	10,000 to 11,000	26	5.70
8	11,000 to 12,000	34	7.46
9	12,000 to 13,000	24	5.26
10	13,000 to 14,000	31	6.80
11	14,000 to 15,000	15	3.29
12	15,000 to 16,000	21	4.60
13	16,000 to 17,000	31	6.80
14	17,000 to 18,000	45	9.86
15	18000 to 40,000	131	28.73
Total		**456**	

It would be seen from the above table that 54.61 *per cent* new tyres performed less than 16000 kms and performance varied widely from below 5000 kms to 16000 kms. The Management have not studied and analysed the reasons for poor performance of tyres.

6.2.20 Performance of vigilance wing

The Vigilance wing (headed by Assistant General Manager) has a total strength of two vigilance Inspectors (one each for eastern and western parts) and 13 line checkers posted in 12 districts (out of 16 districts). During 2000-01 to 2003-04 the wing conducted checking of 5688 trips, detected 985 cases of unauthorised travelling passengers and collected revenue amounting to Rs.9.17 lakh.

It was observed that the services originating from seven sub-divisions and operating in seven district routes were not covered for checking due to shortage of staff. In order to strengthen the wing the Department proposed for creating of additional 68 line checkers and two vigilance Inspectors in the Annual Operational Plan for 2003-04, sanction for which was awaited (March 2004). Further, in order to earn more revenue and also to avoid possible revenue leakage at the operational and other level, the Government directed (June 2001) the Sr. Station Superintendents/Station Superintendents/ Asst. Station Superintendents to perform minimum 20 days surprise checking. No checking has however, been done so far by them reasons for which were not on record.

6.2.21 Internal control/internal audit

The internal control/internal audit system is an independent appraisal within the organisation for review of accounting, financial and other business practices. No internal control mechanism, has been formulated by Department/ Government for APSTS.

The Department had not compiled any internal audit manual prescribing the duties and powers of Internal Audit wing and aspects to be covered. One Asstt. Audit Officer (AAO) of sub-ordinate Finance and Accounts Service has been posted by the Director of Audit and Pension to APSTS to conduct internal audit. During 1998 to March 2004 the AAO audited only five stations with assistance of the staff of concerned stations but no report was available. Internal Audit was, therefore, not commensurate with the size and nature of business of APSTS.

The matters were reported to Government (June 2004); their replies had not been received (December 2004).

6.2.22 Conclusion

The APSTS had incurred heavy operating losses every year and performed poorly in all operational areas. The poor performance was mainly attributable to failure of acquiring required buses (though funds were available), low vehicle utilisation, excessive repairing cost, low productivity of buses, shut down of vehicles, excessive delay in repairing of buses and consequent cancellation of scheduled trips, poor occupancy ratio and low tyre and fuel efficiency.

In order to improve operational efficiency, the Department needs to acquire new buses by utilising the available funds, minimise the period for which buses remain off road, repair buses within minimum time frame, reduce cost of spares and other operational costs and develop MIS system for better control and to exercise economies in day to day operation.

PARAGRAPHS

INDUSTRIES, FOREST AND GEOLOGY & MINING DEPARTMENTS

6.3 Delay in finalisation of accounts by State Public Sector Undertakings (PSUs)

6.3.1 Statutory provision for finalisation of accounts

In terms of Sections 166, 210, 230, 619 and 619(B) of the Companies Act 1956, the accounts of Government Companies for every financial year are required to be finalised within six months from the end of relevant financial year. Further, according to the provisions of Section 619-A(3) of the Act, *ibid*, the State Government is required to place an annual report on the working and affairs of each State Government company before the Legislature together with a copy of Audit Report and comments thereon made by the Comptroller and Auditor General of India (CAG) within three months of receipt of such report.

6.3.2 Extent of arrear in finalisation of accounts

As of 31 March 2004, there were five State Government companies including two subsidiaries. The accounts of these companies with an investment aggregating Rs.9.27[#] crore as of 31 March 2003 were in arrears for the periods ranging from three to 20 years.

Besides non-compliance with the Statutory provisions, delay in finalisation of accounts, opens the system to risk of fraud and leakage of public money.

6.3.3 Reasons for delay in finalisation of accounts

Following were the reasons for delay in finalisation of accounts:

6.3.4 Delay in approval and submission of accounts to Statutory Auditors

No time bound action plan for compilation/approval of accounts had been prepared by the Companies. In absence of this, the approval by the Board took abnormally long time after close of financial year varying from 26 to 222 months in respect of four companies. The approved accounts were submitted to Statutory Auditors by the Management after further delay varying from 23 to 750 days in respect of four companies.

[#] *Includes investment in Parasuram Cements Limited (PCL) and Arunachal Horticultural Processing Industries Limited (AHPIL) made by the holding company Arunachal Pradesh Industrial Development & Financial Corporation Limited (APIDFC).*

6.3.5 Delay in certification of accounts by Statutory Auditors

No audit program stipulating schedule for audit and certification had been drawn by any of the companies. For want of this, the Statutory Auditors' took inordinately long time varying from 13 to 417 days in respect of four companies for certification of accounts after handing over of accounts by the Management. Further, to clear the arrear accounts, the Auditors were to certify a year's accounts immediately after adoption of the accounts for previous year in the AGM. It was observed that Auditors certified the accounts for the year after 23 to 310 days in respect of four companies since the date of adoption of previous years accounts.

6.3.6 Delay in holding of AGM

The Companies took 19 to 1138 days in convening the AGM though it should have been convened by giving a notice for 21 days or for shorter period if so consented by the members entitled to vote in terms of Section 171 of the Companies Act. This adversely affected the clearance of arrears in accounts.

6.3.7 Action by the Government

The Government exercises its control over the Companies through the concerned Administrative Department and Finance Department.

In terms of Memorandum and Articles of Association of these Companies, the Government has the power to issue directives in the interest of the Company. To fulfill these obligations, the Government was expected to take concrete steps to ensure that the accounts of these Companies were finalized in time.

Although the position of arrears in finalisation of accounts was brought to the notice of the Government every six months, the position has not shown any improvement.

SUPPLY DEPARTMENT

6.4 Loss due to sale at lower rates

Failure to intimate the increased issue rate of commodities led to loss of Rs.17.06 lakh.

Under the Central Purchase Organisation (CPO) Scheme, the Director of Supply and Transport (DST) distributes essential commodities to the interior places in the State through CPO centres. The selling price is fixed by adding 30 *per cent* to the issue price of Food Corporation of India (FCI) as surcharge to offset cost of the establishment, packing, transit and godown losses so as to operate the scheme on “No Profit No Loss” basis.

The issue price of Grade ‘A’ rice and atta was reduced (March 2002) by FCI for three months from April 2002 and the old rate (March 2002) was restored with effect from July 2002. Consequently, the DST lowered the selling price of Grade ‘A’ rice and atta to Rs.9.80 and Rs.7.60 respectively with effect from April 2002. DST however, failed to restore the selling price to the earlier rate from July 2002 as required.

Test check (December 2003) of records revealed that the DST did not intimate the CPO centres about the upward revision of the rate (rice Rs.10.80, atta Rs.8.60 per kg) from July 2002. As a result during the period from July 2002 to July 2003 the centres sold 1652 MT of Grade ‘A’ rice and 54.3 MT of atta at the lower rate leading to loss of Rs.17.06 lakh (on rice Rs.16.52 lakh, atta Rs.0.54 lakh) to Government.

The DST while admitting the facts attributed (July 2004) the reasons to late receipt of order from the State Government. He also stated that action had been initiated to realise the differential cost from the customers. No recovery has so far been made (October 2004).

The matter was reported to the Government on February 2004 and April 2004; reply had not been received (October 2004).

POWER DEPARTMENT

6.5 Wasteful expenditure

Wasteful expenditure of Rs.82.87 lakh incurred on abandoned works of transmission lines without any physical progress (Rs.26.75 lakh) and for lack of proper decision (Rs.56.12 lakh).

To cater to the need for increasing load demand, the Government accorded (March 1996) Administrative Approval (AA) and Expenditure Sanction (ES) of Rs.75.74 lakh for construction of 33 KV single circuit (S/C) transmission line from Nirjuli to Itanagar (Capital Complex) scheduled to be completed by 1997-98.

Test check (September – October 2003) of Register of Works of Naharlagun Electrical Division, Naharlagun revealed that the total expenditure of Rs.26.75 lakh was incurred upto 1997-98 for the works but details were not available. In July 1997, the Superintending Engineer (SE) Electrical Circle No. 1 sought information from field offices for closure of the scheme during the year and for initiating a fresh scheme/RE for extending the line upto Chandannagar. In July 2000, the Department prepared project report of 33 KV double circuit (D/C) transmission line at an estimated cost of Rs.2.32 crore from Nirjuli to Itanagar. Funds for the project amounting to Rs.2.30 crore were released by GOI in 2000-01 (Rs.1.50 crore) and 2001-02 (Rs.0.80 crore). But in deviation from approved scheme, the Chief Engineer (CE) (Power) envisaged (October 2001) construction of 132 KV single circuit (S/C) line citing the anticipated load growth but neither detailed estimate was prepared nor the Administrative Approval or Expenditure Sanction had been obtained. It may be mentioned that the peak load demand by Itanagar was six MW in October 2001, transmission capacity of 33 KV D/C line is 38.67 MW and that of 132 KV S/C line is 21 MW if transmitted at 33 KV and 85 MW if transmitted at 132 KV. In April 2003, the CE (Power) executed agreement with a Chennai firm for procurement of tower structures for 132 KV S/C line and the division made advance payment of Rs.35.84 lakh in June 2003 as per terms of agreement. Thus, construction of 33 KV D/C line was discontinued.

Though the CE (Power) had mooted the construction of 132 KV S/C line in lieu of 33 KV D/C line in October 2001, the division was not instructed to stop execution of 33 KV D/C line. It continued with the work relating to construction of the sanctioned 33 KV D/C line and incurred and expenditure of Rs.56.12 lakh between March 2001 and May 2003. The expenditure became wasteful because the work done cannot be utilised for 132 KV line.

Thus, due to injudicious decision on the category of line to be constructed and lack of coordination between the CE (Power) and the field offices, the

Department incurred wasteful expenditure of Rs.82.87 (33 KV S/C line – Rs.26.75 lakh and 33 KV D/C line – Rs.56.12 lakh).

The matter was referred to the Department and Government (January & May 2004); reply had not been received (October 2004).

6.6 Idle outlay

Failure to provide for air freight in the estimate, led to blockade of Rs.26.64 lakh with loss of interest of Rs.7.78 lakh.

To augment the power supply to Mechuka (Indo-China border and not connected by surface transport), the Along Electrical Division conceived (1999-2000) the scheme "Augmentation and Improvement of Mechuka Micro Hydel Scheme" (MHS) under the Border Area Development Programme (BADP) at an estimated cost of Rs 18 lakh. (Rs 12 lakh for Electro-Mechanical works and Rupees six lakh for civil works). Fund was received from BADP in December 2000 (Rs. 13.50 lakh) and September 2001(Rs 4.50 lakh). The work was to be completed within six months from the date of receipt of the funds *i.e*., latest by March 2002.

During 2000-01 and 2001-02 the division incurred a total expenditure of Rs.26.64 lakh towards purchase of electro-mechanical equipments (Rs.7.11 lakh), transportation of surplus materials from different divisions (Rs.0.84 lakh), advance payment for civil works (Rupees three lakh), advance payment of airlifting charges (Rs.6.20 lakh) and committed liability towards air lifting charges (Rs.9.49 lakh). A portion of the materials (value not available) were air lifted (May–June 2001) to work site and the remaining items were lying in Along.

It was noticed in audit (October 2002) that the original estimate did not include airlifting charges. The Deputy Commissioner, West Siang district turned down the request (July 2001) of the Department to provide additional fund for airlifting charges since as per guidelines of BADP, no additional fund against an already sanctioned scheme was permitted. As advised by the Deputy Commissioner, West Siang District a fresh estimate for Rs.21.92 lakh to cover the air-freight charges was submitted (August 2001) by the Executive Engineer, Along Electrical Division for sanction. Neither sanction had been received from the Deputy Commissioner, nor had fund been provided by the Department for transportation of materials (March 2004).

Thus, due to failure of the Executive Engineer, Along Electrical Division to incorporate airlifting charges while framing the estimate, the expenditure of Rs.26.64 lakh on the incomplete scheme remained blocked from September 2001 to March 2004 with a loss of interest of Rs.7.78 lakh at a minimum Government borrowing rate of 11.30 *per cent*.

On this being pointed out (November 2002 and June 2004) the Department while admitting the facts stated (November 2004) that, the road from Along to Mechuka had been made jeepable in April-May 2004. The Department further stated that with the availability of road communication, the project could be completed if additional funds of Rupees nine lakh would be provided by the State Government. The Department however failed to state the reason for non-provision of airlifting charges in the original estimate.

The matter was referred to Government in November 2002 and June 2004, their reply has not been received (December 2004).