

## TRANSPORT AND COMMUNICATION DEPARTMENT

### 3.2 Working of Nagaland State Transport

*Nagaland State Transport (NST) was established as a department of the State Government in December 1964 to provide reliable and affordable transport services to the public. However, due to under utilization of fleet, low vehicle productivity, delay in tariff revision, excess expenditure on purchases, inefficient ticket management system and non-functioning of departmental retreading plant etc., the department sustained losses to the tune of Rs.60.79 crore during 2000-05 which accumulated to Rs.164.63 crore as on March 2005.*

#### *Highlights*

*Nagaland State Transport (NST) suffered accumulated loss of Rs.164.63 crore as on March 2005.*

*(Paragraph 3.2.7)*

*Expenditure of Rs.2.35 crore had been incurred on salaries of idle crew on account of off-road buses.*

*(Paragraph 3.2.12)*

*The department suffered a loss of potential revenue of Rs.2.12 crore due to decrease in vehicle productivity of buses on road from 132.53 km to 112.52 km.*

*(Paragraph 3.2.13)*

*The department incurred expenditure of Rs.13.78 crore on excess staff and shortfall of potential revenue amounting to Rs.50.72 crore due to low staff productivity.*

*(Paragraph 3.2.17 & 3.2.18)*

*Loss of revenue amounting to Rs.72.62 lakh due to delay in approval and implementation of revised tariff.*

*(Paragraph 3.2.19)*

*The department incurred excess expenditure of Rs.1.77 crore on purchase of tyres, tubes and flaps from local firms instead of from manufacturers' authorised dealers.*

*(Paragraph 3.2.20)*

*6.02 lakh tickets valued at Rs.6.53 crore were not accounted for by three stations.*

*(Paragraph 3.2.30)*

### ***Introduction***

**3.2.1** Nagaland State Transport was established in December 1964 as a department of the State Government of Nagaland with the objective to provide well co-ordinated, reliable and affordable transport service to the public. The department is presently operating public transport services both inside and outside the State on 81 bus routes covering 23,214 kms.

### ***Organisational set up***

**3.2.2** The Commissioner-cum-Secretary, Department of Transport and Communication is the administrative head of the organisation. At the department level, General Manager is the over all head to oversee the functioning of the department. There are four Divisional Administrative Offices headed by Divisional Managers (DM) and ten operating stations headed by Assistant General Manager (AGM)/Station Superintendents (SS).

### ***Scope of audit***

**3.2.3** The working of Nagaland State Transport for the period from 2000-01 to 2004-05 was covered in audit. Records of the office of the General Manager (GM), Additional Chief Engineer (Auto), four operating stations (Dimapur, Kohima, Mokokchung and Wokha) out of ten and two divisional workshops (Kohima and Mokokchung) out of four were test checked (65 *per cent* of total expenditure of Rs.111.95 crore) during February-May 2005.

### ***Audit objectives***

**3.2.4** The main objectives of the review were to find out whether:

- a well coordinated, affordable and reliable transport service exists in the State.
- economy has been observed in all respects.
- efficiency in operational performance is ensured.

### ***Audit criteria***

**3.2.5** For fulfillment of the above objectives, working of the State Transport was assessed by applying the following criteria:

- data/information collected from the State Transport authority, and analysis thereof.
- All India averages and averages for similar regions as published by ASRTC (Association of State Road Transport Corporation) and CIRT (Central Institute of Road Transport), Pune for operational performance and staff productivity.

### *Audit Methodology*

**3.2.6** The performance audit began with audit engagement through an entry point conference (22 February 2005) attended by the Commissioner/Secretary, State Transport and Communication Department and other officers. This was supplemented by discussions between senior officers of the Department and the Accountant General (Audit). At the end, an exit conference (18 October 2005) attended by the Secretary and other subordinate officers responsible for operation of State Transport system was held. The audit comments were finalised after taking into account the points put forth by the department during the exit conference.

The data, information etc. collected from the office of the General Manager, Additional Chief Engineer and operational stations were analysed and results thereof in the form of audit findings are given in the succeeding paragraphs.

### *Financial position and working results*

**3.2.7** The accounts of the department were in arrears for 16 years as on March 2005. Though the Nagaland State Transport is a public utility service, the function of the department is quasi-commercial in nature. An officer deputed from time to time since 1982-83 from Directorate of Treasuries and Accounts is entrusted with the responsibility to keep accounts of the department. As far as proforma accounts are concerned, the department stated (October 2005) that matter has been taken up with the State Government for engaging private firms specializing in preparation of proforma accounts in order to clear the backlog. The reply of the Government is still awaited. The proforma accounts for the period covered by the review are yet to be prepared. It would, however, be seen from the working results prepared by the department that the department had incurred losses amounting to Rs.60.79 crore during the period 2000-01 to 2004-05 and the operating income during this period was not sufficient even to cover its employees cost. The accumulated loss as on 31 March 2005 worked out to Rs.164.63 crore. The details are given in **Appendix-XXII**.

### *Budget provision and expenditure*

**Table 3.2.1**

(Rupees in crore)

Year	Total		
	Budget provision	Expenditure	Excess (+) Saving (-)
2000-01	18.30	18.28	(-) 0.02
2001-02	20.14	20.35	(+) 0.21
2002-03	24.89	25.11	(+) 0.22
2003-04	25.14	25.61	(+) 0.47
2004-05	22.60	22.60	---
<b>Total:</b>	<b>111.07</b>	<b>111.95</b>	

(Source: Appropriation Account)

**3.2.8** From the above, it can be seen that there was excess expenditure over budget provision during the year 2001-02 to 2003-04. The reason stated (March 2005) by the Additional General Manager, NST was that while budget provision remained static since 2001-02 escalation in cost of almost all the items year to year necessitated excess expenditure *vis-à-vis* budget provision.

As per Article 205 of the Constitution of India, it is mandatory for a State Government to get the excess over a grant/appropriation regularised by the State Legislature. The department stated that effort is on for regularization of the excess expenditure made from 2001-02 onwards.

### *Revenue targets and achievement*

**3.2.9** Target *vis-à-vis* collection of revenue during the period from 2000-05 were as under:

**Table 3.2.2** *(Rupees in crore)*

Year	Target		Collection	Shortfall (-)/Excess (+) (with reference to the revised target)	
	Original	Revised		Amount	Percentage
2000-01	5.28	4.83	5.10	(+) 0.27	6
2001-02	6.47	6.60	5.10	(-) 1.50	23
2002-03	7.25	6.65	5.52	(-) 1.13	17
2003-04	7.25	6.00	5.75	(-) 0.25	4
2004-05	8.54	6.88	6.75	(-) 0.13	2

*(Source: Departmental figures)*

It was noticed that except for 2001-02, every year the initial target fixed had to be lowered. The gap between the lower revised target and achievement in collection of revenue ranged from 2 *per cent* to 23 *per cent* of the revised target during 2001-05. The department stated that initial fixation is done based on a projection made and subsequently on review (normally done every year by November/ December), the physical and financial performance parameters and the actual revenue generated are taken into account to fix the revised target for the year.

### *Operational Performance*

**3.2.10** The operational performance of the department as seen in audit was not satisfactory. The findings of audit emerging from a review of the working of the Nagaland State Transport are discussed below. The operational performance of the department as reflected through selected parameters is given in **Appendix-XXIII**.

### *Vehicular strength and age profile*

**3.2.11** The fleet strength of Nagaland State Transport was 184 buses as at the end of 31 March 2000. During 2001-05, 147 new buses were added and 85 buses were condemned leaving a balance of 246 buses as on 31 March 2005. The fleet strength and age-wise position of buses of the department for the five years up to 2000-05 is given below:

Table 3.2.3

	2000-01	2001-02	2002-03	2003-04	2004-05
1. Number of buses held at the beginning of the year	184	171	152	165	203
2. Number of buses acquired	27	17	13	47	43
3. Number of buses removed from the fleet	40	36	--	9	--
4. Effective fleet strength at the close of the year	171	152	165	203	246
5. Age-wise analysis at the end of the year	No./ percentage	No./ percentage	No./ percentage	No./ percentage	No./ percentage
a) Age over 8 years	36 (21)	---	---	11 (5)	21 (8)
b) 4-8 years	30 (18)	46 (30)	76 (46)	88 (44)	105 (43)
c) Less than 4 years	105 (61)	106 (70)	89 (54)	104 (51)	120 (49)

(Source: Information obtained from the Department)

The age norm laid down by the ASRTU (Association of State Road Transport Undertakings) was that 60 *per cent* of the fleet strength should be less than four years old. During the years 2002-03, 2003-04 and 2004-05 NST had only 89, 104 and 120 buses less than four years old against the norm of 99, 121 and 148 buses respectively.

#### ***Fleet utilisation***

**3.2.12** Fleet utilisation is the ratio of the buses on road to the average fleet held by the department. According to a recommendation made by the Association of State Road Transport Undertakings, 92 *per cent* of fleet should be road worthy (90 *per cent* in operation and two *per cent* kept in reserve and off road buses should not exceed eight *per cent* of the total fleet). It was observed in audit that against this norm the road-worthy buses varied from 57 to 63 *per cent* and off road buses represented 37 to 43 *per cent* of the total fleet (detailed in **Appendix-XXIII**). Due to low fleet utilisation there was adverse effect on vehicle productivity as discussed in the next paragraph.

The expenditure on pay and allowances of idle drivers and conductors with reference to the number of off road buses for the period 2000-05 was Rs.2.35 crore.

The department stated (April 2005) that buses remained off road during the period 2000-05 mainly due to mechanical defects.

#### ***Vehicle productivity***

**3.2.13** Vehicle productivity indicates the average revenue earning kilometers covered by each vehicle per day. The department had not fixed any norm in this regard. The vehicle productivity of Nagaland State Transport buses for the period from 2000-01 to 2004-05 declined from 132.53 km to 112.52 km (detailed in **Appendix-XXIII**).

Due to decrease in vehicle productivity there was loss of potential revenue of Rs.2.12<sup>1</sup> crore calculated on the basis of vehicle productivity of 2000-01 i.e., 132.53 km.

Audit analysis revealed that one of the major reasons for decline of vehicle productivity was that no route-wise survey was conducted by the department before operating a service to ascertain the economic viability of the routes. The department while accepting the facts stated (October 2005) that no procedure for ascertaining the economic viability of routes at initiation and subsequent intervals was in place, and that many routes had to be started not solely on economic considerations.

### *Fuel efficiency*

**3.2.14** Fuel efficiency is measured in terms of kilometers run per litre (KMPL) of fuel. High Speed Diesel (HSD) is the main fuel utilized in the operation of fleet. Nagaland State Transport had fixed the norm of fuel efficiency of buses at 3.5 km per litre. Based on operational data submitted to Audit by the department, it was noticed that the average fuel efficiency during 2000-04 was below the norms (detailed in *Appendix-XXIII*), varying from 3.04 to 3.35 km per litre. The excess consumption of HSD compared to the norm adopted by the department worked out to 5.62 lakh litres valued at Rs.92.55 lakh during the four years from 2000-04. The department stated (March 2005) that high consumption of HSD was due to bad road conditions. However, the reply given by the department is not tenable as during 2004-05, road condition remaining the same, fuel efficiency increased to 3.66 KMPL.

### *Performance of tyre*

**3.2.15** As tyres form an important item of cost, proper records need to be maintained to ensure effective control on their utilisation. The department had fixed norms of tyre performance in kms as 18,000 kms for new tyres and 10,000 km for retreaded tyres.

Test check of records of 522 tyre cards pertaining to the period from 2000-01 to 2004-05 made available to Audit, revealed that 166 new tyres and 302 retreaded tyres were removed even before achieving the minimum norms prescribed and for the balance 54 tyres, required information on their performance (such as date of fitting, date of removal, life covered etc.) was not recorded in the tyre card or any other register. The details of 468 cards (166+302) are given below:

<sup>1</sup>

Year	VP	Revenue (in lakh)	Potential loss
2001-02	132.37	510.00	$(510 \div 132.37 \times 132.53) - 510 = 0.62$
2002-03	127.28	552.00	$(552 \div 127.28 \times 132.53) - 552 = 22.77$
2003-04	118.47	575.00	$(575 \div 118.47 \times 132.53) - 575 = 68.24$
2004-05	112.52	675.70	$(675.70 \div 112.52 \times 132.53) - 675.70 = 120.16$
			<b>Total :- Rs.211.79</b>

Revenue collection during the year divided by vehicle productivity of the year, multiplied by vehicle productivity of 2000-01.

Table 3.2.4

## New tyres

Range of kms performed	No. of tyres	Total km. Performed	Percentage to total tyres
Less than 10,000	56	21,42,710	33.73
10,001 to 15,000	22		13.25
15,001 to 18,000	88		53.02
<b>Total</b>	<b>166</b>		

## Retreaded tyres

Range of Kilometers performed	No. of tyres	Total Kms. Performed
Below 10,000	302	18,96,613

Compared to the prescribed norm, short performance of 166 new tyres and 302 retreaded tyres comes to 19,68,677 kms.  $[(166 \times 18,000 + 302 \times 10,000) - (21,42,710 + 18,96,613)]$  which is equivalent to 109 new tyres valued at Rs.5,11,253/- (at the rate Rs.4,690 per tyre).

*Route analysis*

**3.2.16** The department had 64 operating routes as on April 2000. During the period from 2000-01 to 2004-05 the department introduced 17 new routes. Before operating new routes no survey was conducted to assess the occupancy ratio and its viability.

*Manpower**Staff utilisation*

**3.2.17** The department had not fixed any norm of staff strength required per vehicle under different categories.

The table below indicates the vehicle-staff ratio and staff productivity of the department for the five years from 2000-01 to 2004-05.

Table 3.2.5

	2000-01	2001-02	2002-03	2003-04	2004-05
Average number of vehicles on road	86	89	96	111	131
Effective kilometres operated (in lakh)	41.60	43	44.60	48	53.80
<b>Staff strength</b>					
a) Driver	215 (2.50)	215 (2.42)	215 (2.24)	214 (1.93)	223 (1.70)
b) Conductor	151 (1.76)	151 (1.70)	151 (1.57)	151 (1.36)	151 (1.15)
c) Station staff	226 (2.63)	226 (2.54)	226 (2.35)	209 (1.88)	268 (2.05)
d) Workshop and maintenance	326 (3.79)	326 (3.66)	326 (3.40)	326 (2.94)	277 (2.12)
e) Administration	132 (1.53)	132 (1.48)	132 (1.38)	132 (1.19)	131 (1)
<b>Total (Staff bus ratio)</b>	<b>1050 (12.21)</b>	<b>1050 (11.80)</b>	<b>1050 (10.94)</b>	<b>1032 (9.30)</b>	<b>1050 (8.02)</b>
All India average	7.26	7.46	7.03	---	---
Staff productivity (Kms per worker/day)	10.85	11.22	11.64	12.74	14.04
All India average	34.10	32.73	34.15	---	---

It would be seen from above table that the staff strength per vehicle on fleet operated by the department varied from 8.02 to 12.21. From the above figures it was also evident that despite a 64 *per cent* increase in the average number of vehicles on road the number of drivers and conductors had remained the same. The staff bus ratio though improving was still higher compared to the All India average of staff bus ratio 7.03 to 7.46.

Taking into account the All India yardstick, expenditure incurred on excess staff during the five years amounted to \*Rs.13.78 crore (detailed in *Appendix-XXIV-A*).

### *Staff productivity*

**3.2.18** Staff productivity is the total effective kilometers operated for a period by total mandays paid for. The productivity of staff was low varying from 10.85 to 14.04 kms/day during the five years compared to the All India average (Hill region) of 32.73 to 34.15 kms/day. Due to low staff productivity there was shortfall of potential revenue amounting to \*Rs.50.72 crore (detailed in *Appendix-XXIV-B*).

The department had not reviewed the matter for effective utilisation of manpower.

### *Financial management*

#### *Tariff revision*

**3.2.19** Section 67 of the Motor Vehicle Act 1988, empowers the State Government to fix the rate of fares from time to time for its buses. The State Government revises the tariff based on the proposal submitted by the department.

During the period covered under the review, the fare was revised only once with effect from March 2001 by the department according to the directions of the Government despite operational cost increasing manifold due to increased cost of fuel and other related expenditure.

Test check revealed that a fare revision proposal was submitted (October 2000) by the department and was approved (February 2001) by the Government after a delay of 135 days. This resulted in loss of potential revenue to the extent of Rs.10.56 lakh.

The department made another proposal (February 2003) for revision of fares due to increase in cost of fuel and other consumable materials. The proposal was pending with the Government and the same proposal was sent again on 25 November 2004 and was approved by Government (January 2005) but has not yet been implemented (October 2005) resulting in further loss of potential revenue of Rs.62.06 lakh upto March 2005. Details are given in the table below:

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\* All India average during 2003-04 and 2004-05 is not available. However, All India average of 2002-03 has been taken into account for calculation for these years.



Table 3.2.6

Year of revision	Date of proposal	Date of approval	Effective date	Total delay in days	Loss of revenue (Rs. in lakh)
2000-01	4.10.2000	17.2.2001	1.3.2001	135	10.56
2002-03	28.2.2003	---	---	---	---
2004-05	25.11.2004	January 2005	1.2.2005	Not yet implemented	62.06 (calculated upto 3/05)

(Source: Information furnished by department)

Test check in audit revealed that in addition to the delay in revising the tariff

- No data on overall cost structures as well as per-route analysis was prepared.
- No procedure for updating of cost structure was followed.
- No linkage of cost structure with that of tariff was maintained.

Analysis revealed that during 2000-04 against the increase in fuel cost by 52 per cent bus fare increased by 5 per cent resulting in wide gap between operational cost and revenue generation. Thus, due to delay in revising the tariff, the Government had to suffer a loss of potential revenue of Rs.72.62 lakh during 2000-05.

#### *Excess expenditure on purchase of tyres, tubes and flaps*

**3.2.20** General Manager, NST proposed in July 1998, April 1999 and January 2001 bulk procurement of tyres, tubes and flaps etc. from the company authorised dealers in Guwahati, as the price charged by the local firms were more than double the rate offered by the authorised firms. But contrary to the proposal, NST on the instruction (September 1998 and March 2001) of Transport and Communication Department, Government of Nagaland continued to procure these materials from the local firms at exorbitant prices.

Test check of procurement of records of General Manager, NST, Dimapur revealed that 1,770 tyres, 5,956 tubes and 7,305 flaps were procured in bulk from local firms during 2000-01 to 2002-03 instead of manufacturers authorized outlets. This resulted in extra expenditure of Rs.1.77 crore, as shown below:

Table 3.2.7

Quantity	Purchased from Dimapur based suppliers		Rate of company authorised dealer of Guwahati		Difference (Rs in lakh)
	Rate	Total (including tax)	Rate	Total (including tax)	
	(in Rs.)	(Rs. in lakh)	(in Rs)	(Rs. in lakh)	
Tyre 1770	11214	214.36	4870.53	89.66	124.70
Tube 5956	1197	76.99	526.36	32.60	44.39
Flaps 7305	282	22.25	184.00	13.98	8.27
<b>Total</b>		<b>313.60</b>		<b>136.24</b>	<b>177.36</b>

***Loss due to disposal of condemned vehicles without observing codal provisions***

**3.2.21** Transport and Communication Department, Government of Nagaland issued (June 1998) instructions that condemned vehicles are to be disposed off through sealed tenders/quotations for which proper advertisement has to be made in the local as well as in the national newspapers.

Test check of records revealed that during 2000-01 to 2003-04, 93 condemned vehicles (reserved price Rs.95,28,075) were earmarked for disposal by the General Manager, Nagaland State Transport as per allotment order issued by the Government without calling of tenders to selected allottees on deposit of the reserved price. Following this, only 18 vehicles (valued Rs.16,26,844) could be disposed of at reserved price and for the remaining 75 number of vehicles (valuing Rs.79,01,241) the allottees failed to turn up. Of these, 67 vehicles were later disposed of at the reassessed reserve price of Rs.44.55 lakh as against initial reserve value of Rs.72.26 lakh. There was no fixed method for re-assessment of reserved price. The remaining eight buses (Reserve price Rs.6.75 lakh) had not been disposed of till date.

Thus, due to non-observance of the prescribed procedure in the first instance and even when the selected allottees failed to turn up, no remedial measures were taken to dispose off the condemned vehicles in time. Had this been done, Nagaland State Transport would have availed the benefits of competitive rates on disposal of the vehicles and thereby loss of potential revenue of Rs.34.46 lakh (Rs.72.26 lakh – Rs.44.55 lakh + Rs.6.75 lakh) could have been avoided.

***Arrears of revenue***

**3.2.22** Nagaland State Transport as of March 2005, had outstanding revenue of Rs.37.66 lakh receivable from different sources which remained unrealized till the date of audit as detailed below:

**Table 3.2.8**

<b>Sl No.</b>	<b>Name of debtor</b>	<b>Amount due (Rs. in lakh)</b>	<b>Period</b>
1	Hire Charges of Buses from different parties	14.39	2000-05
2	Commission from Railway Authority on deposit of Sale proceeds of Railway tickets	23.27	2000-05
<b>Total</b>		<b>Rs.37.66</b>	

*(Source: Data furnished by department)*

***Excess expenditure on fabrication of bus bodies – Rs.89.53 lakh***

**3.2.23** General Manager (GM), Nagaland State Transport, Dimapur invited tenders (April 2000 for 2000-02 and November 2002 for 2002-04) for fabrication of bus bodies of newly acquired chasis.

The purchase committee (2000-02) while observing wide difference between the rates offered by the 1<sup>st</sup> and 2<sup>nd</sup> lowest tenderer recommended the mean rate

of the two on the grounds of better quality work. The department, accordingly carried out fabrication works of 27 bus bodies in 2000-01 and 30 bodies in 2001-02 through four agencies other than the lowest at the mean rate (enhanced by 3 per cent to 15 per cent from the lowest rate). The reasons for enhancement of rates and the basis on which it had been worked out were not on record. It was also not clear as to how the enhancement of rate would improve the quality of work.

Again, the purchase committee (2002-04), while by-passing the rates offered by the first, second and third lowest tenderers (out of 13 valid tenders) recommended the highest rates of 'X' on the ground of reputation, though no information as regards expertise or reputation of the firm was found on record. The department, however, flouted the purchase committee's recommendation and distributed the works of 35 and 40 bus bodies during 2002-03 and 2003-04 respectively among eight different tenderers on their rates, much higher than the first, second and the third. The action of the department was unjustified as it was not in the financial interests of NST.

Due to non-acceptance of lowest rates in carrying out fabrication works during the period from 2000-01 to 2003-04, Government incurred excess expenditure of Rs.89.53 lakh. The details are tabulated in *Appendix-XXV*.

***Non deduction of tax at source resulting in loss of revenue to the State Government***

**3.2.24** The Government of Nagaland (Finance Department) vide their Notifications/Orders issued from time to time, prescribes the rates of Nagaland Sales Tax to be deducted at source by Government Departments from suppliers/contractors bills.

Test check of records of the General Manager, NST, Dimapur revealed that Government suffered loss of revenue to the tune of Rs.5.91 lakh for non-deduction of tax at source on works valued at Rs.1.42 crore. The department stated that deduction of tax on works contract was not done due to non receipt of any Government directions in this regard. The reply of the department is not tenable as ignorance of a statutory Government order leading to loss of revenue does not absolve a Government department of its responsibilities.

***Utilisation of traffic earnings***

**3.2.25** The Financial Rules provide that all revenue received on behalf of the Government are to be deposited without delay into the Government account. On test check of cash abstract of four<sup>2</sup> offices for the month of February, 2005 it was noticed that in contravention of the said provisions, traffic earnings amounting to Rs.48.29 lakh were utilized for meeting expenditure on account of fuel, spare parts etc. and for payment of loan to the staff. Till April 2005 the amount of Rs.48.29 lakh had not been recouped and deposited to Government account.

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<sup>2</sup> Kohima, Dimapur, Mokokchung, & Wokha.

***Misappropriation of traffic earning***

**3.2.26** As per information furnished and analysis of the closing balance of the cash book (February 2005) it was noticed that Rs.9.95 lakh misappropriated by the cashier remained unrecovered till February 2005.

Lack of financial control both at the station and Headquarter (GM's Office) level led to the above cases of diversion and misappropriation of traffic earnings. Non-observance of codal provisions like regular physical verification of the cash balance by authorized officers and retention of heavy cash balance in hand also contributed to the above.

***Discrepancies in receipt and issue of fuel***

**3.2.27** Cross verification of the records of the General Manager, Dimapur and receiving centre, Kohima revealed that there was short issue of HSD from Central Depot., Dimapur by 2,68,113 litres valued at Rs.54.82 lakh than that recorded in the issue register during the period from 2002-03 to 2004-05. No steps were taken to reconcile the discrepancy upto October 2005. Records for the period from 2000-01 to 2001-02 were not made available to audit.

**Total 3.2.9**

Year	2002-03	2003-04	2004-05	Total
	Litres	Litres	Litres	Litres
<b>Issued by GM/NST</b>	26,3989	2,65,284	3,05,840	8,35,113
<b>Received by Kohima station</b>	1,98,000	2,07,000	1,62,000	5,67,000
<b>Short accountal</b>	65,989	58,284	1,43,840	2,68,113
<b>Rate</b>	Rs.16.64 per litre	Rs.21.69 per litre	Rs.21.69 per litre	
<b>Amount</b>	Rs.10,98,056	Rs.12,64,180	Rs.31,19,889	54,82,125

*(Source: Information obtained from the department)*

During the exit conference the department admitted the facts and stated (October 2005) that this issue requires investigation for which the department has already called for detailed information from the concerned stations.

***Performance of workshop***

***Non disposal of idle spare parts***

**3.2.28** Material management is necessary to have adequate stock of materials of proper quality for smooth functioning of the maintenance work. Procurement of material of right quality, right quantity at the right time is necessary to control the ever increasing costs of material. Proper assessment should be done before procurement of materials. Further, the materials which became obsolete during the course of time, non moving items, materials credited as scrap are required to be disposed of through auction immediately.

Scrutiny of records of spare parts maintained by Central Workshop, Dimapur revealed that the spare parts valuing Rs.39.94 lakh purchased by the department prior to 2002 had become obsolete (since May 2002) due to

phasing out of old model vehicles. The purchases were made without assessing the trend of utilisation. The department stated that due to frequent change in the model of the buses these spare parts became obsolete.

The department further stated (October 2005) that all obsolete parts weighing 6,010 kgs had been disposed off on weightment rate of Rs.460 per quintal for Rs.27,646. Thus, due to procurement of materials in advance without assessing the requirement, decision to phase out vehicle models and delay in disposal of idle stock, Government suffered loss of Rs.39.66 lakh (Rs.39.94 lakh – Rs.0.28 lakh).

### *Non-functioning of tyre retreading plant*

**3.2.29** The department set up (July 1990) its “Tyre Retreading Plant” at a cost of Rs.12 lakh at Central Workshop, Dimapur for retreading used tyres departmentally. The plant stopped functioning with effect from November 1995 due to breakdown of compressor machine. Since then, without any attempts being made to put the plant in operation, tyre retreading was done in private workshops at much higher rates than that of in the departmental plant. The number of tyres retreaded during 2000-01 to 2004-05 and actual expenditure incurred as well as the cost of tyres if retreaded departmentally (as per the report of technical purchase committee of State transport department dated 26 April 2002) is shown below:

**Table 3.2.10**

*(Rupees in lakh)*

Year	Number of tyres retreaded	Expenditure incurred	Expenditure if retreaded departmentally (@ of Rs.2582 per tyre)	Difference
2000-01	1100	42.50	28.40	14.10
2001-02	1319	50.86	34.06	16.80
2002-03	1581	55.46	40.82	14.64
2003-04	1325	38.26	34.21	4.05
2004-05	1612	47.06	41.62	5.44
<b>Total</b>		<b>234.14</b>	<b>179.11</b>	<b>55.03</b>

*(Source: Information obtained from the department)*

It is seen from the above that failure of the department to revive its retreading plant led to an excess expenditure of Rs.55.03 lakh from 2000-01 to 2004-05. Considering the fact that the new plant was set up at a cost of Rs.12 lakh, the repairs could have been done at much lower price. In view of the big difference (Rs.55.03 lakh) between the cost incurred to get the tyres retreaded outside and the cost incurred in the retreading plant, immediate steps should have been taken to carry out the repairs.

### *Other points*

#### *System deficiency in printing, stock keeping and issue of bus tickets*

**3.2.30** Test check of records of printing of tickets, issue and stock keeping revealed the following irregularities and system deficiencies:

No system of periodical physical reconciliation of the tickets printed, issued and lying in stock was in vogue.

No system to ensure the correctness of revenue earned on the basis of tickets issued was existed.

It was seen in audit that passenger tickets were centrally printed by the General Manager, Nagaland State Transport, Dimapur and issued to several operating stations for use. No stock register was, however, maintained either in the issuing office or at the operating stations in respect of issue and receipt of printed tickets.

Further scrutiny revealed that tickets issued to passengers did not contain details of bus number, points of destination, date of journey, fare charges etc. As a result any check on fare realised and deposited to Government account could not be verified from the counter foils of used ticket books.

Cross verification of records (2000-01 to 2004-05) of the General Manager (GM), Dimapur and three operating stations (Dimapur, Mokokchung and Kohima) revealed that 6.02 lakh tickets valued at Rs.6.53 crore issued by the GM to those three stations during the period from 2000-01 to 2004-05 were not accounted for by the latter. Possibility of misuse/fraudulent use of these tickets as well as other tickets which could not be checked due to incomplete records cannot be ruled out.

### ***Environment Audit***

**3.2.31** Under Section-20 of Air (Prevention and control of pollution) Act, 1981, the State Government shall, in consultation with the State Board, give directions to the concerned authority in charge of registration of motor vehicles under the Motor Vehicles Act, 1988, to ensure standards for emission from automobiles. The Motor Vehicles Act, 1988, *inter-alia* provides for prevention and control of air pollution from automobiles which constitute a major source of pollution. It was noticed in audit that there was no auto emission testing machine installed in the department. Hence, no pollution test certificates were issued to any NST buses except for the new buses received from the manufacturer with pollution test certificate. Incidentally, consumption of HSD in Nagaland State Transport was 4271 litres per day during 2004-05.

Non conduct of Auto Emission tests can have detrimental effects on the health of the people as also on animal life, vegetation and property.

### ***Monitoring and control***

**3.2.32** With a view to ascertain the adequacy of action taken at various levels and to ensure proper functioning of the department, it is desirable that an effective monitoring and control system should be in place at each level in the department. From the above paragraphs it is evident that the system of monitoring is weak. Effective steps need to be taken urgently to strengthen the monitoring and control system in the department.

### *Conclusion*

**3.2.33** The department had incurred operational losses every year and performed poorly in all the operational areas. The poor performance of the department was mainly attributable to –

- Lack of adequate supervision and monitoring due to absence of effective management information systems.
- Financial mismanagement especially in ticket management, purchases at exorbitant prices and losses in sale of condemned vehicles.
- Poor operational performance such as low vehicle productivity, low tyre efficiency, poor fleet utilisation, low staff utilisation, low staff productivity and absence of effective system to review the performance.
- No specific system to revise the tariff periodically so as to include increased operational cost in the tariff.

### *Recommendations*

**3.2.34** Following recommendations are made:

- ✓ The monitoring, control and reporting mechanism should be strengthened to ensure proper evaluation and reporting on economy, efficiency and effectiveness of the functioning of the various units.
- ✓ In order to improve financial viability of the department
  - Effective steps need to be taken to overhaul the system of ticket management. Specific steps need to be taken to ensure numerical control over the printing, issue and balance of the tickets and its reconciliation with the revenue earned by the department.
  - Prescribed procedure needs to be followed for the condemnation and disposal of old/condemned vehicles.
  - Steps should be taken to get timely approval of tariff revision so as to incorporate the increased cost elements in the tariff structure as and when they arise.
  - The accounting wing of the department should be strengthened and immediate steps should be taken to clear the arrears in preparation of accounts in prescribed format.

- ✓ In order to improve the operational performance
  - Target for operational parameters such as fleet utilisation, vehicle productivity, fuel efficiency, tyre performance and route analysis need to be set, monitored and enforced.
  - The functioning of the department should be reviewed at regular interval to ensure well-coordinated, affordable and reliable services to the public.