CHAPTER II

2. REVIEWS RELATING TO GOVERNMENT COMPANIES

2.1 Review on the 'Performance and working of Assam Tourism Development Corporation Limited'

Highlights

Assam Tourism Development Corporation Limited was incorporated as a wholly owned Government company in 1988 with the main objective to promote tourism in the State..

(Paragraph 2.1.1)

The Company finalised its accounts up to 1993-1994. Delay in finalisation of accounts was due to lack of proper initiative on the part of management.

(Paragraph 2.1.6)

Interest income of the Company from fixed deposits made out of capital grants-in-aid constituted 36.47-67.58 *per cent* of its annual income during the five years ended 2000-2001. Income from operations and other sources was not even sufficient to meet its establishment expenses.

(Paragraph 2.1.6)

The Company did not have short term and long term Corporate plans.

(Paragraph 2.1.7)

Up to the end of March 2003, out of Rs.24.07 crore received towards capital grants-in-aid, the Company utilised Rs.12.70 crore for implementation of sanctioned schemes, held a cash and bank balance of Rs.10 crore and diverted Rs.1.37 crore for other purposes.

(Paragraph 2.1.12)

Delay in completion of schemes ranged from 12 to 99 months. In 10 cases, due to avoidable delay in execution, scheme costs escalated by Rs.55.06 lakh.

(Paragraph 2.1.13 & 2.1.14)

Out of 42 incomplete schemes, scrutiny of 15 incomplete schemes revealed that the schemes could not be completed even after a lapse of 12 to 144 months from their scheduled date of completion. 4 schemes were abandoned after incurring an expenditure of Rs.11.10 lakh. In 8 schemes, the Company failed to put the assets to use, resulting in locking up of investment of Rs.1.31 crore for a period of 4 to 79 months.

(Paragraph 2.1.15 and 2.1.16)

Net loss on operation of 5 tourist lodges managed by the Company increased from Rs.17.18 lakh in 1999-2000 to Rs.30.76 lakh in 2002-2003.

(Paragraph 2.1.18)

Annual rate of return on the investment made in the assets created out of grants-in-aid and leased out by the Company ranged between 1.21-2.99 *per cent*.

(Paragraph 2.1.22)

The Company did not claim damages and lease rent amounting to Rs.10.54 lakh.

(Paragraph 2.1.23)

Against an investment of Rs.46.42 lakh in adventure sports equipments, the Company earned a negligible return ranging from 0.02-0.14 *per cent* during the five years period up to 31 March 2003.

(Paragraph 2.1.29)

Despite poor occupancy of the cottages constructed earlier, the Company constructed additional cottages at a cost of Rs.30.71 lakh.

(Paragraph 2.1.33)

Introduction

2.1.1 Assam Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government company in 1988 for developing and promoting tourism in the State of Assam.

Objectives

2.1.2 The objectives of the Company are:

- To develop and promote tourism in the State;
- To purchase, acquire, develop and construct tourist lodges, restaurants, guest houses and entertainment schemes, *etc*. for purpose of boarding, lodging, entertainment of tourists and to run, maintain, manage and administer them
- To take over from the Government of Assam the tourist lodges, restaurants, guest house and entertainment projects *etc.*, to develop and manage them;
- To lease out the assets acquired, constructed, taken over, *etc*.;
- To acquire, operate and maintain cars, buses, coaches, launches and other modes of transport for convenience and comfort of tourists and;
- To promote tourism by taking up such incidental and ancilliary activities which promote growth of tourism.

Organisational Set-up

2.1.3 The management of the Company is vested in the Board of Directors, comprising of not more than 11 Directors including Chairman, and Managing Director, who are nominated and appointed by the State Government. The Managing Director is the Chief Executive of the Company and is assisted by a General Manager, Assistant General Manager (Infrastructure) and Assistant General Manager (Accounts). As on March 2003, there were 10 Directors in the Board of Directors.

Minister of State for Tourism held the charge of Chairman while other Directors of the Board were Government officials. It was noticed in audit that, since inception till March 2003, there were nine Managing Directors, out of which two Managing Directors held the post for more than three years and others held the post for a period ranging from four to 24 months. Frequent changes of the incumbent in the post of Chief Executive was not conducive to smooth management of the Company especially when it had undertaken implementation of various infrastructural schemes sanctioned by Union and the State Government.

During the last five years Board of Directors held only 12 meetings as against 20 meetings stipulated under Section 285 of the Companies Act, 1956.

Scope of Audit

2.1.4 This maiden review of the Company was attempted to analyse the performance and working of the Company since incorporation with special emphasis on the functioning of the Company during the five years ended March 2003.

To bring a pragmatic approach and share knowledge and experience about the review topic, the Comptroller and Auditor General of India decided to constitute a State Level Committee *i.e.* Audit Review Committee for Comprehensive Appraisal of State Public Sector Enterprises (ARCPSE). So, the State Government was requested (December 2002 and February 2003 followed by reminder in May 2003) to direct the concerned Secretary of the Department and Managing Director of the Company for taking part in the proceedings of the Review Committee before issue of the comprehensive appraisal to the State Government. But no such discussion could take place due to non-receipt of any response from the State Government (May 2003).

Capital structure

2.1.5 The paid up capital of the Company as on 31 March 2003 was Rs.29.lakh against the authorised share capital of Rupees one crore.

Besides, the Company received Rs.24.37 crore up to March 2003 as financial assistance in the form of capital grant (Rs.24.07 crore) from Government of India (Rs.19.16 crore) and State Government (Rs.4.91 crore) for creation/augmentation of infrastructural facilities, promotion and development of tourism and also for working capital (Rs.30 lakh) purposes from State Government.

Financial position and working results

2.1.6 As on 31 March 2003, the Company had finalised its accounts up to 1993-1994. The delay in finalisation of accounts, as noticed in audit, was due to the following:

- Till 1999 the Company did not have qualified accounts personnel for preparation of annual accounts for which the work of compilation was carried out through Internal Auditor appointed by the Company from time to time;

- Delay in appointment of Internal Auditors, after close of the financial year, resulted in accumulation of arrears and consequent non-finalisation of accounts;

However, despite creation of a post of Assistant General Manager (Accounts) and appointment of personnel thereagainst in May 1999, there was no significant improvement in finalisation of accounts. The Company could finalise only four years' accounts (1990-1991 to 1993-1994) till July 2003.

Based on provisional accounts, the financial position and working results of the Company for the five years ended March 2001* are given in ***Annexure* 12**.

A review of its working results and financial position revealed that the Company suffered losses consecutively during the three years ended 2000-2001 and accumulated loss of Rs.53.49 lakh as on 31 March 2001 had completely eroded the paid up capital of Rs.29 lakh. Even profit earned during the first two years 1996-1998 was due to receipt of revenue grants-in-aid from the State Government. In fact, interest income of the Company from fixed deposits made out of capital grants-in-aid constituted 36.47-67.58 *per cent* of its annual income during the five years ended 2000-2001. Income from operations and other sources during the above period was not even sufficient to meet its establishment expenses.

Budgeting

2.1.7 Apart from the usual income and expenditure budget, the Company did not prepare any capital budget. Further, the Company did not have any short term and long term corporate plans. Though income and expenditure budgets were being prepared, the Company did not have any physical and financial targets, which could be reflected in these budgets. Review of the performance *i.e.* actuals *vis-à-vis* revenue budget was undertaken only occasionally. Even when the performance was reviewed, significant variations/causes for variations were not analysed in depth to take corrective action.

Activities

2.1.8 During the period since inception to 1998, the Company engaged itself primarily in construction of tourist resorts, wayside amenity centres, repair and augmentation of existing facilities (including facilities under the administrative control of the Department of Tourism, Government of Assam). During the period from March 1999 to June 2000, the Company took over the management of five tourist lodges from the State Government.

* Accounts for 2001-2002 and 2002-2003 have not been prepared.

Development and promotion of tourism

2.1.9 To develop and promote tourism in the State, the Government of India and the State Government sanctioned various schemes, submitted by the Company, for creation/augmentation of infrastructural facilities and organizing melas and festivals. Though the Company has been receiving funds against the schemes, the Company did neither set out any time frame for completion of such schemes nor complied with the time frame envisaged in letters sanctioning these schemes.

No data base with regard to number of tourist visited the State.

The Company did not maintain any data base with regard to total number of tourists (Indian as well as foreigners) visiting the tourist destinations of the State *vis-a-vis* tourist traffic in the State every year for assessment of its performance.

Absence of marketing strategy

2.1.10 To attract a steady inflow of tourists, the tourism industry usually offers various attractive sight seeing packages to different groups of customers, which, *inter alia*, include catering, transportation, tourist guides, *etc.* Such packages are widely advertised through press, electronic media, *etc.* Besides, commission agents are also engaged to attract tourists.

It was, however, noticed in audit that the Company had not resorted to such practices and thus failed to concentrate on marketing.

Poor publicity

Company's website discontinued since November 2000 due to non-payment of renewal fee.

2.1.11 Though, there is no dearth of places of tourist destination in the State and in its neighbourhood which comprise, *inter-alia*, famous pilgrim centres, wild life sanctuaries and also places of historical or other interest and has eight popular tourist circuit prescribed and publicised by the Company/State Tourism Department, the Company did not have any planning for publicity activities/tie-ups with neighbouring States to increase inflow of tourists. A website opened in September 1999 by the Company was discontinued in November 2000 for non-payment of renewal fee of Rs.0.34 lakh by the Company. As observed by the Board of Directors, absence of the website even attracted adverse campaign from other competitors. During the five years ended March 2001, against total income of Rs.1.99 crore, the Company spent Rs.0.52 lakh on publicity, comprising 0.26 *per cent* of the total income.

Besides, out of the funds made available by Government of India/State Government, the Company spent Rs.22.39 lakh during 1998-2003 for organising/participating in nine tourism fairs/festivals in the State as well as outside the Country. The benefits derived out of this expenditure were not assessed by the management.

Thus, tourism potential of the State remained largely untapped.

Development and promotion of tourism

Inadequate Utilisation and diversion of grants-in-aid

2.1.12 For creation/augmentation of infrastructural facilities, procurement of assets/animals, organising fairs/festivals and for publicity, the Company received Rs.24.07 crore since inception to March 2003 from Government of India and Government of Assam, as capital grants-in-aid.

Year-wise receipts and utilisation of grants-in-aid during the period 1996-2003 as per provisional accounts, are shown below:

Year	Receipts	Available fund	Utilisation during the year (*per cent*)	Balance at the close	Amount lying in Fixed Deposits
	(Rupees in lakh)				
1995-1996				285.82	257.00
1996-1997	8.51	294.33	69.73 (24%)	224.60	165.00
1997-1998	30.69	255.29	49.82 (20%)	205.47	172.99
1998-1999	91.47	296.94	67.81 (23%)	229.13	196.00
1999-2000	171.15	400.28	88.88 (22%)	311.40	265.95
2000-2001	149.45	460.85	137.96 (30%)	322.89	270.15
2001-2003*	1,253.03	1,575.92	439.19(28%)	1,136.73	990.00
Total	**1,704.30**	**3,283.61**	**853.39 (26%)**		

In this connection following is observed:

Utilisation of grants-in-aid ranged between 20-30 *per cent* of available funds.

- Utilisation of grants-in-aid ranged between 20-30 *per cent* of the available funds. It was noticed in audit that inadequate utilisation of grants-in-aid was primarily due to delay in implementation of the schemes, which ranged from 6 to 79 months from the date of sanction. In fact, the Company had been following the practice of investing the funds meant for implementation of schemes in fixed deposits, and utilise the interest earnings out of such fixed deposits to meet its establishment expenses.

The Company diverted capital grants for other purposes.

- Against total receipt of Rs.24.07 crore (up to 31 March 2003), the Company utilised Rs.12.70 crore for implementation of the sanctioned schemes, held Rs.10 crore as (a) fixed deposits (Rs.9.90 crore) (b) cash and bank balance (Rs.10 lakh) and diverted Rs.1.37 crore for other purposes. Since the Company had been incurring operational losses, recoupment of the diverted fund appeared bleak.

* In absence of provisional accounts for 2001-2002 and 2002-2003, data furnished by management for these two years were clubbed.

Creation/Augmentation of Infrastructural facilities

Completed schemes (Centrally Sponsored Scheme (CSS): 27; State Plan Scheme (SPS): 28)

2.1.13 The Company had engaged itself in implementation of various schemes sanctioned by Government of India/State Government. It however, did not analyse the viability of those schemes.

Out of 121 schemes (CSS: 80, SPS: 41) sanctioned since inception up to March 2003, 25 schemes (CSS) were not taken up for execution. As a result, in the prioritisation meeting held (July 2000) between the State Government and the Government of India, 24 schemes were dropped and fund received (Rs.1.88 crore) against those schemes were allocated to other ongoing schemes.

Delay in completion of schemes ranged from 12 to 99 months.

Of the remaining 97 schemes, 55 schemes were completed so far (June 2003). Out of the above, scrutiny of 14 schemes (CSS: 10, SPS: 04) revealed that the schemes were completed with delay ranging from 12 to 99 months from the scheduled date of completion.

Delay in completion was primarily due to the following avoidable reasons:

- Though land availability certificates were furnished with the scheme proposals, site for the schemes were actually made available at a later date.

- Works were taken up after a lapse of 6 to 79 months from their date of sanction.

- Extension of time schedule for completion of works were granted on unreasonable grounds *viz.*, shortage of water, non-availability of building materials, shortage of skilled labour, ill-health of contractors, labourers, *etc.*

Cost overrun due to time overrun

2.1.14 In 10 cases due to avoidable delay in execution, as mentioned above, scheme costs escalated by Rs.55.06 lakh (detailed in ***Annexure* 13**). Out of the above, in six cases, it was observed that the Company had to rescind the contracts for failure of the contractors and enter into fresh contract entailing additional cost of Rs.25.98 lakh. Though, as per ‘risk and cost’ clause of the contract, the defaulting contractors were liable to bear the excess expenditure to be incurred by the Company in completing the work, it was observed that the Company did not invoke the said provision. Further, Company released payment of Rs.17.98 lakh to the defaulting contractors after the works had been awarded to the new contractors. At least, Company could have stopped this payment and make good the loss towards the cost overrun.

Incomplete schemes (CSS: 29 and SPS: 13)

Schemes could not be completed even after lapse of 12 to 144 months from schedule dates of completion.

2.1.15 Out of 42 incomplete schemes, scrutiny of 15 incomplete schemes revealed that the schemes could not be completed even after a lapse of 12 to 144 months from their scheduled date of completion. Apart from the reasons for delay in completion of schemes as discussed under Paragraph 2.1.13 above, a few cases of irregularities noticed during scrutiny of incomplete schemes are illustrated below:

- Three[*] schemes were dropped by the management without any recorded reason. Funds (Rs.28.51 lakh) received against one scheme was diverted to another approved scheme without prior approval of the State Government while funds (Rs.5.50 lakh) against the other two schemes were diverted to a new scheme which is yet to be approved by the State Government;

- Four schemes[**] (CSS: 1, SPS: 3) on which the Company has already incurred expenditure of Rs.11.10 lakh remained abandoned for reasons not on record;

- Three[***] schemes (CSS: 1, SPS: 2) sanctioned as early as in March 1993 and March 1995 were neither executed by the Company nor the funds received (Rs.34.57 lakh) against the schemes were, as directed by the State Government, transferred to the Autonomous District Council for implementation of the schemes. The entire funds thus, remained unutilised for intended purpose;

- One scheme (SPS: Construction of Swimming Pool at Kaziranga) sanctioned in March 1994, for which funds (Rs.18.48 lakh) were also received (March 1995), could not be taken up for execution, because viability of the scheme, as stated by the management was under review. Scrutiny however, revealed that viability of the scheme was not examined at the time of making proposal;

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[*] Development of Rhinoland park, Development of Mithapukhuri and River restaurant at Guwahati.

[**] Wayside amenity center at Silbheta, Wayside amenity center at Jonai, Golf course at Narkasur hills and Food craft institute at Guwahati.

[***] Construction of tourist complex at Haflong, renovation of existing tourist lodge at Haflong and Development of lake at Haflong.

- Three schemes though started are now under suspension for 51 months to 106 months due to reasons stated below:

Schemes	**Reasons for delay**
Integrated development of Sibsagar:	Statutory clearance from Archaeological Survey of India was not obtained before execution.
Construction of tourist complex at Pabitora:	Non-availability of additional funds to meet cost escalation due to change of design without approval.
Development of Madan Kamdev:	Non-completion of external electrification work. The unit is being utilised as stores by other Government departments.

As a result, investment of Rs.72 lakh in the above three schemes remained locked up for a period of four to nine years.

Unproductive investment

2.1.16 Neither the Company has set out any broad guidelines for selection of places for creation of tourist facilities, nor the State Government issued any policy directives in this regard. Thus, the growth of infrastructural facilities is haphazard.

As per practice followed, cost estimates of the proposed schemes were prepared by the management and submitted to the Director of Tourism for sanction by the State Government in respect of State Plan Schemes and for onward transmission to the Government of India in respect of Centrally Sponsored Schemes for sanction, *etc*.

Commercial viability of the facilities/amenities to be created under the schemes was, however, in no case, considered before initiating the proposals, either by the Directorate or by the Management.

Out of 55 completed schemes (May 1993 to December 2002), 24 were meant for creation of boarding, lodging, recreational and other wayside amenities. Out of these, 12 schemes were leased out, one handed over to Municipal Authority, two schemes were under occupation of Army/Para-military forces, one scheme meant for wayside amenities was converted into/used for office accommodation by the Fisheries Department of State Government and eight schemes could not be put to use/leased out even after 4 to 79 months of their completion.

As regards assets created against aforesaid eight schemes (total investment of Rs.1.31 crore), which could not be put to use, it was observed that: -

Schemes could not be put to use even after their completion.

- In case of four schemes (Digboi, Sibsagar, Chandubi, Bhalukpong), the Company did not take any action in regard to leasing out the same or running them by the Company itself.
- In respect of two schemes (Biswanathghat, Rowta), tenders invited by the Company failed to elicit any response as the schemes were in the remote areas and there were no takers for the said schemes. As such, the schemes had become economically unviable.
- One scheme (new cottages at Kaziranga) could not be put to use for non-provision of electricity (as discussed in Paragraph 2.1.33 *supra*).
- In case of Samaguri Scheme, though agreement had already been executed (March 2002) with a party after four years of the property remaining idle, assets could not be handed over for non-removal of the high-tension overhead electrical line.

Thus, due to taking up the projects without considering their commercial viability, the assets could not be put to use which rendered the investment of Rs.1.31 crore remaining unutilised for a period of 4 to 79 months with consequent loss of interest thereon.

Takeover and operation of tourist lodges

2.1.17 In order to achieve the objective mentioned in Paragraph 2.1.2 above, management of five tourist lodges under Department of Tourism, Government of Assam was handed over to the Company by the State Government during the period from March 1999 to June 2000. Though the Company had been earning revenue from these lodges, the State Government still continues to bear the employees' cost of the existing staff of these lodges. After take over, the Company, out of funds received from State Government, incurred an expenditure of Rs.68 lakh on account of upgradation and renovation of two tourist lodges at Kaziranga and Tezpur.

Lodge operation

2.1.18 Operational performance of the lodges since their take over up to December 2002 is tabulated below:

Sl. No.	Particulars	1999-2000	2000-2001	2001-2002	2002-2003 (up to December 2002)
(a)	Bed days available in lodges	15,330	54,848	69,252	52,250
(b)	Bed days occupied by guests	5,272	14,097	16,365	12,839
(c)	Occupancy (b/a x 100)	34.39	25.70	23.63	24.57

Sl. No.	Particulars	1999-2000	2000-2001	2001-2002	2002-2003 (up to December 2002)
(d)	Income from seat rent (net of tax) (Rs.)	3,73,678	18,62,293	25,99,228	23,44,752
(e)	Maintenance expenditure (Rs.)	1,31,264	10,40,483	11,27,022	11,34,336
(f)	Gross profit (Rs)	2,42,414	8,21,810	14,72,206	12,10,416
(g)	Wages of staff of four[$] lodges only[*] (Rs.)	19,60,483	37,00,084	46,26,327	42,86,195
(h)	Net loss (Rs.)	17,18,069	28,78,274	31,54,121	30,75,779
(i)	Maintenance expenditure as percentage of total revenue	35.13	55.87	43.36	48.38

The table indicates that low occupancy and high maintenance cost were responsible for poor performance of the lodges. Reasons for poor occupancy and high incidence of maintenance cost were neither analysed by the management nor corrective steps taken for improvement.

Increase in income from Rs.3.74 lakh in 1999-2000 to Rs.18.62 lakh in 2000-2001 was, however, mainly because of take over of four new lodges in 2000-2001, which also resulted in increase in available bed days from 15,330 to 54,848 and bed days occupied from 5,272 to 14,097 over the same period.

Low occupancy was due to lack of facilities.

Moreover, as stated by lodge authorities of Tezpur and Jorhat Tourist Lodges, low occupancy in those lodges were due to lack of facilities *viz.* in-house catering facility, provision for television sets/cable television in the rooms and also owing to uncompetitive tariff with comparable amenities provided by other lodges/hotels of the same locality and also lack of proper publicity of the available facilities.

Quality of service

Inadequate essential facilities

2.1.19 The need to adhere to essential services is of paramount importance in the tourism industry. A review of such services and other amenities available in the tourist complexes/hotels revealed the following inadequacies:

- Non-display of information at the reception counters regarding availability of medical facilities/expertise.

- Non-maintenance of records indicating the visit of public health authorities and their findings in regard to maintenance of hygiene in the complexes.

[$] Information in regard to one lodge could not be made available to audit.
[*] Wages of staff, though borne by the State Government, have been considered for working out the operational performance.

- Absence of any system of periodical medical check up of the cooks and bearers, and non-availability of test report of Food Inspector on the quality of food served.

Assessment of customers' satisfaction

2.1.20 To assess the degree of satisfaction of the customers in respect of accommodation facilities and quality of food served, the lodges did not maintain suggestions/complaint register except in case of Aranya Tourist Lodge, where comments from only selective guests/VIPs were obtained on a separate sheet of paper.

Absence of any system for evaluation of services by the customers.

The Company did not evolve any system for evaluation of services by customers like– customers-satisfaction response sheet, standard service norms, postage pre-paid feedback forms, *etc.* Consequently, the degree of customer satisfaction could not be assessed in audit and the Company failed to attract customers and accelerate its business.

Maintenance of tourist facilities

Leasing of tourist facilities

2.1.21 As on March 2003, the Company leased out 23 units comprising tourist lodges, wayside amenity centres, bar, canteen etc. This included 12 units created by the Company out of funds received from Government of India (GOI)/State Government and 11 units handed over to the Company by Government of Assam.

Inadequate return on investment

2.1.22 As per terms and conditions laid down in sanction order of grants, projects constructed out of GOI grant would be the property of the GOI, and in turn GOI would lease out to the State Government at a nominal charge of Rupee one per unit per property. It was observed in audit that in 12 such projects, title/property was never transferred to the Government of India. These projects were, however, leased out to private parties by the Company.

Amount invested in the leased out assets with annual income during the five years ended March 2003 are detailed in ***Annexure* 14**.

It would be observed that annual rate of return on the investment made in the assets created and leased out by the Company were a meagre 1.21-2.99 *per cent*.

As analysed by audit, low rate of return were primarily due to the following:

- Scheme proposals were mooted without considering their locational/commercial viability.

- Though the lessees defaulted in payment of monthly lease rent, they were allowed to continue with the lease without adequate security coverage in favour of the Company.

Outstanding lease rent

2.1.23 As on March 2003, out of 23 (New facilities: 12, Existing facilities: 11) leased out units, 22 units (as per records of the Company) had outstanding dues of Rs.9.26 lakh, which constituted arrear rental for 1 to 22 months. Out of Rs.9.26 lakh, Rs.3.50 lakh (after adjustment of security deposit) was outstanding against ex-lessees, recovery of which appeared doubtful as the Company held no security against the same nor initiated any action for recovery of the same.

During scrutiny of transaction in respect of three schemes, it was revealed that the Company did not claim damages (Rs.4.10 lakh) and lease rent (Rs.6.44 lakh) amounting to Rs.10.54 lakh from the lessees. This included unclaimed amount of Rs.7.77 lakh from ex-lessees pertaining to a period prior to April 2000, the chances of recovery of which appears to be remote.

A few cases of improprieties in connection with leasing operations are illustrated as follows:

Undue favour to a lessee

2.1.24 Notice inviting tender for leasing Jakhlabandha wayside amenity centre (Rest house, restaurant, office block) was published in a single issue of a local daily on 2 June 2000. Management, however, decided not to act upon the tenders in view of the fact that barring M/s G.L. Publications (P) Limited (GLP), rates quoted by the other two bidders were overwritten. Instead of re-tendering, management decided to negotiate with M/s GLP and accordingly, an agreement was entered into on 6 September 2000 to lease the centre to M/s GLP at a monthly rent of Rs.12,500 initially for a period of five years, which was later extended to 30 years. Subsequently, on a request from the lessee, the Company incurred an additional expenditure of Rs.14.52 lakh for upgrading the facilities of the centre. Further, the Company constructed a dhaba at a cost of Rs.9.24 lakh and handed over the same to the lessee free of charge; a cottage and a bar constructed at a total cost of Rs.7.70 lakh were handed over (18 June 2001, 18 April 2001) to the lessee at a fixed rent of Rs.0.10 lakh and Rs.0.40 lakh per annum respectively.

In this connection, the following observations are made:

- Before invitation of tenders the management had already arrived at (April 2000) an understanding with one of the bidders M/s GLP to lease out the same centre at a monthly rent of Rs.0.11 lakh.

- Authenticity of tender bids, actual number of parties participating in the tender could not be ascertained in audit as the bids did not appear to have been opened before the bidders or their authorised representatives as sealed envelopes containing the bids, signature of the bidders/representatives were missing from the records.

- Though the tender was invited for rest house, restaurant and office block and the agreement did not specify the units to be leased out, it was noticed that the Company handed over to the lessee a plot of land measuring 32 bighas (without valuation) with one restaurant block, two rest houses and an office block constructed (March 1995) at a cost of Rs.16.89 lakh.

- The Company incurred additional expenditure of Rs.14.52 lakh for upgradation of the centre without any reciprocal consideration.

- Though as per understanding arrived at earlier, the Company reserved the option to lease the property to be created in future in the same premises in any manner it liked, it was noticed that the cottage and the bar were handed over to the lessee without floating open tender for the same.

- The Company waived lease rent of Rs.0.78 lakh without any valid ground and did not hold any security against outstanding lease rent of Rs.1.34 lakh (up to March 2003).

It transpired from the above as well as the fact of awarding construction work as discussed in Paragraph 2.1.31, the Company had extended an undue favour to a particular party.

Boating and tour operation

2.1.25 To provide convenience, comfort and recreational facilities, the Company operates a riverine vessel (Jolporee) on the river Brahmaputra, provides boating facilities in the Dighalipukhuri Lake in Guwahati and operates conducted tours.

Cruising/ boating operation

2.1.26 Year-wise income and expenditure of the Company during the five years ended March 2003 for operation of cruising/boating facilities are tabulated in next page:

Cruising operation

Year	Income	Operating expenditure	Pay & allowances of operating staffs	Loss on operation
1998-1999	46,357	35,264	2,05,152	1,94,059
1999-2000	2,67,752	79,191	2,63,448	74,887
2000-2001	3,61,720	2,19,454	3,12,156	1,69,890
2001-2002	3,64,789	1,19,375	3,94,152	1,48,738
2002-2003*	1,77,360	94,680	3,00,924	2,18,244

Boating facilities

Year	Income	Operating expenditure	Pay & allowances of operating staffs	Loss on operation
1998-1999	1,06,610	8,735	3,05,364	2,07,489
1999-2000	2,15,835	27,029	4,27,728	2,38,922
2000-2001	2,89,930	7,351	4,60,812	1,78,233
2001-2002	2,41,375	10,915	4,53,804	2,23,344
2002-2003*	1,63,790	10,468	3,80,079	2,26,757

Reasons for low income *vis-à-vis* high operating expenses (including staff cost) in respect of the above two operations have not been analysed by the management and corrective action taken to improve the performance.

Tour operations

2.1.27 During the period 1998-2000, the Company operated conducted tours by hiring vehicles. From March 2000 onward, the Company operated the tours by using its own vehicles (one TATA Sumo & one Mini-bus) as well as by hired vehicles. During the period under review, income and expenditure of the Company on account of tour operations with number of days/trips operated and also number of tourists availing the facilities are tabulated in the following table:

Year	No. of trips operated	No. of days operated	No. of commuters	Total number of tourists visiting the State#	Percentage of tourists availing Company's tour operation
1998-1999	18	29	162	NA	-
1999-2000	18	30	129	9,88,329	0.01
2000-2001	40	80	325	9,68,874	0.03
2001-2002	52	100	459	16,95,882	0.03
2002-2003	33	65	259	NA	-

* Up to December 2002.
# Source: Economic Survey of Assam 2002-2003.

From the table at pre-page, it would be seen that the Company failed to exploit the tourism potential in the State as number of days operated ranged from 29 to 100 only in a year and only 0.01-0.03 *per cent* of tourists visiting the State availed of the Company's tour operation facilities. It was further observed that the Company has been operating in only three out of eight popular tourist circuits publicised by the Government/Company. This indicates that no/very low efforts were made by the Company to promote tour operations. Thus, tourism potential in the State is yet to be exploited.

Besides, the Company entered (May 2001) into an arrangement with a private tour operator for running of buses under the banner of the Company.

Audit observed that, as desired by the Commissioner and Secretary, Department of Tourism, Government of Assam, the Company did not invite open bids from prospective parties prior to finalisation of the rates and other terms with the sole offerrer. Thus, while the Company's own tour operation was poor, it failed to explore the possibility of allowing other tour operators to take up tour operation in the State and enable it to generate revenue for the Company.

Incidental and ancilliary activities

2.1.28 The Company also received Rs.2.58 crore (up to 31 March 2003) from Government of India for purchase of equipments/animals for various adventure sports, water sports, and organising fairs and festivals and for publicity and promotion. Against the above fund, the Company utilised Rs.1.21 crore.

The work of implementation of one scheme (Purchase of Luxury Cruise Vessel) involving Rs.99 lakh was not taken up even after two years of sanction (May 2001). Reason for non-implementation of the scheme was not on record.

Low return on investment in equipments

2.1.29 During the period up to 1999-2000, the Company purchased equipments as tents, boats, angling equipments and other equipments connected with adventure sports and also animals at a total cost of Rs.76 lakh out of GOI grants received for the purpose. Equipment/animals purchased at Rs.29.91 lakh were handed over, under instructions, to the Department of Tourism, Forest Department and District Councils.

Management has not maintained centrally any record/register showing location of the equipment, year of their purchase, their present status *etc.* Existence of such assets was also not physically verified by the management from time to time.

Though equipment other than those handed over to the departments were purchased prior to 1998-1999 and have been put to use by the Company since then, due to low and sparse demand from the users, the equipment fetched very negligible revenue for the Company as would be clear from the following table:

Year	Investment	Revenue	Return (%)
	(Rupees in lakh)		
Up to 1998-1999	34.55	0.05	0.14
1999-2000	46.42	0.04	0.08
2000-2001	46.42	0.02	0.04
2001-2002	46.42	0.01	0.02
2002-2003	46.42	0.04	0.08

Thus, due to improper planning by the management, equipments could not be gainfully utilised which rendered the investment infructuous.

Construction activities

2.1.30 A few cases of irregularities/improprieties noticed during audit of execution of schemes are detailed below:

Food Craft Institute (FCI)/Institute of Hotel Management (IHM)

Fund was diverted for other purposes not envisaged in the scheme.

2.1.31 A project for construction of Food Craft Institute (FCI) building at Guwahati, a State sponsored scheme, was sanctioned in 1990 and the Company received (up to April 1991) Rs.27 lakh for execution of the work, out of which the Company incurred an expenditure of Rs.0.76 lakh on contour survey of the project site (Jalukbari), consultancy charges and diverted Rs.4.55 lakh for other purposes not envisaged in the scheme and retained the balance (Rs.21.69 lakh).

The State Government/Company later took up a new scheme for construction of Institute of Hotel Management Catering Technology and Applied Nutrition (IHM) under CSS by upgrading the FCI. Under the scheme, State Government would contribute a developed plot of land on which construction work would be executed through Central Public Works Department (CPWD). The Company submitted an estimate of Rs.91 lakh for development of a new plot of land allotted by the State Government at Hengrabari (Guwahati). Against this, Rs.30 lakh was received by the Company from the State Government for development of site. However, the Company developed (up to April 2002) only a part (21 *per cent*) of the plot at a cost of Rs.24.09 lakh and handed over (April 2002) to CPWD. The balance fund (Rs.5.91 lakh) was retained by the Company.

Thus, the Company unauthorisedly retained Rs.27.60 lakh (Rs.21.69 lakh and Rs.5.91 lakh).

Construction of Yatrinivas at Guwahati

2.1.32 The Government of India (GOI) sanctioned (March 1992) a scheme for construction of Yatrinivas at Guwahati at a cost of Rs.49.32 lakh and released (March 1992) Rs.20 lakh towards first instalment. However, construction could not be carried out due to Company's failure to safeguard the land, five bighas out of six bighas of allotted land had been encroached. Against the funds received (Rs.20 lakh) the Company incurred an expenditure of Rs.2.09 lakh and the balance amount was retained.

The Managing Director subsequently, in the Board of Directors' meeting held in February 1999, was directed to explore the possibility to construct a multi-storied complex in the aforesaid site, and accordingly notice inviting tender was issued but no approval for change of original scheme was sought for from the GOI. The work could not be taken up so far (June 2003).

Thus, due to Company's inability to safeguard the allotted land and also get encroachment cleared the scheme remained to be implemented and the funds received for the scheme amounting to Rs.17.91 lakh remained locked up for over a decade.

Construction of Tourist cottages at Kaziranga

2.1.33 The Government of India (GOI) sanctioned (December 1996) a scheme for construction of five cottages at an estimated cost of Rs.29.53 lakh at Kaziranga and necessary funds were released during November 1999 to April 2002. Against five cottages proposed/sanctioned under the scheme, only three cottages were actually constructed at a total cost of Rs.30.71 lakh resulting in cost overrun of Rs.5.37 lakh*

It was, however, observed that the cottages though completed in January 2002 were not put to use (June 2003) for want of external electrification.

It was incidentally noticed that the Company constructed six cottages and a fibre cottage at the same location (Kaziranga) in November 2000 at a total cost of Rs.24.66 lakh. Since commissioning, the cottages registered maximum annual occupancy of 16.39 per cent (season's occupancy).

Thus, construction of three more cottages at the same location (which could not be put to use so far) despite poor occupancy of existing six cottages of Kaziranga was unjustified.

Internal Audit/Internal Control

2.1.34 The Company neither prescribed any internal audit standard/manual defining clearly the responsibilities and duties of the internal audit organisation, nor has an internal audit wing of its own. The internal audit of the Company, is generally carried out by appointing a firm of Chartered

* Excess of actual expenditure over estimated cost of executed work.

Accountants, who submitted their report to the management. However, there was hardly any follow up action on internal auditor's report.

Conclusion

Despite 15 years of existence, the Company did not develop a master plan for creating tourist infrastructure and basic amenities. Government funds earmarked for developing facilities either remained unspent or invested in unviable projects or were diverted for purposes not envisaged in the sanctioned schemes. Although the State has immense potential for becoming an important tourist destination, the tourism potential of the State remained largely untapped due to lack of planning and professional approach in the management of business of the Company.

The Company should formulate appropriate policies/strategies to attract tourists' traffic and utilise the existing facilities to the desired extent. Company shall also undertake only those projects, which are tourist attractive and commercially viable and in the process increase its turnover for its own sustenance.