CHAPTER II

Review relating to Government company

2. Bihar State Tourism Development Corporation Limited

Highlights

The Bihar State Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government company in November 1980 with the main object to promote tourism in the State by running tourist bungalows, hotels, ropeways, transport operation and catering services etc.

[Paragraph 2.1]

Out of Rs 5.40 crore received during 1999-2004 for 30 projects (17 Central and 13 State), the Company utilised Rs 4.54 crore on 18 projects. The remaining 12 projects were not taken up due to non-availability of land and other reasons.

[Paragraph 2.6]

Despite availability of funds, the Company failed to provide basic amenities like Sulabh Sauchalaya complexes, toilets, drinking water, and wayside amenities to the tourists.

[**Paragraphs 2.7.2 and 2.7.3]**

The Company failed to achieve an annual turnover of rupees five crore during 1999-2003.

[Paragraph 2.8]

Due to lack of publicity, absence of basic amenities, amusement and recreational facilities, the Company's share (0.43 per cent) of the tourist traffic in the state was insignificant.

[Paragraph 2.10]

Actual occupancy in the hotels of the Company ranged between 21.56 and 22.61 per cent during 1999-2003 as against occupancy target of 60 per cent. As a result, the Company suffered loss of potential revenue of Rs 5.38 crore.

[Paragraph 2.11]

The Company incurred expenditure of Rs 11.75 lakh during April 1999 to September 2004, due to allotment of vehicle to the Minister of Tourism, Government of Bihar, in contravention of the order of the State Government.

[Paragraph 2.14]

Introduction

2.1 The Bihar State Tourism Development Corporation Limited (Company) was incorporated as a wholly owned Government company in November 1980 with the main object to promote tourism in the State by running tourist bungalows, youth hostels, hotels, ropeways, transport operation and catering services on profitable lines, either owned or acquired from the Department of Tourism (DOT) and other Departments of Government of Bihar. The ancillary objects of the Company included, inter alia, to plan and execute schemes for development of tourist complexes and tourist resorts, to print and publish pamphlets, books, and other materials needed by tourists and travellers, to carry on the business of producing, distributing and exhibiting cine films, documentaries and to carry on the business of running boats, swimming pools, etc.

As on 31 March 2004, the Company had 34 hotels (23 self-managed and 11 leased out) with total capacity of 1341 beds, including dormitory type budget accommodation in 19 hotels with 515 beds and 30 restaurants (13 self-managed and 17 leased out) **(Annexure-10)**, a ropeway, a fleet of 12 buses for the benefit of tourists and miscellaneous other properties such as waysides, tirth yatri kendras (one self managed and six leased out), pilgrim sheds, shopping complexes, swimming pool, etc. The restaurant at ropeway, Rajgir has remained closed since June 2000, when it was taken over by the Company from the leaseholder. Out of the above 34 hotels, seven hotels (four self managed and three leased out) together with restaurants, which were under the control of the Company, were taken over by the Government of Jharkhand with effect from December 2003, against which the Company had filed a suit in Patna High Court. The Hon'ble High Court in its interim order (December 2003) had ordered to maintain status quo.

Organisational set-up

2.2 The management of the Company is vested with the Board of Directors (Board). As on 31 March 2004, the Board consisted of seven directors including one professional and two from public nominated by the Government of Bihar. The Managing Director is the Chief Executive Officer and is assisted by a Deputy General Manager (Finance & Accounts), Manager (Administration) and Executive Engineer in day to day working of the Company. The designated managers run hotels and other activities of the Company.

Due to default in filing returns to RoC, the Company paid penalty of Rs 1.34 lakh.

The Company was functioning without a whole time Company Secretary up to August 2003, in violation of Section 383A of the Companies Act, 1956 as amended in 1988, since its paid-up capital was more than Rs 50 lakh. Consequently, the provisions of the Companies Act, 1956 relating to main secretarial functions such as holding of the Board meetings in terms of Section 285, filing of returns to the Registrar of Companies (RoC), maintenance of statutory books, avoiding delay in allotment of shares, etc. were not complied with. Audit observed that due to default in filing returns to the RoC, the Company had to pay a penalty of Rs 1.34 lakh imposed during 2002-04 by the RoC under the Companies Act, 1956.

Scope of Audit

2.3 A sectoral review on the working of the Company covering areas viz. occupancy and catering services was featured in the Report of the Comptroller and Auditor General of India, (Commercial) for the year 1998-99. The Committee on Public Undertakings has not yet discussed the report.

The present review which was conducted during December 2003 to April 2004 covers the working of the Company for the period 1998-99 to 2003-04 based on test check of records of six self managed hotels and restaurants*, situated at Rajgir and Bodh Gaya, being two significant tourist places.

The principal constraints faced while framing audit observations were arrears in accounts, absence of reliable management information system and inadequate monitoring of activities by the management.

The audit findings were reported to the Government /Company in August 2004 with specific request for attending the meeting of Audit Review Committee for State Public Sector Enterprises (ARCPSE), so that the viewpoint of Government / Management was taken into account before finalising the review. The meeting of ARCPSE was held on 14 September 2004. The review was finalised after receipt of the replies of the Chairman cum Managing Director of the Company who is also the Secretary, Department of Tourism, Government of Bihar. Results of audit scrutiny are discussed in the succeeding paragraphs.

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* Hotels (i) Goutam Vihar,Rajgir, (ii) Ajatsatru Vihar, Rajgir, (iii) Tathagata Vihar ,Rajgir (iv) Buddha Vihar, Bodh Gaya, (v) Sujata Vihar, Bodh Gaya and (vi) Siddhartha Vihar, Bodh Gaya.
Restaurants at (i) Gautam Vihar, Rajgir (ii) Tathagat Vihar, Rajgir

Sources of fund

Capital structure

2.4 As against the authorised share capital of Rs five crore, the paid up capital as on 31 March 2004 was Rs 2.49 crore wholly contributed by State Government. Audit observed that though 2,49,008 shares of Rs 100 each were issued/ allotted, the paid-up capital of the Company as on 31 March 2003 was shown as Rs 1.05 crore instead of Rs 2.49 crore. Management stated (September 2004) that it was an error.

Financial position and working results

Financial position

2.5 The Company had prepared its accounts up to 2002-03 and the same have been approved by the Board of Directors of the Company. However, accounts for the period 1993-94 and onwards were yet to be audited by the Statutory Auditors.

2.5.1 The financial position of the Company for the period of five years up to 2003-04 is given in **Annexure 11.**

Audit observed that

Loss of Rs 79.29 lakh due to extending loan without provision of interest.

- The Company extended (1989-90) a temporary loan of Rs 10 lakh to Ranchi Ashoka Bihar Hotel Corporation (RABHC). The RABHC had neither refunded the loan amount nor interest (including penal interest) thereon aggregating Rs 79.29 lakh as claimed by the Company (December 2003). Management stated (September 2004) that there was no agreement with RABHC regarding payment of interest on the loan amount of Rs 10 lakh. Under the circumstances, the Company had no legal claim of interest and penal interest against RABHC and it had already suffered loss of Rs 79.29 lakh as of December 2003.

Sundry debtors included Rs 43.85 lakh doubtful of recovery.

- Sundry debtors of Rs 56.65 lakh included Rs 43.85 lakh, pending for recovery for more than five years, which were not being pursued for want of necessary details. Therefore their recovery was doubtful. Management stated (September 2004) that two firms of Chartered Accountants have been appointed to prepare party wise details of sundry debtors of Rs 43.85 lakh.

Working results

2. 5.2 The summarised position of the working results of the Company for the last five years up to 2003-04 is tabulated below:

(Rupees in lakh)

	Particulars	1999-2000	2000-01	2001-02	2002-03	2003-04
A	Total income	366.97	367.11	421.33	426.09	N.A
B	Total expenses	374.68	362.44	415.40	419.09	N.A
C	Net profit	(-) 7.71	4.67	5.93	7.00	N.A
D	Prior period adjustment (net)	(-) 9.31	(-) 1.05	(-) 0.07	0.53	N.A
E	Provision for taxes	Nil	Nil	Nil	2.77	N.A
F	Profit after prior period adjustment and provision for taxes	(-) 17.02	3.62	5.86	4.76	N.A

Unfruitful investment

2.5.3 The Company (BSTDC) entered into a joint venture (1981) with Indian Tourism Development Corporation Limited (ITDC) to form and run the Ranchi Ashoka Bihar Hotel Corporation (RABHC). As against the authorised capital of rupees one crore, the paid up capital of RABHC as per latest available accounts for the year 2001-02 was Rs 71.60 lakh (ITDC-Rs 36.52 lakh and BSTDC-Rs 35.08 lakh) which had been completely eroded by its accumulated loss of Rs 3.59 crore. BSTDC had not received any dividend from RABHC since its inception.

Audit observed that BSTDC had not made any independent viability study of RABHC before entering into joint venture with ITDC and also not made any mid-term review to continue with the joint venture. `Due to acute financial crisis, RABHC could not repay the outstanding loan and interest of Rs 1.88 crore to Bihar State Credit and Investment Corporation Limited (BICICO), which had sanctioned a term loan of Rs 83.15 lakh for its construction. Consequently, BICICO took over (June 1996) the property of RABHC and advertised for its sale under Section 29 and 30 of State Financial Corporations Act, 1951 in which the highest offer of Rs 2.05 crore was received.

Based on the highest offer received by BICICO, both ITDC and BSTDC individually paid Rs.2.05 crore in March 1997 to BICICO, to take control of RABHC. BICICO handed over the control of RABHC to ITDC, which was objected to by BSTDC. However, a suit in this regard filed by ITDC was pending with Patna High Court in which the court had passed an interim order to maintain status quo. In the meantime the Disinvestment Commission, Government of India decided to disinvest 51 per cent shares of RABHC as held by ITDC. The State Government did not agree to the recommendations of the Disinvestment Commission.

Rs 2.41 crore were blocked in unfruitful investment.

Thus, entering into a joint venture with ITDC without an independent viability study and continuance in the investee company without any mid-term review or analysis of return on investment had resulted in blocking of Rs 2.41 crore of BSTDC. Management stated (September 2004) that since the matter of RABHC was pending in the court, the Company was not in a position to take any decision regarding this investment.

Central and State assistance

2.6 During 1999-2004, the Company received Rs 5.40 crore (Rs 4.25 crore under central assistance and Rs 1.15 crore under state assistance) against 30 projects (Central: 17 and State:13) detailed as under:

(Rupeess in crore)

	Central Goverrnment		State Government		Total		
Projects	Number	Amount released	Number	Amount released	Number	Amount released	Amount utilised
Sanctioned	17	4.25 (GoI-1.96 GoB-2.29)	13	1.15	30	5.40	4.54
Taken up	8	4.09	10	0.97	18	5.06	4.54
Completed	-	-	10	0.97	10	0.97	1.07
Incomplete	8	4.09	-	-	8	4.09	3.47
Not taken up	9	0.16	3	0.18	12	0.34	-

Out of Rs 5.40 crore received against 30 projects, the Company utilised Rs 4.54 crore on 18 projects.

Out of 30 projects, the Company undertook 18 projects (central: eight and state: 10) out of which 10 state assisted projects were completed at a cost of Rs 1.07 crore against released funds of Rs 97 lakh and the remaining eight central projects were in different stages of completion. Expenditure incurred on these eight projects was Rs 3.47 crore against Rs 4.09 crore released. The Company did not take up 12 projects (central: nine and state: three) due to non-availability of funds (three), land and other reasons (nine). As a result Rs 34.17 lakh remained unspent and not refunded to Government (September 2004).

Audit observed as under:

- Six central projects sanctioned during 1995-99 remained incomplete for five to eight years and spilled over to 1999-2004, and expenditure incurred on these incomplete projects was Rs 33.53 lakh against funds released of Rs 56.59 lakh (March 2004).
- In violation of norms, the State Government got funds released from Central Government for execution of different schemes by giving wrong undertaking that land for the projects was readily available.

Delay in submission of utilisation certificates resulted in non release of funds from Government of India.

- Without the specific approval of GOI, funds were retained and diverted to other schemes. This had ultimately restricted the creation / up-gradation of tourist facilities in the State.
- The Company did not maintain plan period wise details of execution of schemes.
- There was delay of one to 12 years in submission of utilisation certificates in 12 central projects resulting in non-release of further fund of Rs 1.50 crore from the GOI for execution of the projects. Projects were completed at a cost of Rs 2.45 crore which included Rs 1.50 crore diverted from funds available for other projects.

Management stated (September 2004) that all utilisation certificates were sent to the Government for needful. The reply of the management is not specific, and it has failed to justify the delay in submission of utilisation certificates.

Infrastructure

Development of infrastructure

2.7 The Company acts as an executing agency for construction and completion of different projects under Centrally and State assisted schemes for development of tourist infrastructure. Assets created under Central assistance would be the property of Government of India, but they would be given to the State Government for operation and management on payment of one rupee per month. Besides, the Company also undertook self-financed projects.

Execution of centrally and state assisted projects

Cases involving 19 projects (including spilt over) were examined in Audit. Audit observation in respect of the above schemes is discussed in the following paragraphs.

Centrally assisted projects

Construction of tourist complex at Purnea

2.7.1 A project for construction of a tourist complex at Purnea was sanctioned in 1990 for which a sum of Rs 14.68 lakh was made available to the Company. However, the Government of Bihar made available the land for the said project only in April 2000, i.e. after a lapse of nearly 10 years. Due to delayed allotment of land, Government of India sanctioned and approved (April 2001) a revised estimate of Rs 74.13 lakh. Audit observed that the funds were got released by giving wrong undertaking about availability of freehold land for the project. Further, the funds of Rs 14.68 lakh made available to the Company in 1990 were diverted for construction of other projects in violation of the guidelines of the GOI.

Company undertook construction on a land under litigation and spent Rs 56.59 lakh. Further, leasing was done without assessing tariff potential.

The land for the project was under litigation. However, in absence of any court order, the management continued with the construction and incurred an expenditure of Rs 56.59 lakh (July 2004). Audit observed that the construction was undertaken without ensuring approach road to the project site and landscaping. The management leased it out (September 2003) to a private party for a period of two years against total lease rent of Rs 2.88 lakh without assessing its tariff potential.

Construction of public conveniences at tourist centers

2.7.2 According to the revised guidelines (July 1999) of Central Financial Assistance (CFA), construction of public conveniences (Sulabh Sauchalaya complexes) including drinking water facilities was to be considered on merits. The facilities so created were to be maintained and operated on “pay and use” basis.

Audit observed that construction of public conveniences at 10[@] places was sanctioned by GoI/GoB during 1990-91 and 1992-93, and a sum of Rs 16.71 lakh was released.

Despite availability of funds, none of the aforesaid projects, except Rajgir (Rs 4.84 lakh), was completed. Projects stipulated for other nine places were dropped without any recorded reason. The Company had not refunded the unspent amount of Rs 11.87 lakh to the Government.
Thus, the Company failed to provide basic facilities for the tourists despite availability of funds.

Construction of passenger oriented wayside amenities

2.7.3 According to guidelines of CFA, wayside amenities were to be provided to tourists travelling by road.

Despite availability of funds, the Company failed to provide basic amenities.

Audit observed that eight projects were sanctioned during 1985-2001 and Rs 37.79 lakh was released against six projects. The Company spent Rs 9.14 lakh on three projects. Remaining projects were not taken up for construction (March 2004). None of these projects could be completed/commissioned due to land disputes/litigation, non-allotment of funds, etc. Thus, the expenditure of Rs 9.14 lakh remained unfruitful and blocked and the Company failed to provide toilets, drinking water, basic wayside amenities etc. to the tourists.

Abandonment of State assisted projects

Construction of tourist complex at Hajipur

2.7.4 Government of Bihar provided Rs 2.66 lakh to the Company in May 1990 to purchase a plot of land for construction of a tourist complex at Hajipur. The project cost of the complex was Rs 13.50 lakh, which was provided to the Company as share capital. After acquiring the land, the Company constructed a boundary wall at a cost of Rs 2.16 lakh. Audit

[@] Rajgir, Nalanda, Gaya, Bodh Gaya, Vaishali, Deoghar, Basukinath, Mohania, Sasaram, Sultanganj observed that the Company did not take any initiative to take up the project despite reminders from GOB.

The Company transferred (2003) the land, free of cost, to the Institute of Hotel Management, Patna, functioning under the aegis of the Government of Bihar. Thus, due to inadequate action on the part of the Company, the complex at Hajipur could not be taken up, and funds of Rs 11.34 lakh out of Rs 13.50 lakh, remained unutilised with the Company.

Operational performance

Operational performance of self managed hotels

2.8. The operational performance of hotels during 1999-2003 is summarised below:

(Rupees in lakh)

Year	No of working units of hotels	Total operational surplus[τ]	Units which earned profit			Units which incurred loss		
			Number	Percentage	Amount	Number	Percentage	Amount
1999-2000	25	41.13	19	76	43.22	6	24	2.09
2000-01	22	29.86	15	68	34.49	7	32	4.63
2001-02	22	53.13	20	91	53.64	2	9	0.51
2002-03	19	10.18	13	68	42.47	6	32	32.29

The Company failed to achieve an annual turnover of rupees five crore.

It would be seen from the above that average annual profit per hotel remained between Rs 0.53 lakh and Rs 2.41 lakh during 1999-2003, but the profit declined from Rs 2.41 lakh in 2001-02 to Rs 0.53 lakh in 2002-03. Further, the number of loss making hotels increased from two in 2001-02 to six in 2002-03. The Company failed to achieve an annual turnover of rupees five crore during the last four years upto 2002-03.

Poor working results were mainly due to low occupancy, as discussed in succeeding paragraphs.

Operational performance of self-managed restaurants

2.8.1 The Company operated nine self-managed restaurants as on 31 March 2003. In the absence of feasibility study, the viability of setting up of restaurants in physical/financial terms could not be assessed in Audit.

The Company earned profit of Rs 38.31 lakh during the last four years ending 31 March 2003 from its self-managed restaurants. The operational performance

[τ] (excluding depreciation, proportionate head office expenses and other overheads) of the self-managed restaurants during the last four years up to 2000-03 is summarised in **Annexure-12.**

The Company had no costing system to apportion the establishment cost separately for catering and lodging services.

Leasing

2.9 As on 31 March 2004, the Company had leased out 11 hotels, 18 restaurants and other properties like shopping complexes, waysides, pilgrim sheds etc. by inviting quotations and leasing out the property to the highest bidder. As per direction of GOI, the assets created out of Central financial assistance should not be leased to a third party without specific approval of GOI. The Company had not laid down any policy in respect of units to be run by it, and those to be leased out. Further in test check of five lease agreements, Audit observed that none of the agreements were registered under the provisions of the Transfer of Properties Act.

Growth of tourism and share of the Company

Even after 23 years since its inception, the Government and the Company could not prepare any master plan for growth of tourism.

2.10 Though tourism is recognised as an industry, the Government had not laid down any tourism policy for the State. Thus, the factors responsible for the growth of tourism viz availability of basic infrastructural facilities, improvement in quality of products, marketing, customer satisfaction, etc. were being pursued without any tourism policy. Audit observed that Rs 12 lakh was made available to the Company (May 1998) for preparation of master plan, out of which only Rs 3.81 lakh could be utilised till March 2004. Even after 23 years since inception, the Government and the Company could not prepare any master plan for growth of tourism in the State.

Management stated (September 2004) that 20 years perspective plan had been prepared by the Department of Tourism, which was awaiting sanction of the Government of Bihar.

The Company's share in the tourist traffic was insignificant.

Audit observed that out of 3.36 lakh foreign and 2.35 crore domestic tourists who visited Bihar (excluding Jharkhand in the erstwhile Bihar) during 1999-2003, only 0.10 lakh (3.01 per cent) foreign and 0.94 lakh (0.40 per cent) domestic tourists stayed in Company's hotels. Thus, the Company's share was insignificant (0.43 per cent) compared to total inflow of tourists in the State. This was due to lack of publicity, absence of basic amenities, amusement and recreational facilities, as discussed in paragraphs 2.11, 2.11.1 and 2.11.2.

Management stated (September 2004) that performance of the hotels of the Company had been better than private hotels. The reply of the management is not tenable, as it has not produced documents in support of its claim. Moreover, Audit observed that the Company has not achieved even 50 per cent of the occupancy target, as discussed in paragraph 2.11.

Accommodation

Occupancy ratio

2.11 A mention was made in paragraph 2.7 of Audit Report (Commercial) for the year 1998-99 that against targeted occupancy of 60 per cent, actual occupancy in the hotels of the Company ranged between 20.6 and 26.6 per cent during the period of six years ending 1998-99 resulting in loss of potential revenue of Rs 2.98 crore. Reasons for low occupancy as analysed in Audit were non deployment of professional managers for running the hotels of the Company and not undertaking any market survey for fixing tariff of hotels. Tariffs of hotels were also not got approved by the Board. It was also mentioned in the report that the Company had neither analysed the reasons for low occupancy nor taken any step to boost up the same. Audit observed that for want of adequate measures the above deficiencies were still persisting.

Against targeted occupancy of 60 per cent, actual occupancy ranged between 21.56 and 22.61 per cent only resulting in loss of potential revenue of Rs 5.38 crore.

As against the minimum occupancy target of 60 per cent fixed (March 1993) by the Board, the average occupancy of all the self managed hotels ranged between 21.56 and 22.61 per cent only during 1999-2003. The table below indicates actual income from accommodation as against the targeted income and the percentage of units which could not achieve the target.

(Rupees in lakh)

Year	Units providing accommodation	Targeted income from accommodation	Actual income from accommodation	Shortfall	Units which could not achieve target	Percentage of units which could not achieve target
1999-2000	18	182.55	84.63	97.92	18	100
2000-01	18	222.24	91.03	131.21	18	100
2001-02	19	271.21	115.85	155.36	19	100
2002-03	19	290.37	137.18	153.19	19	100
Total		**966.37**	**428.69**	**537.68**		

From the above it is evident that none of the units of the Company could achieve the targeted occupancy in the period of five years ending March 2003.

The Company had not analysed the reasons for low occupancy and had also not taken any effective steps in this regard. While analysing reasons for low occupancy, Audit observed that before setting up/taking over of hotels, detailed survey on tariff potential and commercial viability was not conducted. The Company had not maintained records of any market survey undertaken prior to fixation/revision of tariff of the hotels. Hence, competitive rates were not available for verification in audit. Besides, lack of basic facilities and poor customer services, inadequate publicity as discussed in paragraph 2.13, lack of elite and classic hotels with the Company, lack of entertainment facilities such as amusement park, theme park, swimming pool, etc. and lack of transport facilities were responsible for low occupancy.

Management stated (September 2004) that in future if funds from Government were made available, it would think of providing such facilities.

Service efficiency

Inadequate essential facilities

2.11.1 To provide essential services is an important pre requisite in the tourism industry. A review of essential services and other amenities available in the hotels revealed inadequacies such as non-maintenance of records indicating the visits of Public Health authorities and their findings in regard to maintenance of hygiene in the hotels, absence of any system of periodical medical check-up of the cooks and non-availability of test reports of Food Inspectors on the quality of food served.

Management stated (September 2004) that periodical medical check up of cooks was being introduced.

Assessment of customers' satisfaction

2. 11.2 To assess the degree of satisfaction of the customers, with regard to accommodation facilities and quality of food served, the hotels maintain suggestion/complaint registers. Test check of records in six hotels indicated that suggestion/complaint registers were not properly maintained and submitted to the customers. The Company did not evolve any alternative system like customer satisfaction response sheets, standard service norms, postage pre-paid feedback forms, etc.

The management stated (September 2004) that the system of prepaid feed back form facility was being introduced. The management also stated that complaint registers are submitted to customers. The reply is not correct as complaints were found entered even in the occupancy register.

Renovation and modernisation of hotels

2.11.3 With a view to increase occupancy in the hotels, the Company took over the work of renovation of seven hotels during 1999-2004 and incurred an expenditure of Rs 1.03 crore, which included Rs 34.53 lakh received for other projects. Audit observed that in one hotel, average occupancy increased from 10.72 to 14.54 per cent after renovation, whereas in two hotels, there was only a marginal increase of occupancy. But, there was decrease in occupancy in three hotels, of which one hotel was leased out to a private party. The impact of renovation and reasons for marginal increase/decrease in occupancy of the aforesaid hotels were not analysed by the Company.

Catering

2.12 A mention was made in paragraph 2.9 of Audit Report (Commercial) for the year 1998-99 that self managed restaurants were being run on a low scale due to their running by staff of the respective hotel already engaged in hotel activities, instead of by skilled masalchi / kitchen staff. It was also mentioned that agreements for more than one year in respect of leased out restaurants were not registered, and hence were not recognised under the provision of law. Audit observed that these deficiencies /irregularities were still persisting.

Publicity

2.13 Publicity is a powerful instrument to attract tourists. Department of Tourism provided Rs 57.88 lakh to the Company during May 1993 to May 1999 for publicity and information, printing of tourism literature, brochure on Buddhist circuit, preparation of small films, hoardings etc. The Company utilised (April 2004) Rs 44.44 lakh. There were instances of non-utilisation, part utilisation, delayed utilisation and diversion of funds.

Expenditure on publicity was inadequate.

Audit observed that Rs 8.38 lakh received for publication of tourist literature and brochure remained unutilised whereas there was only part utilisation of Rs 22.89 lakh against Rs 27.62 lakh received for printing and distribution of tourist literature and hoarding. Thus, the expenditure on publicity was inadequate. The Company diverted Rs 1.58 lakh as temporary loan to Department of Tourism, Government of Jharkhand for registration of Jharkhand Tourism Development Corporation in March 2002.

Unauthorised allotment of vehicle

2.14 With a view to curtail unnecessary expenditure, the State Government issued directions (August 1990) to its departments, including public sector undertakings, that each Company would be allowed four vehicles, i.e. one each for Chairman, Vice Chairman, Managing Director and for office use. The order, inter alia, mentioned that departments would provide one vehicle each to the Minister, State minister, Deputy Minister and Secretary.

Audit observed that contrary to the order of the State Government, a Maruti Gypsy was provided by the Company to the Minister of Tourism, Government of Bihar. The Company incurred an expenditure of Rs 11.75 lakh on account of petrol, oil and lubricants, maintenance and spare parts, salary and wages of drivers during April 1999 to September 2004. Thus, allotment of vehicles to the Minister led to avoidable expenditure of Rs 11.75 lakh during April 1999 to September 2004.

Internal audit

Internal audit was almost non-existent since inception of the Company.

2.15 The Company did not have its own internal audit wing. Firms of Chartered Accountants were appointed for internal audit and were also entrusted with the work of compilation of accounts, reconciliation of bank accounts, loans and advances, etc in addition to the work of internal audit. The Company had also not laid down any internal audit standards/manual.

Though the internal audit reports on the accounts of the Company for the period up to 2002-03 were discussed and persistent deficiencies relating to loans and advances, maintenance of cash and bank books, bank reconciliation, payment of TDS, etc as covered in the reports were acknowledged by the Board, the management failed to take requisite measures to remove the deficiencies.

Thus, purpose of internal audit to ensure adequacy of internal control to enforce effective check on financial / stores and stock transactions of the Company could not be achieved.

Management stated (September 2004) that it had noted the suggestion and was planning to constitute an in-house internal audit wing.

Conclusion

Despite 23 years of its existence, the Company did not develop a master plan for creating tourist infrastructure and basic amenities. Even the funds earmarked for developing facilities either remained unspent or were diverted for other purposes. The Company had an insignificant share in the state's tourist traffic due to lack of publicity, basic amenities, amusement and recreational facilities. The turnover of the Company was less than rupees five crore and it suffered from low occupancy.

To improve occupancy ratio and increase its share in tourist traffic in the state, the Company should judiciously spend the funds received to ensure improvement in tourist facilities. The Company should also attempt to increase its turnover for its continued existence and also for promotion of tourism in the state.

The matter was reported to the Government (August 2004); their reply had not been received (September 2004).