CHAPTER– V

ECONOMIC SECTOR

(STATE PUBLIC SECTOR UNDERTAKINGS)

CHAPTER-V: ECONOMIC (SPSUs) SECTOR

5.1 Overview of State Public Sector Undertakings

5.1.1 Introduction

The State Public Sector Undertakings (SPSUs) consist of State Government Companies and Statutory Corporations. The SPSUs are established to carry out activities of commercial nature keeping in view the welfare of people and the SPSUs occupy an important place in the State economy. As on 31 March 2016, there were seven SPSUs (all Government Companies, including two non-working companies) in Arunachal Pradesh. None of these companies were listed on stock exchanges. The details of the SPSUs in Arunachal Pradesh as on 31 March 2016 are given below:

Table 5.1.1: Total number of SPSUs as on 31 March 2016

Type of SPSUs	Working SPSUs	Non-working SPSUs[1]	Total
Government Companies[2]	5	2	7

The working SPSUs earned an aggregate profit of ₹ 6.68 crore as per their latest finalised accounts as of September 2016. They employed 225 employees as at the end of March 2016.

As on 31 March 2016, there were two non-working SPSUs existing for last twenty years (since 1995-96) with investment of ₹ 0.43 crore. The investments in non-working SPSUs do not contribute to the economic growth of the State.

5.1.2 Accountability framework

The audit of the financial statements of a company in respect of financial years commencing on or after 1 April 2014 is governed by the provisions of the Companies Act, 2013. However, the audit of a company in respect of financial years that commenced earlier than 1 April 2014 continued to be governed by the Companies Act, 1956.

According to Section 2 (45) of the Companies Act, 2013, a Government Company is one in which not less than 51 *per cent* of the paid-up capital is held by the Central and/or State Government (s) and includes a subsidiary of a Government Company. The process of audit of Government companies is governed by respective provisions of Section 139 and 143 of the Act.

5.1.3 Statutory Audit

The financial statements of a Government Company (as defined in Section 2 (45) of the Companies Act, 2013) are audited by the Statutory Auditors, who are appointed by the Comptroller and Auditor General of India (C&AG) as per the provisions of Section 139 (5) or (7) of the Act. These financial statements are subject to supplementary audit to be

[1] Non-working SPSUs are those which have ceased to carry on their operations.

[2] Government companies include *Other Companies* referred to in Section 139(5) and 139(7) of the Companies Act 2013.

conducted by C&AG within sixty days from the date of receipt of the audit report under the provisions of Section 143 (6) of the Act.

As per the provisions of Section 143 (7) of the Act, the C&AG, in case of any company (Government Company or *Other Company)* covered under sub-section (5) or sub-section (7) of Section 139 of the Act, if considers necessary, by an order, cause test audit to be conducted of the accounts of such Company (Government Company or *Other Company)* and the provisions of Section 19A of the Comptroller and Auditor General's (Duties, Powers and Conditions of Service) Act, 1971 shall apply to the report of such test Audit.

5.1.4 Role of the Government and Legislature

The State Government exercises control over the affairs of these SPSUs through its administrative departments. The Chief Executive and Directors to the Board are appointed by the Government. The State Legislature also monitors the accounting and utilisation of Government investment in the SPSUs. For this, the Annual Reports together with the Statutory Auditors' Reports and comments of the C&AG, in respect of State Government Companies are to be placed before the Legislature under Section 394 of the Act. The Audit Reports of C&AG are submitted to the Government under Section 19A of the C&AG's (Duties, Powers and Conditions of Service) Act, 1971.

5.1.5 Stake of Government of Arunachal Pradesh

The State Government's financial stake in these SPSUs is of mainly three types:

- **Share Capital and Loans-** In addition to the Share Capital Contribution, State Government also provides financial assistance by way of loans to the SPSUs from time to time.
- **Special Financial Support-** State Government provides budgetary support by way of grants and subsidies to the SPSUs as and when required.
- **Guarantees-** State Government also guarantees the repayment of loans with interest availed by the SPSUs from Financial Institutions.

5.1.6 Investment in State PSUs

As on 31 March 2016, the investment[3] (capital and long-term loans) in seven SPSUs was ₹ 32.14 crore as per details given below:

Table 5.1.2: Total investment in SPSUs

(₹ in crore)

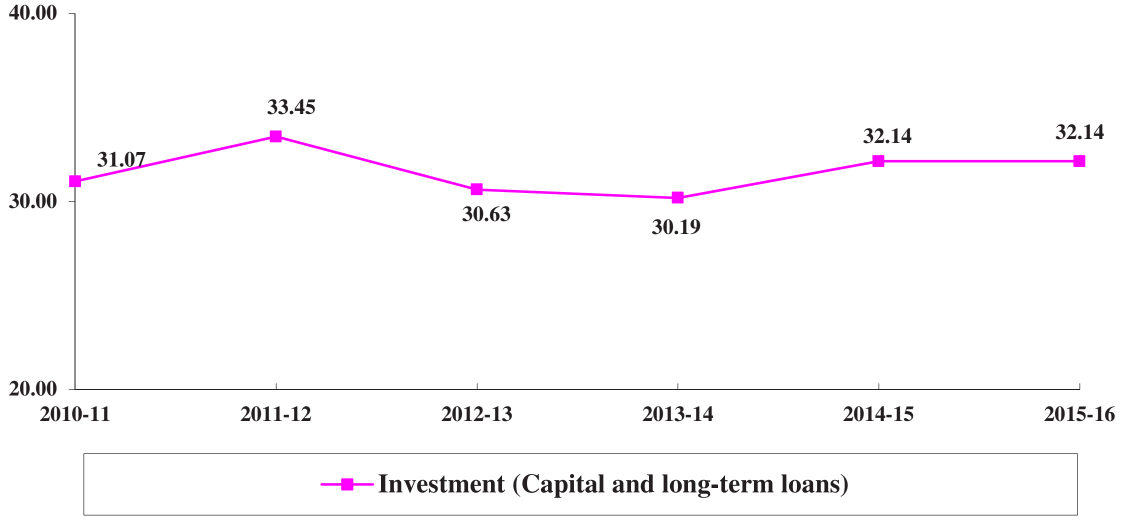
Type of SPSUs	Government Companies		
	Capital	Long Term Loans	Grand Total
Working SPSUs	23.60	8.11	31.71
Non-working SPSUs	0.43	-	0.43
Total	**24.03**	**8.11**	**32.14**

Out of the total investment of ₹ 32.14 crore in SPSUs as on 31 March 2016, 98.66 *per cent* was in working SPSUs and the remaining 1.34 *per cent* was in non-working SPSUs. Total investment consisted of 74.77 *per cent* towards capital and 25.23 *per cent* in

[3] Includes investment of Central Government and others.

long-term loans. The investment during the period from 2010-11 to 2015-16 ranged between ₹ 30.19 (2013-14) and ₹ 33.45 crore (2011-12) as shown in the following graph:

Chart 5.1.1: Total investment in SPSUs



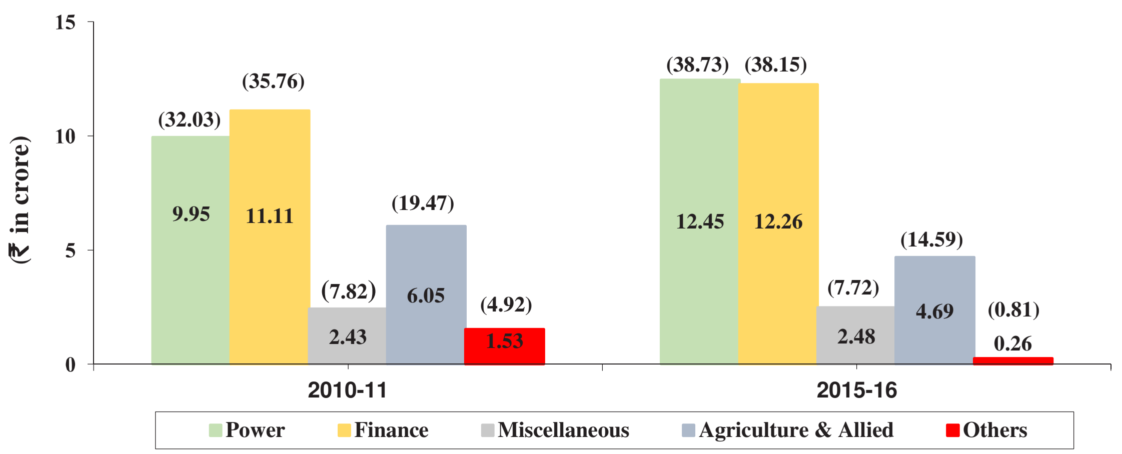
The sector-wise summary of investments in the State PSUs as on 31 March 2016 is as given below:

Table 5.1.3: Sector-wise investment in SPSUs

Name of Sector	Government Companies			Investment (₹ in crore)
	Working	Non-Working	Total	
Power	1	-	1	12.45
Manufacturing	-	1	1	0.24
Finance	1	-	1	12.26
Miscellaneous	1	-	1	2.48
Infrastructure	1	-	1	0.02
Agriculture & Allied	1	1	2	4.69
Total	**5**	**2**	**7**	**32.14**

The investment in important sectors and percentage thereof at the end of 31 March 2011 and 31 March 2016 are indicated below in the bar chart.

Chart 5.1.2: Sector-wise investment in SPSUs



(Figures in brackets show the percentage of total investment)

It can be observed from the chart above that the thrust of investment was mainly in the Power and Finance sectors, which had 38.73 *per cent* and 38.15 *per cent* of the total investment respectively. Among all sectors, the Power sector had the highest investment of ₹ 12.45 crore. The investment in Power sector represented the equity contribution made by the State Government to SPSU, namely, Hydro Power Development Corporation of Arunachal Pradesh Limited.

Further, investment in the Finance sector increased from 35.76 *per cent* in 2010-11 to 38.15 *per cent* in 2015-16. The increase in investment was due to the equity contribution of ₹ 2 crore made by the Ministry of Tribal Affairs, Government of India in June 2013 to Arunachal Pradesh Industrial Development and Financial Corporation Limited.

5.1.7 Special support and returns during the year

The State Government provides financial support to SPSUs in various forms through annual budget. Summarised details for three years ended 2015-16 of budgetary outgo towards equity, loans, grants/subsidies, loans written off and interest waived in respect of State PSUs are given below:

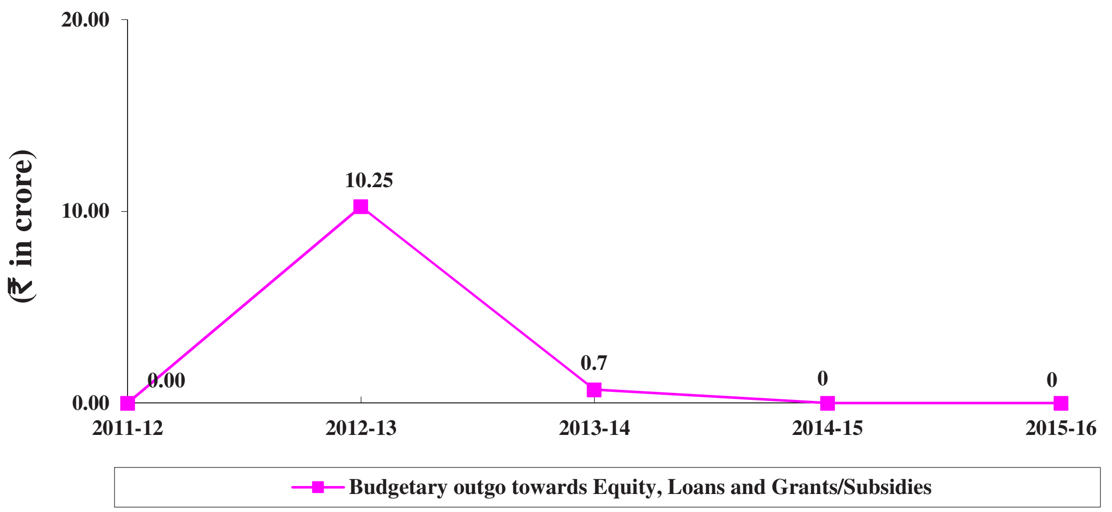
Table 5.1.4: Details regarding budgetary support to SPSUs

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of SPSUs	Amount	No. of SPSUs	Amount	No. of SPSUs	Amount
1.	Equity Capital outgo from budget	-	-	-	-	-	-
2.	Loans given from budget	-	-	-	-	-	-
3.	Grants/Subsidy from budget	1	0.70	-	-	-	-
4.	**Total Outgo (1+2+3)**	**-**	**0.70**	**-**	**-**	**-**	**-**
5.	Waiver of loans and interest	-	-	-	-	-	-
6.	Guarantees issued	-	-	-	-	-	-
7.	Guarantee Commitment	1	2.00	1	2.00	1	2.00

The details regarding budgetary outgo towards equity, loans and grants/subsidies for past five years are given in a graph below:

Chart 5.1.3: Budgetary outgo towards Equity, Loans and Grants/Subsidies



Analysis of the budgetary outgo during the period of five years from 2011-12 to 2015-16 indicates that while as the budgetary outgo was highest in 2012-13 at ₹ 10.25 crore, the budgetary outgo during 2013-14 was only ₹ 0.70 crore. During 2011-12, 2014-15 and 2015-16, there was no budgetary outgo. Out of a total guarantee commitment of ₹ 2 crore extended by the State Government to one SPSU (viz. Arunachal Pradesh Industrial Development and Financial Corporation Limited) in 1999, an amount of ₹ 0.97 crore was still outstanding as on 31 March 2016. No guarantee commission was payable to the State Government by any SPSUs. There was no case of conversion of Government loan into equity, moratorium in repayment of loan and waiver of interest during the period.

5.1.8 Reconciliation with Finance Accounts

The figures in respect of equity, loans and guarantees outstanding as per records of State PSUs should agree with that of the figures appearing in the Finance Accounts of the State. In case the figures do not agree, the concerned SPSU and the Finance Department should carry out reconciliation of differences. The position in this regard as at 31 March 2016 is stated below:

Table 5.1.5: Equity, loans, guarantees outstanding as per finance accounts vis-a-vis records of SPSUs

(₹ in crore)

Outstanding in respect of	Amount as per Finance Accounts	Amount as per records of SPSUs	Difference
Equity	9.00	19.58	10.58
Loans	Nil	7.84	7.84

Audit observed that the differences occurred in respect of position of outstanding in respect of equity and loans as per the record(s) of the Finance Account of the State and the figures depicted in the accounts of the SPSUs. The differences had not been reconciled over a period of more than ten years. The Accountant General has taken up the matter from time to time with the Secretary, Finance Department, Government of Arunachal Pradesh, Administrative Departments of respective SPSUs and the concerned SPSUs for reconciliation of the differences. However, no significant progress in this direction was noticed. The Government and the SPSUs should take concrete steps to reconcile the differences in a time-bound manner.

5.1.9 Arrears in finalisation of accounts

The financial statements of the companies for every financial year are required to be finalised within six months from the end of the relevant financial year, i.e. by September end in accordance with the provisions of Section 96 (1) of the Act. Failure to do so, may attract penal provisions under Section 99 of the Act.

The table below provides the details of progress made by working SPSUs in finalisation of accounts as of 30 September 2016.

Table 5.1.6: Position relating to finalisation of accounts of working SPSUs

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1.	Number of Working SPSUs/other companies	5	5	5	5	5
2.	Number of accounts finalised during the year	6	5	4	5	1
3.	Number of accounts in arrears	28	28	29	29	33
4.	Number of Working SPSUs with arrears in accounts	5	5	5	5	5
5.	Extent of arrears (numbers in years)	1 to 15	1 to 15	1 to 15	1 to 15	1 to 16

It can be observed that the number of accounts in arrears has not seen any significant improvement during 2011-12 to 2015-16. The number of accounts finalised during the year has decreased from 6 (2011-12) to 1 (2015-16). Arunachal Pradesh Mineral Development and Trading Corporation Limited has the highest arrears in accounts of 16 years (since 2000-01).

The Administrative Departments have the responsibility to oversee the activities of these entities and to ensure that the accounts are finalised and adopted by these SPSUs within the stipulated period. As part of regular monitoring of the progress made in this regard, audit has taken up (April 2016) the issue with the Chief Secretary, Government of Arunachal Pradesh, with the request to convene a meeting with the Administrative Heads of the SPSUs concerned and prepare a time bound action plan to clear backlog of accounts.

The State Government had invested ₹ 13.35 crore in four SPSUs {equity: ₹ 0.35 crore (one SPSU), loans: ₹ 2.87 crore (three SPSUs) and grants ₹ 10.13 crore (two SPSUs)} during the earlier years for which accounts have not been finalised as detailed in **Appendix-5.1.1**. In the absence of finalisation of accounts and their subsequent audit, it could not be ascertained whether the investments and expenditure incurred have been properly accounted for and the purpose for which the amount was invested was achieved or not.

In addition to above, as on 30 September 2016, there were arrears in finalisation of accounts by the two non-working SPSUs. None of the non-working SPSUs was in the process of liquidation though accounts were in arrears for seven years (2009-10 to 2015-16). During the year 2009-10, assets of the two non-working SPSUs, viz, Parasuram Cement Limited and Arunachal Horticultural Processing Industries Limited were transferred to Arunachal Pradesh Infrastructural Development Company Limited-a Joint Venture Company with Arunachal Pradesh Industrial Development and Financial Corporation Limited.

5.1.10 Impact of non-finalisation of accounts

As pointed out in the para above**,** the delay in finalisation of accounts may also result in risk of fraud and leakage of public money apart from violation of the provisions of the relevant Statutes. In view of arrears of accounts, the actual contribution of SPSUs to the State GDP for the year 2015-16 could not be ascertained and their contribution to State exchequer was also not reported to the State Legislature.

It is recommended that the Government may setup a system to oversee the clearance of arrears in accounts and set the targets for individual companies and to monitor it.

5.1.11 Performance of SPSUs as per their latest finalized accounts

The financial position and working results of working Government companies are detailed in **Appendix-5.1.2**. A ratio of SPSU-turnover to State GDP shows the extent of SPSU-activities in the State economy. Table below provides the details of working SPSUs turnover and State GDP for a period of five years ending 2015-16.

Table 5.1.7: Details of working SPSUs turnover vis-a-vis State GDP

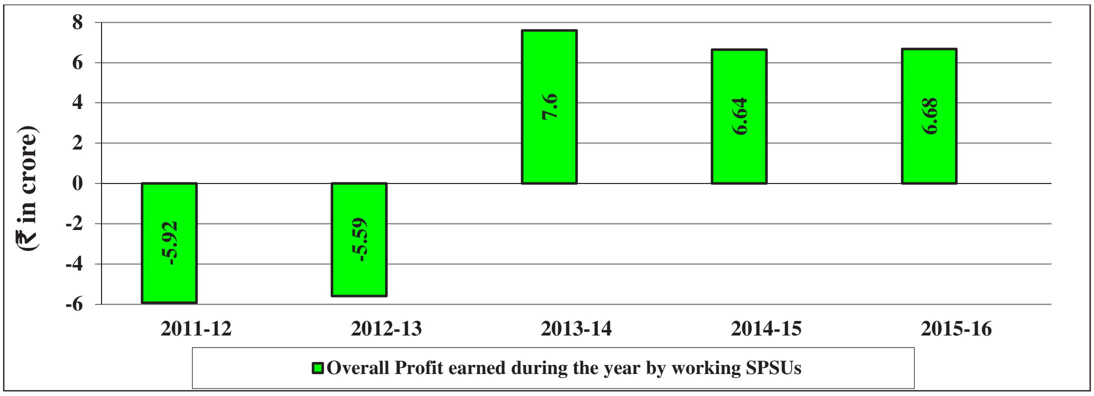
(₹ in crore)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Turnover[4]	5.82	7.57	6.31	6.66	6.28
State GDP	11135.53	11942.81	13491.03	15917.37	19473
Percentage of turnover to State GDP	0.05	0.06	0.05	0.04	0.03

It can be seen that during the period of five years, the percentage of turnover to State GDP had reduced from 0.05 in 2011-12 to 0.03 in 2015-16.

Overall profit (losses) earned (incurred) by State working SPSUs during 2011-12 to 2015-16 are given below in a bar chart.

Chart 5.1.4: Profit/Loss[5] of working SPSUs



It can be observed that the working SPSUs showed negative working results during the two years from 2011-12 to 2012-13 ranging between (-) 5.59 crore and (-) 5.92 crore and improved overall profits during 2013-14 to 2015-16. During the year 2015-16, out of five working SPSUs, three SPSUs earned aggregate net profit of ₹ 8.14 crore and two SPSUs incurred losses of ₹ 1.46 crore. The contributors of profit were Arunachal Pradesh Forest Corporation Limited (₹ 3.54 crore), Arunachal Police Housing and Welfare Corporation Limited (₹ 3.87 crore) and Hydro Power Development Corporation of Arunachal Pradesh Limited (₹ 0.73 crore). The heavy losses were incurred by Arunachal Pradesh Industrial Development and Financial Corporation Limited (₹ 1.18 crore) and

[4] Turnover as per the latest provisional accounts as of 30 September of the respective years.
[5] As per latest finalised accounts as on September 2016.

Arunachal Pradesh Mineral Development and Trading Corporation Limited (₹ 0.28 crore). The working SPSUs had earned aggregate profit of ₹ 6.68 crore during 2015-16 as compared to aggregate profit of ₹ 6.64 crore during 2014-15.

The State Government has not formulated (November 2016) any dividend policy to make it mandatory for SPSUs to pay a minimum return on the paid-up share capital contributed by the State Government. None of the three working SPSUs which earned an aggregate profit of ₹ 8.14 crore had declared any dividend during the year.

5.1.12 Winding-up of non-working SPSUs

Two non-working SPSUs had ceased operation since 1995. The numbers of non-working SPSUs at the end of each year during past five years are given below:

Table 5.1.8: Non-working SPSUs

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
No. of non-working companies	2	2	2	2	2

The State Government has not started any process of winding up or initiated any turnaround strategy.

5.1.13 Comments on accounts

During the year 2015-16, one working company forwarded its audited accounts to the Accountant General. Further, no company was selected for supplementary audit. The details of aggregate money value of comments of Statutory Auditors and the C&AG are given below:

Table 5.1.9: Impact of audit comments on working Companies

(₹ in crore)

Sl. No.	Particulars	2013-14		2014-15		2015-16	
		No. of accounts	Amount	No. of accounts	Amount	No. of accounts	Amount
1.	Decrease in profit	-	-	-	-	-	-
2.	Increase in profit	1	0.48	1	20.37	-	-
3.	Decrease in loss	-	-	-	-	-	-
4.	Increase in loss	-	-	1	3.89	1	3.98
5.	Non-disclosure of material facts	1	0.23	1	4.10	1	2.10

During the year, the Statutory Auditor had given unqualified certificate and C&AG issued Non-review certificate respectively to one SPSU (viz. Arunachal Pradesh Industrial Development and Financial Corporation Limited).

5.1.14 Response of the Government to Audit

For the Report of the Comptroller and Auditor General of India for the year ended 31 March 2016, one compliance audit paragraph involving Department of Geology and Mining and one performance audit involving Department of Transport were issued to the Commissioner (Mines) and Commissioner (Transport), the replies have been received and suitably incorporated in the Performance Audit Report.

5.1.15 Follow up action on Audit Reports

The Report of the Comptroller and Auditor General (C&AG) of India represents the culmination of the process of audit scrutiny. It is, therefore, necessary that they elicit appropriate and timely response from the executive. The Finance Department, Government of Arunachal Pradesh issued (June 1996) instructions to all Administrative Departments to submit replies/explanatory notes to paragraphs/reviews included in the Audit Reports of the C&AG of India within a period of three months of their presentation to the Legislature, in the prescribed format without waiting for any comments/queries from the CoPU.

Table No.5.1.10: Explanatory notes pending (as on 30 September 2016)

Year of the Audit Report	Date of placement of Audit Report in the State Legislature	Total Performance audits (PAs)/Compliance Audit Paragraphs in the Audit Report		Number of PAs/ Compliance Audit Paragraphs for which explanatory notes were not received	
		PAs	Paragraphs	PAs	Paragraphs
2008-09	03.09.2010	1	7	1	2
2009-10	24.03.2011	1	4	1	2
2010-11	27.09.2012	-	4	-	4
2011-12	23.09.2013	1	2	1	2
2012-13	26.09.2014	1	1	1	1
2013-14	21.07.2015	-	3	-	3
2014-15	Yet to be placed	-	-	-	-
Total		**4**	**21**	**4**	**14**

From the above, it can be seen that out of 25 compliance audit paragraphs/performance audits, explanatory notes in respect of 18 compliance audit paragraphs/performance audits, in respect of four departments and five SPSUs, which were commented upon, were awaited (November 2016).

5.1.16 Discussion of Audit Reports by CoPU

The status as on 30 September 2016 of Performance Audits and Paragraphs that appeared in Audit Reports (SPSUs) and discussed by the Committee on Public Undertakings (CoPU) was as follows:

Table No.5.1.11: Reviews/Paras appeared in Audit Reports vis-a-vis discussed as on 30 September 2016

Period of Audit Report	Number of reviews/ paragraphs			
	Appeared in Audit Report		Paras discussed	
	PAs	Paragraphs	PAs	Paragraphs
2008-09	1	7	-	2
2009-10	1	4	-	-
2010-11	-	4	-	-
2011-12	1	2	-	-
2012-13	1	1	-	-
2013-14	-	3	-	-
2014-15	-	-	-	-
Total	**4**	**21**	**-**	**2**

It can be seen from the table that out of 25 paragraphs and performance audits, for the period from 2008-09 to 2014-15, 23 paragraphs and performance audits in respect of four Departments and five SPSUs were yet to be discussed by the Committee on Public Undertakings.

5.1.17 Compliance to Reports of Committee on Public Undertakings (CoPU)

The Government may take steps to ensure: (a) sending of replies to IRs/explanatory Notes/Audit paragraphs/performance audits and ATNs on the recommendations of CoPU as per the prescribed time schedule; (b) recovery of loss/outstanding advances/ overpayments within the prescribed period.

5.1.18 Coverage of this chapter

This chapter contains one compliance audit paragraphand one performance audit report having a financial effect of ₹ 84.81crore.

Performance Audit

State Transport Department

Arunachal Pradesh State Transport Services

5.2 Introduction

Arunachal Pradesh State Transport Services (APSTS) is mandated to provide adequate, viable, economical and well-coordinated bus services to common masses of Arunachal Pradesh. APSTS functions under the administrative control of the Transport Department, Government of Arunachal Pradesh. A Performance Audit was conducted to assess the working of APSTS for the period from 2011-12 to 2015-16. Some of the major audit findings are highlighted below:

Highlights

- ***In five selected stations, 729 villages out of 1414 villages were outside the public transport system. Despite wide gap in transport services, APSTS operated only 94 routes out of 119 connected routes and thus 25 routes were not operated as on March 2016.***

  (Paragraph 5.2.7.2)

- ***Against a target for procurement of 120 buses in the 12th Five Year Plan, APSTS had procured only 50 buses by December 2016.***

  (Paragraph 5.2.7.3)

- ***Against budget estimate of ₹527.83 crore, only ₹445.52 crore was allocated by the State Government, of which APSTS spent only ₹408.79 crore during the five year period resulting in shortfall of operational expenditure.***

  (Paragraph 5.2.8.1)

- ***Out of 134 purchase orders for spare parts, 129 purchase orders valued ₹8.43 crore were issued and expenditure incurred without obtaining sanction of the competent authority.***

(Paragraph 5.2.8.3.1)

- ***There was doubtful expenditure of ₹1.08 crore on purchase of spare parts from firms who were registered under the Value Added Tax authorities for doing business related to other than sale of spare parts.***

(Paragraph 5.2.8.3.1)

- ***There was excess consumption of fuel of 29.18 lakh litres costing ₹15.04 crore by various stations during the period 2011-12 to 2015-16.***

(Paragraph 5.2.9.5)

- ***137 engine overhauling cases valued at ₹2.77 crore and 1438 cases of repair works valued at ₹ 24.61 crore of five selected stations were outsourced to private firms despite having its own Central Workshop (CWS). Thus, the objective of having own CWS for ensuring economy in repair and maintenance remained unachieved.***

(Paragraph 5.2.9.7.1)

5.2.1 Introduction

Arunachal Pradesh State Transport Services (APSTS) was established in March 1975 to provide adequate, viable, economical and well-coordinated bus services to the common people of Arunachal Pradesh.

APSTS functions under the administrative control of the Transport Department, Government of Arunachal Pradesh (GoAP) and is headed by a General Manager who is also the Chief Executive Officer for looking after the day-to-day affairs of the Department with the assistance of one Additional General Manager, one Deputy General Manager (Vigilance), one Executive Engineer (Automobile), one Finance and Accounts Officer and 15 Senior Station Superintendents/Station Superintendents.

As on 31 March 2016, APSTS had 15 Depots and one Central Workshop, with a fleet strength of 213[6] buses. The fleet of APSTS carried an average of 3,860 passengers per day during the last five years from 2011-12 to 2015-16. During 2015-16, the total revenue of APSTS was ₹ 13.62 crore out of which ₹ 13.37 crore was operating revenue, which was equal to 0.07 *per cent* of the State Gross Domestic Product (₹ 19,473 crore) for 2015-16. APSTS had 809 employees on its rolls as on 31 March 2016.

A performance audit on the working of APSTS was included in the Report of the Comptroller and Auditor General of India for the year 2008-09. The Committee on Public Undertakings (CoPU) was yet (December 2016) to discuss the Performance Audit Report on the working of APSTS.

[6] Including buses operated under *JnNURM*.

5.2.2 Scope and Methodology of Audit

This Performance Audit was conducted during the period from April 2016 to August 2016 to assess the performance of APSTS for the period from 2011-12 to 2015-16. The audit examination involved scrutiny of records at the Head Office of APSTS, Central Workshop and five[7] selected depots/stations, out of the existing 15 depots by adopting Probability Proportional to Size Sampling Method.

The methodology adopted during the course of audit entailed discussing and explaining the audit objectives to the management during an 'Entry Conference' held on 19 April 2016. Apart from scrutiny of records, Audit held interaction with the personnel of APSTS, analysed data and issued audit queries. An exit conference was held on 05 December 2016 to discuss the audit findings. Replies and views of the management has been incorporated wherever found appropriate.

5.2.3 Audit Objectives

The main audit objectives were to examine and assess whether:

- Planning for providing public transport by APSTS was carried out to meet the growing demand of the public.
- Budgetary allocations were adequate to meet operational requirements of APSTS and expenditure was incurred in conformity with the prescribed rules and instructions.
- APSTS was running its operation in an economic, efficient and effective manner to achieve its objective.
- Monitoring by APSTS management was effective and adequate.

5.2.4 Audit Criteria

Audit findings were benchmarked against the following criteria:

- All India averages for performance parameters.
- Performance indicators of State Transport Utilities (STUs) in neighbouring States.
- Motor Vehicles Act, 1988 and Motor Vehicles Rules, 1989.
- Physical and financial targets/norms fixed by APSTS/ Government.
- General Financial Rules (GFR) and
- Instructions of Government of India/State Government and other procedures and policy laid down by APSTS.

5.2.5 Financial Position and Working Results

The financial position and working results of APSTS for the five years up to 2015-16 are given in **Appendix-5.2.1**. The Annual Proforma accounts for the year ending 2015-16

[7] Namsai, Pasighat, Itanagar, Bomdila and Aalo.

has not been finalised by APSTS (December 2016). It was seen that during the five years, APSTS had continuously incurred losses ranging between ₹ 45.18 crore (2011-12) and ₹ 77.82 crore (2015-16). The operating costs of APSTS ranged between 188 *per cent (*2014-15) and 326 *per cent* (2015-16) of the operating revenue. As of March 2016, APSTS had accumulated losses of ₹ 643.89 crore.

Elements of cost and revenue

As can be seen from the ***Appendix 5.2.1,*** Passenger revenue was the major element of revenue during 2011-12 to 2015-16, which ranged between 95 *per cent* (2012-13) and 99 *per cent* (2014-15) of the total revenue of APSTS. On the other hand, personnel cost of APSTS was the major cost element, which ranged between 42 *per cent* (2013-14) and 52 *per cent* (2014-15) of the total costs during the five years under reference. Other major costs include material and spare cost and fuel and lubricant cost as can be seen in the chart 5.2.1 below. APSTS failed to achieve break-even point, in any of the years reported upon, as the expenditure incurred was more than the revenue earned.

Major elements of revenue and costs of APSTS for 2015-16 have been depicted below in **Chart 5.2.1and Chart 5.2.2.**

Chart 5.2.1

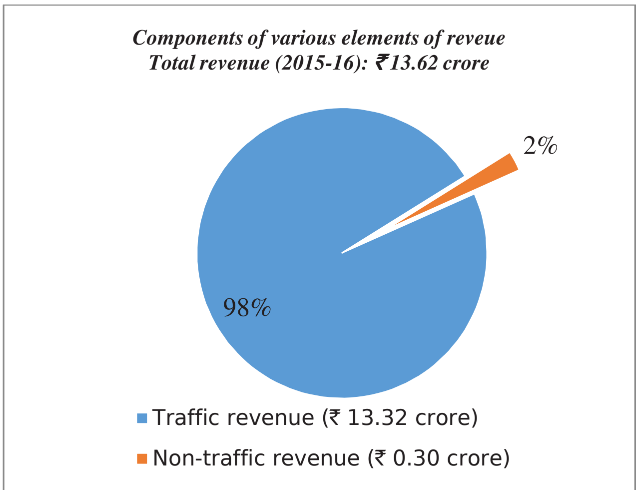
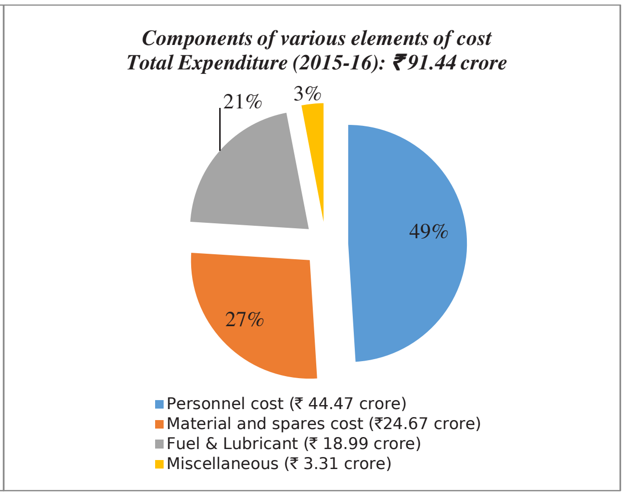


Chart 5.2.2



5.2.6 Acknowledgement

The IA&AD place on record our acknowledgement of the Arunachal Pradesh State Transport Services and the State Government for their assistance in facilitating this audit.

Audit findings

Audit findings are discussed in following paragraphs.

5.2.7 Planning

5.2.7.1 State Transport Policy

Transport plays an important role in the economic development of the State. With growth in the economy and rising living standards of the public, the demand for reliable transport network for goods and passengers increases. This calls for a well planned transport network which can facilitate movement of goods and passengers between villages, towns and cities within the State and outside.

Audit, however, observed that the Department had not formulated any State Transport Policy. It was noticed that apart from routine exercise of Annual Operation Plan (AOP) for administrative and operational expenditure, no perspective plan for systematic growth and improvement of public transport system in the State has been formulated by the Department. However, the Department made some proposals to the Government in the framework for preparation of 12th Five Year Plan proposing 22 new routes, replacement of 98 over-aged buses over the period of five years.

In the absence of the State Transport Policy and long-term perspective plan, APSTS had not been able to move towards a definite growth path keeping in pace with the growing demand for public transport especially in the rural areas of the State. It was observed that in the five selected stations, 729 villages out of 1414 villages were left outside the public transport system. Moreover, APSTS operated only 94 routes in the State out of 119 connected routes and thus 25 routes were not operated. None of the proposed 22 routes had been operationalised. The fleet of APSTS had also reduced from 232 (2011-12) to 213 (2015-16).

Thus, APSTS has not been able to move towards a definite growth path for keeping pace with the growing demand for public transport.

5.2.7.2 Shortfall in coverage of rural villages by APSTS

Arunachal Pradesh is a hilly area and consists of far-flung and economically remote areas which could contribute to the growth of the State if adequate and reliable transport services exist in the State. Thus, the operation of public transport by APSTS in far flung and remote areas is vital, as the private players do not operate in commercially un-viable far-flung areas of the State.

Scrutiny of the records revealed that APSTS is yet to connect and cover pliable, rural inhabited and economic routes. The coverage of APSTS in five districts under the selected Stations viz. Namsai, Pasighat, Itanagar, Bomdila and Aalo as on March 2016 is given below:

Table 5.2.1

Sl. No.	Station	Name of District	Total no. of buses	No. of on road buses (%)	No. of off-road buses	Total connected Villages	No. of Routes	No. of covered villages	No. of uncovered villages	Shortfall in coverage (%)
1	**2**	**3**	**4**	**5**	**6(4-5)**	**7**	**8**	**9**	**10(7-9)**	**11**
1	Namsai	Namsai	15	12 (15)	3	140	9	60	80	57
2	Pasighat	East Siang	19	15 (18)	4	109	9	56	53	49
3	Itanagar	Papum Pare	49	37 (45)	12	488	21	429	59	12
4	Bomdila	West Kameng	18	6 (7)	12	263	6	17	246	94
5	Aalo	Siang/West Siang	24	12 (15)	12	414	13	123	291	70
Total			**125**	**82**	**43**	**1414**	**58**	**685**	**729**	**52**

(Source: Departmental records)

From the above table it can be seen that there was a shortage in coverage of rural villages ranging between 12 *per cent* and 94 *per cent* in the five districts of the State which was attributable to the non-rationalisation of the bus routes. The coverage of villages and the availability of buses in all the five selected stations varied widely between 7 *per cent* and 45 *per cent* which indicated that rationalisation of bus routes for equitable coverage of the villages was not attempted. In five stations (Roing, Tezu, Seppa, Bomdila and Yingkiong), the APSTS had given bus connectivity in the district headquarters only but no intra-district connectivity had been provided.

Moreover, deployment of buses in Itanagar-Pasighat and Tezu-Tinsukia routes was in the ratio[8] of 1:5 in both the routes as on March 2016, but deployment of buses at Bomdila-Itanagar and Tawang-Tezpur route despite being popular tourist circuit was only 1:1 to 1:2 respectively. It may be pertinent to mention here that APSTS had made frequent changes of bus routes without the approval of the Government (as communicated by Secretary to Government in 2013) causing inconvenience to the public.

In reply, the Department stated (December 2016) that the coverage of villages was done depending on fleet strength, proper road connectivity and funds constraint. Further, the routes were operated depending on the public demand.

The fact remains that a large number of villages remained unconnected due to substantial number of off-road buses (34.40 *per cent*) and lack of rationalisation of bus routes for better coverage. Moreover, out of 120 new buses approved for acquisition under the 12th Five Year Plan (2012-17), only 50 buses were procured at the end of December 2016.

5.2.7.3 Shortfall in procurement of new buses

APSTS proposed acquisition of 120 buses at a cost of ₹ 31crore during the 12th Five Year Plan (2012-17) entailing replacement of 98 over-aged[9] buses and operation of 22 new routes.

The position of target and achievement in against the above target (till December 2016) is given below:

Table 5.2.2

(₹ in crore)

Year (12th FYP)	Target for purchase of buses (No.)	No. of buses for new routes	No of buses for replace-ment	Buses sanctioned (No.)	Buses procured (No.)	Sanctioned amount (in ₹)	Expenditure incurred (in ₹)	Buses not replaced (No.)
2012-13	25	5	20	6	6	1.99	1.99	14
2013-14	25	7	18	9	9	1.29	1.29	9
2014-15	20	3	17	7	7	1.38	1.38	10
2015-16	20	5	15	28	-	8.24	-	15
2016-17	30	2	28	-	28	-	8.24	0
Total	**120**	**22**	**98**	**50**	**50**	**12.90**	**12.90**	**48**

(Source: Departmental records)

[8] Nos. of routes to Nos. of buses.

[9] As per norms adopted by APSTS, buses which had crossed 7 years of operation or covered 1 lakh km whichever is earlier are considered as over-aged buses.

Audit observed that against the procurement target of 120 buses by the end of 2016-17, APSTS had procured only 50 buses[10] (₹ 12.90 crore) resulting in shortfall of 70 buses as on December 2016. Though the yearly target for procurement was between 20 and 25 buses during the last five years, APSTS had sanctioned procurement of only six to nine buses during 2012-13 to 2014-15. Though the annual sanction for procurement during 2015-16 was 28 buses, APSTS had not sanctioned procurement of any bus during 2016-17. This indicated shortfall in implementation of the Five Year Plans. On account of this shortfall, the proposed 22 new routes envisaged in the Five Year Plans could not be operationalised.

It was also observed that out of ₹ 31 crore allocated in the 12th Five Year Plan, only ₹ 12.90 crore was spent till December 2016 and the balance amount of ₹ 18.10 crore had not been allotted to APSTS by the Government. Thus, due to shortfall in procurement, the objective of 22 new routes and the socio-economic benefits attached with operationalisation of these routes remained unachieved.

In reply, the Department stated (December 2016) that the buses were procured based on allocation of funds made by the Government and ₹ 8.24 crore was spent on procurement of 28 buses as such there is no shortfall in expenditure against the sanctioned amount.

The reply is not acceptable as against the target of procurement of 120 buses till end of 2016-17, only 50 buses were procured till December 2016. The annual target for procurement had been kept low and therefore there was a shortfall in achievement of operationalisation of 22 new routes.

5.2.7.4 PTMS not implemented

A scheme for strengthening the Public Transport System launched by GoI envisaged provision of financial assistance for use of latest technology for strengthening the public transport system in the country. Accordingly, "Public Transport Management System[11] (PTMS)" with a total estimated cost of ₹ 1.67 crore (including operational cost of ₹ 0.61 crore for the first three years) was proposed (December 2011) by APSTS.

GoI agreed (March 2012) to fund the project to a maximum of ₹ 83 lakh or 50 *per cent* of the actual capital cost of the project whichever is lower, subject to firming of the actual project cost (by execution of tender) by August 2013.

Audit, however, observed that even after a lapse of more than four years since April 2012, APSTS had not taken any action for firming up the project cost e.g, tendering of the project/services (December 2016). Thus, the scheme had lapsed due to not firming up of the project cost by tendering within the stipulated time.

In reply, the Department stated (December 2016) that the State matching share was not allocated timely and hence the scheme lapsed.

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[10] 2012-13: 6 Non- AC Semi-deluxe buses (35 seater); 2013-14: 6 Non-AC Economy buses (34 seater) + 3 Non-AC Economy buses (28 seater); 2014-15: 7 Non-AC Ultra buses (42 seater).

[11] PTMS envisaged strengthening of public transport system by installing vehicle tracking system, real time passenger information system, centralised fare collection and central control station, Geographical Positioning System (GPS), electronic display systems, etc.

Though, the State Government had received GoI share of ₹ 41.50 lakh well within the stipulated period for the project, APSTS, however, did not take action for firming of actual cost by initiating tendering process for project as per the requirement of GoI's sanction order.

Thus, due to failure of APSTS to take appropriate action under the proposed scheme, the benefits envisaged in the project for the strengthening transport system in the State could not be availed.

5.2.8 Financial Management

5.2.8.1 Shortfall in budgetary allocation

The position of Budget Estimate, Allocation of fund and Actual expenditure incurred during the period 2011-12 to 2015-16 is given below:

Table 5.2.3

(₹ in crore)

Year	Budget Estimate			Budget allocation			Actual Expenditure			Difference	
	R	C	T	R	C	T	R	C	T		
	1	2	3(1+2)	4	5	6(4+5)	7	8	9(7+8)	10(3-6)	11(6-9)
2011-12	69.12	7.20	76.32	61.67	17.15	78.82	60.61	17.09	77.7	(-)2.5	1.12
2012-13	94.48	7.72	102.2	65.55	8.65	74.2	64.3	7.77	72.07	28.00	2.13
2013-14	100.19	10.67	110.86	74.99	10.68	85.67	75.08	8.75	83.83	25.19	1.84
2014-15	120.32	14.36	134.68	75.24	8.95	84.19	68.75	3.26	72.01	50.49	12.18
2015-16	87.27	16.5	103.77	110.66	11.98	122.64	91.45	11.73	103.18	(-)18.87	19.46
	471.38	**56.45**	**527.83**	**388.11**	**57.41**	**445.52**	**360.19**	**48.6**	**408.79**		

R=Revenue; C=Capital; T=Total

From the above, it can be seen that during the last five years, shortfall of actual expenditure against budget allocation ranged between ₹ 1.12 crore (2011-12) and ₹ 19.46 crore (2015-16). During 2011-12, the capital budget allocation was in excess of the estimates by ₹ 9.95 crore resulting in overall excess allocation of ₹ 2.5 crore over the estimate. Similarly, during 2015-16 also the revenue allocations were more than the estimates by ₹ 23.39 crore resulting in overall excess allocations of ₹ 18.87 crore during 2015-16. In the years 2012-13 to 2014-15, the total allocations were less than the budget estimates by an amount ranging between ₹ 25.19 crore and ₹ 50.49 crore. As regards actual expenditure, it is seen that total actual expenditure was less than the allocations in all the five years.

While audit pointed out the shortfall in coverage of rural villages, procurement of new buses, implementation of PTMS, procurement of spare parts, optimal utilisation of fleet, etc. APSTS attributed the above deficiencies to shortage of funds. However, the above analysis shows a different picture. It was not due to shortage of funds as APSTS could not spend the full allocation given in the budget in all the five years. This indicated the need for strengthening administrative machinery of APSTS to improve its performance.

5.2.8.2 Deficiency in budgetary process and expenditure control

The Budget Estimates (Revenue) of ₹ 471.38 crore during the period from 2011-12 to 2015-16 consist of Non-Plan Revenue expenditure of ₹ 319.49 crore under Salary and

Establishment head and ₹ 151.89 crore under Spares and Repair and Maintenance expenditure head. Audit analysed budget estimates for spare parts and repair and maintenance amounting to ₹ 151.89 crore during 2011-12 to 2015-16 as it constituted significant portion of revenue estimates.

The details of budget estimates, allocation and expenditure on spare parts, repair and maintenance during the five years from 2011-12 to 2015-16 are given below:

Table 5.2.4

(₹in crore)

Year	Opening Balance Liability	Credit Purchase on spare parts/ Repair & maintenance	Total	Budget Estimate (BE)	Shortfall (% of total requirement)	Allotment	Shortfall (% of BE)	Total Expend -iture	Saving (-) / Excess (+)	Closing liability
1	**2**	**3**	**4(2+3)**	**5**	**6(4-5)**	**7**	**8(5-7)**	**9**	**10(7-9)**	**11(4-9)**
2011-12	20.41	16.94	37.35	12.42	(-)24.93 (67)	10.78	(-) 1.64 (13)	10.74	(-)0.04	26.61
2012-13	26.61	7.16	33.77	37.44	(+)3.67(11)	15.00	(-) 22.44 (60)	14.99	(-)0.01	18.78
2013-14	18.78	40.08	58.86	41.83	(-)17.03 (29)	15.00	(-) 26.83 (64)	14.98	(-)0.02	43.88
2014-15	43.88	18.18	62.06	44.48	(-)17.58 (28)	10.20	(-) 34.28 (77)	10.08	(-)0.12	51.98
2015-16	51.98	16.27	68.25	15.72	(-)52.53(77)	24.00	(+) 8.28 (53)	14.32	(+)9.68	53.93
Total	**161.66**	**98.63**	**260.29**	**151.89**	**108.40(42)**	**75.76**	**(-) 76.91 (51)**	**65.11**	**(+)9.49**	

(Source: Departmental records)

It was observed that the expenditure on spares, repair and maintenance constituted 11 *per cent* to 53 *per cent* of the total expenditure[12] (operating and non-operating) during the respective years. Following deficiencies in budgetary exercise and expenditure control in the procurement of spare parts and expenditure on repair and maintenance were noticed:

- APSTS made a budgetary provision of only ₹ 151.89 crore, whereas actual expenditure (through credit purchases) amounted to ₹ 260.29 crore which indicated shortfall in budgetary estimates i.e shortfall of ₹ 108.40 crore (42 *per cent*) during the period 2011-12 to 2015-16. Thus, budget estimates were not made on realistic basis and indicated poor budgetary exercise which failed to take into account actual requirements persistently over the years.
- While there was heavy shortfall in budgeted requirement, the actual allotment of funds was only to the extent of 51 *per cent* of the budget estimate in all the five years. The shortfall ranged between 13 *per cent* and 77 *per cent* during the four year period from 2011-12 to 2014-15 except in 2015-16 where there was excess allotment to the extent of 53 *per cent*.
- Despite shortfall in allotment of funds, no additional allotment was sought for as supplementary demand(s) to liquidate the outstanding liabilities during the entire five year period. Instead, APSTS resorted to credit purchase in excess of the

[12] Total expenditure:
2011-12 – ₹ 60.61 crore (28 *per cent*); 2012-13- ₹ 64.31 crore (11.1 *per cent*); 2013-14- ₹ 75.08 crore (53 *per cent*); 2014-15- ₹ 68.75 crore (26.4 *per cent*) and 2015-16- ₹ 91.44 crore (18 *per cent*).

allotment ranging between ₹ 6.16 crore (2011-12) and ₹ 25.08 crore (2013-14), thus incurring expenditure amounting to ₹ 53.93 crore without the approval of the competent authority as on 31 March 2016.

While accepting the audit observations, the Department stated (December 2016) that as most of the buses (68 per cent) were over-aged, there was a need for frequent repairs which were undertaken locally. The allotment was always short of budget estimates and was also not released timely for which credit transactions were resorted to and the allotted fund was used to pay off the liabilities.

The reply of the Department is not acceptable as the budget estimates should have taken into account the age of the buses and need for expenditure to keep the fleet in running condition. The fact remains that the entire accumulated liabilities were not considered in the budgetary estimates of APSTS and incurring expenditure without budgetary allocation was violation of extant rule.

Thus, there is a need to streamline the budgetary process and expenditure control in APSTS to ensure that relevant financial rules and regulations are observed.

5.2.8.3 Procurement of spare parts at General Manager Office

5.2.8.3.1 Irregular and doubtful expenditure

As per Rule 146 of the GFR, purchase of goods costing above ₹ 15,000 and up to ₹ 1 lakh on each occasion may be made on the recommendation of a duly constituted Local Purchase Committee. Rule 150 and 151 of the GFR state that Advertised Tender Enquiry should be adopted for procurement of goods of estimated value ₹ 25 lakh and above, and a Limited Tender Enquiry may be adopted for estimated value of goods for ₹ 1 lakh and above and up to ₹ 25 lakh.

Further, Rule 148 of GFR states that demand for goods should not be divided into small quantities to make piece meal purchases to avoid the necessity of obtaining the sanction of higher authority required with reference to the estimated value of the total demand. The General Manager (GM), APSTS was authorised to spend up to ₹ 25,000 under the delegation[13] of financial powers and for any expenditure above the said delegation, prior concurrence of the Finance Department, GoAP was required.

Audit noticed that during the five year period from 2011-12 to 2015-16, expenditure incurred on procurement of spare parts for Central Workshop, Karsingsa amounted to ₹ 3351.74 lakh. This constituted 8 *per cent* to 42 *per cent* of the total variable expenditure[14] in each year.

[13] Vide OM No. FIN/E-13/86 dated 22nd October 2009.

[14] Total Expenditure on spare parts/ Total Variable cost (₹ in lakh).
2011-12- ₹ (1395.35/ 3355) = 42 *per cent*
2012-13- ₹ (747.49/3752) = 20 *per cent*
2013-14- ₹ (444.08/3916) = 11 *per cent*
2014-15- ₹ (381.32/3311) = 12 *per cent*
2015-16 – ₹ (383.50/4697) = 8 *per cent*

A test check of expenditure incurred on spare parts of ₹ 843.81 lakh (involving 134 purchase orders as given in ***Appendix 5.2.2***) out of total ₹ 3351.74 lakh for five year period 2011-12 to 2015-16 was conducted in audit and the following observations emerged:

- In respect of five purchase orders valued ₹ 0.69 lakh,the expenditure was incurred within the delegated financial powers of the General Manager. In respect of the remaining 129[15] purchase orders, the expenditure valued above ₹ 25,000 to ₹ 49 lakh in each case was incurred without calling for tenders and ensuring economy in accordance with Rules 146 of the GFR. The purchase orders issued were also beyond delegated powers of GM and without obtaining concurrence of the Finance Department. Further, the purchase orders were also split into 4829 bills to keep them within the delegated financial power of the GM to evade appropriate financial concurrence of the Finance Department. Since the expenditure in each purchase order was above the delegated financial power of the GM, incurring expenditure between ₹ 25, 000 and ₹ 49 lakh through the above 129 purchase orders without obtaining the sanction of the competent authority was in violation of GFR and Delegation of Financial Power. Details of four high value (above ₹ 25 lakh) supply orders are indicated below:

Table 5.2.5

(₹in lakh)

Sl. No.	Item/Supply Order No.	Date	Agency	Amount (₹)	No of bills in which the S.O was split
1	STD/CS-4/12-13/343/344	05.03.2013	M/s Rumin Enterprise	49.95	285
2	STD/CWS-68/2013/20	08.11.2013	M/s Dewan House	35.38	205
3	STD (MV)18/08-09	07.06.2011	M/s Dewan House	46.55	220
4	NA	NA	Apollo Tyres Center.	25.01	185
Total				**156.88**	**895**

- It was verified by audit that three agencies were dealing with items other than spare parts. As per VAT registration of these firms, their areas of business were garments and furniture and not spare parts. An amount of ₹ 108.14 lakh was paid to such firms for purchase of spare parts from these firms -(i) M/s Daisy Garments (4 purchase orders valued ₹ 20.24 lakh for supply of gear box, clutch plate, etc., in March 2013); (ii) M/s Home Decora (13 purchase orders valued ₹ 65.41 lakh for supply of gear box, rear and front brake, etc., during March 2013 to January 2015); and (iii) M/s Dewan House (1 purchase order valued ₹ 22.49 lakh for supply of batteries in March 2013). Hence, purchase made by payment to these three firms appeared doubtful.

Thus, it is evident that procurement of the spare parts was irregular and doubtful and done without observing financial rules and procedures to ensure economy in the purchases.

[15] 21 purchase orders valued between ₹ 15, 000 to ₹ 1 lakh amounting to ₹ 12.27 lakh were finalised and issued without constituting Local Purchase Committee. Similarly, 104 purchase orders valued between ₹ 1 lakh to ₹ 25 lakh for an amount of ₹ 673.97 lakh was issued without adopting Limited Tender Enquiry. Even in respect of 4 purchase orders valued as high as ₹ 25 lakh to ₹ 49 lakh amounting ₹ 156.88 lakh were issued without Advertised Tender Enquiry.

While accepting the audit observation, the Department stated (December 2016) that spare parts were purchased without tendering process, formation of Local Purchase Committee, approval of competent authority and beyond the sanctioning power due to non-provision of sufficient fund.

The reply is not acceptable as financial rules have to be followed always. Moreover, procurement of spare parts were done without following financial rules and regulations even for all the expenditure for which budgetary allocation were available. Thus, there is an urgent need for complying with financial rules and procedures to ensure financial propriety and economy. Moreover, Department may further investigate the cases where APSTS had made payments to firms which did not carry business related to sale of spare parts as was clear from the VAT registration of the above mentioned three firms.

5.2.8.3.2 Violation of delegated financial power by Station Superintendents

The audit scrutiny of records of selected Station Superintendents also revealed that 289 work orders, valued at a total of ₹ 224.37 lakh ***(Appendix 5.2.3)*** were issued in the five stations without following proper procedures and delegation of authority, like issue of tenders and evaluation by local purchase committee and without ensuring economy and financial propriety. These work orders were also split into several bills to avoid the necessity of obtaining sanction of Competent Authority viz, Finance Department, GoAP, in violation of the delegated financial power.

5.2.8.3.3 Avoidable expenditure

APSTS is a member of Association of State Road Transport Undertaking (ASRTU) which is an apex coordinating body under Ministry of Road Transport and Highways (MoRTH), Government of India. ASRTU finalises rates of various items of spare parts with the manufacturers on behalf of its members. Accordingly, APSTS was entitled to avail rate contracts for procurement of spare parts.

A test check of records in the General Manager office revealed that out of the expenditure of ₹ 843.31 lakh incurred for procurement of spare parts during the last five years from 2011-12 to 2015-16, ASRTU rate contract was applicable for 172 items. These 172 items were procured after incurring an expenditure of ₹ 89.41 lakh against ASRTU approved rate contract of ₹ 29.85 lakh only (at three times the cost) resulting in excess expenditure of ₹ 59.56 lakh.

While accepting the audit observation, the Department stated (December 2016) that funds were not received from the Government to plan for procurement of spare parts through ASRTU rate contracts. Further, procurement through ASRTU rate contracts requires advance payment.

The reply is not acceptable as 172 items of spare parts were procured at higher rate than the approved ASRTU rate contract resulting in excess expenditure of ₹ 59.56 lakh.

5.2.8.4 Non-achievement of revenue target

Target and achievements for revenue for the selected five stations were as follows:

Table 5.2.6

(₹ in crore)

Sl. No	Station	2011-12		2012-13		2013-14		2014-15		2015-16	
		T	A	T	A	T	A	T	A	T	A
1	Namsai	1.11	1.44 **(130%)**	1.41	1.53 **(109%)**	2.08	1.77 **(85%)**	2.26	2.03 **(90%)**	1.60	1.73 **(108%)**
2	Pasighat	1.28	1.49 **(116%)**	1.53	1.52 **(99%)**	2.04	1.69 **(83%)**	2.07	1.52 **(73%)**	1.79	1.28 **(72%)**
3	Itanagar	3.72	3.90 **(105%)**	3.35	3.47 **(103%)**	4.56	3.91 **(86%)**	5.07	3.86 **(76%)**	4.43	3.33 **(75%)**
4	Bomdila	1.23	0.81 **(66%)**	1.04	0.62 **(60%)**	1.16	0.86 **(74%)**	1.25	0.73 **(58%)**	1.47	0.55 **(37%)**
5	Aalo	1.48	1.76 **(119%)**	1.59	2.00 **(126%)**	1.94	1.84 **(95%)**	2.12	1.86 **(88%)**	2.21	1.48 **(67%)**
Total		**8.82**	**9.4**	**8.92**	**9.14**	**11.78**	**10.07**	**12.77**	**10**	**11.50**	**8.37**

(Source: Departmental records) Note: T- Target, A- Achievement

A test check of records in the above five stations revealed that the percentage achievement in revenue collection was decreasing in all the stations except Namsai station. Bomdila showed the lowest revenue collection (37 *per cent* to 58 *per cent*) during the last two years (2014-16) followed by Pasighat station (72 per *cent* to 73 *per cent*) and Itanagar station (75 *per cent* to 76 *per cent*).

The reasons for non-achievement of targets was non-revision of fares, decreasing trend of operation of on-road buses (from 153 buses in 2011-12 to 140 buses in 2015-16), decrease in size of fleet (231 in 2011-12 and 213 buses in 2015-16), no addition to the fleet, non-operationalisation of new routes, etc.

The Department replied that funds were not allocated by the Government in time and running of buses was affected due to non-receipt of funds.

The reply of the Department is not correct as allocation of funds had actually steadily increased from ₹ 61.67 crore in 2011-12 to ₹ 110.66 crore in 2015-16. Moreover, the Department had not been able spend all the allocated funds as is detailed in ***paragraph 5.2.8.1***.

5.2.8.5 Delay in remittance of daily revenue collections

Central Treasury Rules, Vol-I, Section 7 (1) states that all the moneys received by or tendered to Government Officers on account of the revenue of the Central Government/State Government shall without undue delay be paid in full into a Treasury and shall be included in the Accounts of the Central Government/State Government.

Audit observed that in the absence of any standing orders to the Station Superintendents regarding the periodicity of deposits of revenue collections, the Station Superintendents of Itanagar, Bomdila and Aalo remitted revenue collections into the Treasury/ Government Account after a delay which ranged between 11 days and 135 days despite availability of treasury within their jurisdiction.

The Department replied that the funds are retained for incurring miscellaneous expenditure like repairs of emergency nature.

The reply of the Department is not acceptable as incurring of expenditure out of Government revenue was neither in accordance with principles of budgetary control nor was in conformity with financial rules and the expenditure was also incurred without legislative sanction.

5.2.8.6 Non-recovery of hire charges and postal mail carrying charges

APSTS had not recovered a substantial amount of postal mail carrying charges and hire charges[16] amounting to ₹ 287.72 lakh from the Department of Post and other parties. The position of outstanding hire and postal mail carrying charges in five test selected stations during the period 2011-12 to 2015-16 was as given in following table:

Table 5.2.7

(₹ in lakh)

Hire charges and Postal mail carrying charges							
Station	**Opening balance**	**2011-12**	**2012-13**	**2013-14**	**2014-15**	**2015-16**	**Closing balance**
Namsai	3.57	8.60	4.77	5.90	3.93	3.13	**29.90**
Pasighat	-	-	0.65	-	-	0.06	**0.71**
Itanagar	41.21	11.08	2.34	19.67	13.57	16.73	**104.60**
Bomdila	2.76	-	0.62	0.17	0.85	-	**4.40**
Aalo	-	-	-	-	0.53	2.10	**2.63**
Total	**47.54**	**19.68**	**8.38**	**25.74**	**18.88**	**22.02**	**142.24**

(Source: Departmental records)

The Department needs to take effective steps for recovery of the outstanding charges and consider allowing hiring of buses only after obtaining security deposit/ advance payment, etc, to avoid outstanding hiring charges in future.

5.2.8.7 Outstanding Revenue from Indian Railways

APSTS has been operating Passenger Reservation System (PRS) counters at four locations in the State for sale of railway tickets at a commission of two *per cent* on the total amount of net sale proceeds of tickets. APSTS is required to submit monthly bills to the Railways within the 15th of the next month to claim the commission.

The outstanding revenue from Indian Railways on account of PRS during the period from 2011-12 to 2015-16 was as under:

Table 5.2.8

(₹ in lakh)

Sl. No.	Station	Opening balance	2011-12	2012-13	2013-14	2014-15	2015-16	Total Dues	Dues received	Outstanding amount at the end of the year
1	Itanagar	1.23	3.30	4.09	4.47	5.04	5.67	23.80	11.73	**12.07**
2	Pasighat	1.62	0.88	0.40	0.94	1.08	0.45	5.37	2.08	**3.29**
3	Bomdila	2.76	0.35	0.42	0.49	0.75	0.56	5.33	1.39	**3.94**
4	Ziro	-	-	-	-	0.57	0.44	1.01	-	**1.01**
Total		**5.61**	**4.53**	**4.91**	**5.90**	**7.44**	**7.12**	**35.51**	**15.20**	**20.31**

(Source: Departmental records)

Audit observed that out of ₹ 35.51 lakh due from four PRS, APSTS had received only ₹ 15.20 lakh and the balance amount of ₹ 20.31 lakh was outstanding from the Indian

[16] APSTS provides services to the Department of Post for carrying postal mail bags and also provides its buses on hire to Government Departments/Private Parties/Individuals.

Railways at the end of March 2016. The APSTS needs to pursue the outstanding with the railways to recover the outstanding revenue.

5.2.8.8 Non-identification of vacant land for commercial use

Operation of traffic forms the main revenue component of APSTS. However, APSTS can mitigate the decline in revenue earnings to some extent from non-traffic revenue sources also. The APSTS has a huge piece of vacant land measuring 2370.34 sq. mtr at Tinsukia Station which could have been used for generating some revenues as well.

During the period under review from 2011-12 to 2015-16, APSTS had not assessed the possibility of using the surplus and vacant areas in each station for non-traffic revenue sources as pointed out in the Performance Audit Report of APSTS for the period 2004-05 to 2008-09 (featuring in Audit Report of 2009).

APSTS proposed ₹ 5 crore in the Annual Operating Plan (2014-15) for development of state of the art public infrastructure at Naharlagun and Tinsukia but no further development on this proposal was noticed in Audit. The vacant area at Tinsukia thus remained unutilised for more than 15 years since it was acquired (2001).

The photographs of surplus unused vacant land in two stations are shown below.

	
Photograph showing unutilised vacant land at Tinsukia Sub-station	**Photograph showing vacant area at Naharlagun station**

Thus, APSTS needs to take steps for assessment of vacant land for utilising the same for earning revenues for the State.

The Department replied that sufficient funds were not available for development of the vacant land. This year (2016-17) an amount of ₹ 50 lakh was kept in State Annual Development Agency (SADA) for consultancy purposes for thorough study of vacant land.

The progress in the matter will be awaited in audit.

5.2.8.9 Fare policy and revision of fares

5.2.8.9.1 Non-revision of fares

The fare structure should be reviewed in a timely manner after taking into consideration the increase in price of HSD, spare parts etc so as to arrest the adverse financial burden on the State Transport Undertakings and also for growth and development of the transport system in the State. It was seen that the fares were revised by APSTS during July 2006 and January 2011. The Department had submitted (November 2014) a proposal for revision of the fares to the Secretary (Transport), GoAP from ₹ 1.25 per km/seat to ₹ 1.75 per km/seat considering the price hike of 61 *per cent* to 64 *per cent* on the price of High Speed Diesel (HSD), spare parts, etc., but no fare revision has been effected by the Government even after a lapse of five years from the date of last revision. The financial impact due to non-revision of fare by the Government for one year period of 2015-16 was ₹ 6 crore[17]. The non-revision of the fares had resulted in dwindling revenues of APSTS which hampered the growth and development of transport services in the State.

Thus, there is a need for periodical review of fares to ensure optimum operations of the transport services offered by APSTS.

5.2.8.9.2 Concessional policy

APSTS provides transport services to the common masses and offers special services such as concessional fares to the office goers and students, free travel for blind/physically challenged, freedom fighters, etc.

During the last five years, out of five test checked stations, APSTS had implemented concessional fares in capital complex area in Itanagar Station for office employees and students. In other four stations, the concessional fares for physically challenged people, senior citizens, freedom fighters and national award winning persons, etc. had not been implemented; thereby defeating the social objectives of APSTS.

5.2.9 Operational inefficiencies

5.2.9.1 Cost of operations

A year-wise detail of operation cost *vis-à-vis* the revenue earned by APSTS during the five year period from 2011-12 to 2015-16 was as given in following table:

Table 5.2.9

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Operating Revenue (₹ in lakh)	1377	1388	1497	1600	1289
2	Operating Cost (₹ in lakh)	2853	3403	4259	2996	2958
3	**Operating loss (₹ in lakh) [(2) – (1)]**	**1476**	**2015**	**2762**	**1396**	**1669**
4	Total effective Kms operated (in lakh)	73.25	72.34	75.19	77.13	70.26
5	Operating revenue per Km (₹) [(1) ÷ (4)]	18.80	19.19	19.91	20.74	18.35
6	Operating Cost per Km (₹) [(2) ÷ (4)]	38.95	47.04	56.64	38.84	42.10
7	Employee Cost (₹ in lakh)	2105	2082	2108	2844	2708
8	**Operating cost as a percentage of operating revenue [(2) ÷ (1) X 100]**	**207**	**245**	**285**	**187**	**229**
9	**Employee cost as a percentage of operating cost [(7) ÷ (2) X 100]**	**74**	**61**	**49**	**95**	**127**

(Source: Operational and financial data of APSTS (excluding JnNURM buses)

[17] Passenger revenue loss during 2015-16= (Passenger revenue earned /Passenger fare per seat) x increase in passenger fare= ₹ 15.03 crore/₹ 1.25 x ₹ 0.50= ₹ 6 crore.

From the table above, it can be seen that the operating cost of APSTS for five years ranged between 187 *per cent* (2014-15) and 285 *per cent* (2013-14) of the operating revenue for the respective corresponding years.The average cost of employees[18] worked out to ₹ 23.69 crore during the period of review. The high staff cost with low earnings over the years has rendered APSTS to run in a loss ranging between ₹ 13.96 crore and ₹ 27.62 crore during the period 2011-12 to 2015-16. High employee cost alone constituted 49 *per cent* (2013-14) to 127 *per cent* (2015-16) of the total operating cost during 2011-12 to 2015-16. Consequently, the operating revenue was not able to meet even the employee cost in all the years. In fact the employee cost had sharply increased in the last two years (2014-16).The operating losses due to high cost of operation had accumulated to ₹ 9.31 crore during the five year period.

5.2.9.2 Fleet strength and utilisation

Year-wise position of fleet[19] strength and its utilisation during the five years from 2011-12 to 2015-16 was as given in following table:

Table 5.2.10

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
1	Total number of buses at the end of the year	210	204	197	203	192
2	Total number of buses on road	153	148	143	147	140
3	Fleet utilisation (in *per cent*) [(2) ÷ (1) X 100]	72.86	72.55	72.59	72.41	72.92
4	Total effective kilometres operated (in lakh)	**73.25**	**72.34**	**75.19**	**77.13**	**70.26**
5	Total number of passengers travelled (in lakh)	14.83	14.09	13.91	14.97	12.66
6	Average number of Passengers travelled per bus per day { (5) ÷ [(1) x 365]}	19.35	18.92	19.35	20.21	18.06
7	Average KMs operated by per bus per day (viz., vehicle productivity) {(4) ÷ [(1) X 365]}	96	97	105	104	100

(Source: Operational data of APSTS (excluding JnNURM buses)

The fleet strength of APSTS had decreased from 210 in 2011-12 to 192 buses in 2015-16. During the same period, the number of on- road buses had also reduced from 153 in 2011-12 to 140 during the year 2015-16 which resulted in corresponding fall in kilometre operated to 70.26 lakh from 73.25 lakh and consequently fall in revenues of APSTS.

Thus, there is scope for further improvement in fleet utilisation and availability of on-road buses considering the demand for new routes and the high number of unconnected villages by better route planning.

5.2.9.3 Capacity Utilisation and Occupancy Ratio

The Occupancy Ratio (Load Factor) represents the percentage of passengers carried to seating capacity per bus. Scheduling of commercial operations is decided after proper study of routes under operation, trends relating to number of passengers travelled, fleet availability, operations of private players on the route, etc. Further, periodical review and

[18] APSTS had 809 employees on its rollsas on 31 March 2016.

[19] The fleet does not include *JnNURM* buses: 21 in 2011-12; 21 in 2012-13, 21 in 2013-14; 21 in 2014-15; 21 in 2015-16.

revision of scheduling based on the requirement are equally important to improve the Occupancy Ratio.

APSTS had not conducted any study to improve rationalisation of routes to maximise its performance. Moreover, APSTS had neither maintained route-wise nor bus-wise details of the occupancy ratio which would facilitate management to rationalize its services to improve its performance.

The Department accepted (December 2016) the need to analyse the reasons for low occupancy ratio. Moreover, the routes are set on social reasons and not on economical parameters.

5.2.9.4 Manpower cost

Employee cost (operating) mainly consisting of salaries and allowances of drivers and conductors ranged between 32.37 *per cent* (2012-13) and 41.37 *per cent* (2014-15) of the total expenditure of APSTS during the last five years. Position of drivers and conductors during the five year period from 2011-12 to 2015-16 was as given in following table:

Table No. 5.2.11

Details	2011-12	2012-13	2013-14	2014-15	2015-16
Nos. of Buses	231	225	218	224	213
Drivers and Conductors required as per norm[1]	489	477	469	464	442
Nos of Drivers and Conductors in position	454	454	454	454	454
Shortage (-)/Excess (+)	(-) 35	(-)23	(-)15	(-)10	+12
Employee cost (of drivers/conductors) (₹ in lakh)	21.05	20.82	28.76	28.44	36.93
Total expenditure (₹ in lakh)	60.61	64.31	75.08	68.75	91.44
Employee cost to total expenditure *(Per cent)*	**34.73**	**32.37**	**38.30**	**41.37**	**40.39**

(Source; Departmental Records)

It can be seen from above that during 2011-12 to 2014-15 there was a shortfall in deployment of drivers and conductors, however in 2015-16, 12 drivers were in excess of the norm.

A review of the deployment of drivers and conductors in different stations revealed that out of 15 stations, there was a shortage ranging between 24 and 38 drivers in 8 to 10 stations whereas in 4 to 6 stations there was excess deployment of 9 to 14 drivers. Similarly, in respect of conductors, there was a shortage ranging between 10 and 17 conductors in 4 to 9 stations whereas in 3 to 9 stations there was an excess deployment of 11 to 16 conductors. The above uneven deployment of drivers and conductors did not indicate optimum utilisation of available manpower in APSTS.

Thus, there is a need for rationalisation of redeployment of drivers/conductors to mitigate shortages in some of the stations.

5.2.9.5 Excess Expenditure on fuel consumption

Fuel cost is one of the major components of cost of operation in transport services. The fuel cost in APSTS ranged between 43 *per cent* (2015-16) and 63 *per cent* (2014-15) of the operating cost[20] of APSTS. The position of fuel consumption against the above average consumption during the five year period from 2011-12 to 2015-16 was as given in following table:

Table 5.2.12

Sl. No.	Particulars	2011-12	2012-13	2013-14	2014-15	2015-16	Total
1	Kilometre covered (in lakh)	76.46	75.17	79.39	80.79	73.31	385.12
2	Actual (KMPL)	2.47	2.30	2.58	2.48	2.56	
3	Target consumption (litre in lakh) (Kilometer covered/ Average consumption of fuel[21])	25.07	24.65	26.03	26.49	24.04	126.28
4	Actual Consumption (litre in lakh) (1/2)	30.96	32.69	30.74	32.50	28.57	155.46
5	Excess consumption(litre in lakh) (4-3)	5.89	8.04	4.71	6.01	4.53	29.18
6	Cost per litre(in ₹)	45	45	52	60	60	
7	Expenditure as per average consumption of fuel (₹ in lakh)	1128.15	1109.25	1353.56	1589.40	1442.40	6622.76
8	Expenditure on actual consumption of fuel (₹ in lakh) (4x6)	1393.20	1471.05	1598.48	1950.00	1714.20	8126.93
9	Excess expenditure on fuel consumption (₹ in lakh) (5x6)	265.05	361.80	244.92	360.60	271.80	1504.17
10	Excess expenditure (in *per cent*)	23	33	18	23	19	23

(Source: Departmental records)

It can be seen from the table above that the actual fuel consumption far exceeded the average consumption by 4.53 lakh litres to 8.04 lakh litres during the last five years. The financial implication due to such excess consumption of fuel over the average consumption ranged between ₹ 244.92 lakh (2013-14) and ₹ 361.80 lakh (2012-13). The total expenditure due to excess fuel consumption over the average consumption for the five years was ₹ 1504.17 lakh.

Thus, there is a need to identify cases of abnormally high consumption of fuel and take corrective measures for optimising variable cost and improving financial position of APSTS.

[20] Operating Cost:
2011-12 – ₹ 3029 lakh (61 *per cent*); 2012-13- ₹ 3520 lakh (56 *per cent*); 2013-14- ₹ 3622 lakh (57 *per cent*);
2014-15- ₹ 3139 lakh (63 *per cent*) and 2015-16- ₹ 4365 lakh (43 *per cent*).

[21] Average consumption of fuel considered by APSTS for regulating the consumption of fuel and operational efficiency of the fleet of the buses had been fixed at ₹ 3.05 KMPL (2011-12).

5.2.9.6 Weak inventory management

The position of idle spare parts in five selected stations as on March 2016 was as given in following table:

Table 5.2.13

(₹ in lakh)

Station	Total no. of spare parts	Amount (₹)	Nos. of idle spare parts (%)	Period and no. of stock lying idle in store				Amount (₹)
				2 years	3 years	4 years	5 years	
Namsai	223	30.06	31(14%)	14	7	5	5	3.70
Pasighat	134	19.19	27(21%)	17	7	-	3	4.14
Itanagar	94	16.48	-	-	-	-	-	-
Bomdila	268	34.39	89(33%)	-	53	1	35	8.22
Aalo	307	50.57	61(20%)	-	27	13	21	4.94
Total	**1024**	**150.69**	**208 (20%)**	**31**	**94**	**19**	**64**	**21.00**

(Source: Departmental records)

It can be seen above that as on 31 March 2016, five selected stations had a total of 1024 numbers of spare parts valued ₹ 150.69 lakh. Out of these, 208 numbers of spare parts (20 *per cent* of total number of spare parts) valued ₹ 21.00 lakh were lying idle/unused in four stations for a period ranging between two and five years. The number of idle spare parts valuing ₹ 8.22 lakh was the highest in Bomdila station (89 spare parts).

Thus, there is a need for an integrated inventory management system in APSTS covering all the stations for monitoring the stock of spare parts held by each station to ensure judicious distribution and efficient utilisation. This would also facilitate a more scientific assessment of requirement and efficient distribution of spare parts among various stations.

5.2.9.7 Functioning of Central Workshop, Karsingsa

The Central Workshop (CWS) at Karsingsa was set up with the objective to undertake repairs of major complaints, body repairs and aggregates, store and dispatch spare parts, resole tyres and to look after all technical related matters besides ensuring economy in repairs and maintenance. The Central Workshop consists of technical staff 33 members to attend to vehicle complaints and resole production.

As per the GoAP direction (July 2004), the major and minor complaint repair cases should be executed within one month from the date of the registration of complaint.

Audit observations are discussed in the following paragraphs.

5.2.9.7.1 Status of repair and maintenance

The position of repairs of buses in CWS during the five years from 2011-12 to 2015-16 is given in the following table:

Table 5.2.14

Year	Nos. of repair cases in CWS	Nos. of outsourced repair works in CWS	Expenditure (₹ in Crore)	% of outsourced by CWS	No. of repair works of stations	Total outsourced works by the stations	Exp. (₹ in Crore)	% of outsourced work
2011-12	440	52	1.50	12	350	261	2.73	75
2012-13	414	12	0.32	3	426	255	3.95	60
2013-14	409	36	0.45	9	424	252	5.38	59
2014-15	210	29	0.39	14	360	282	3.89	78
2015-16	73	8	0.11	11	417	388	8.66	93
Total	**1546**	**137**	**2.77**	**9**	**1976**	**1438**	**24.61**	**73**

(Source: Departmental records)

From the above it is clear that:

- CWS, Karsingsa outsourced 137 engine overhauling works involving an expenditure of ₹ 2.77 crore to private firms due to lack of infrastructure such as Fuel Injection Pump (FIP) unit for calibration of engine, lathe machine, etc.
- In five selected stations, 1438 works (73 *per cent*) were outsourced to the private firms involving an expenditure of ₹ 24.61 crore[22].
- The repair works done through private firms showed an increasing trend in five selected stations during the five years.

APSTS had not devised any guidelines or procedure to be followed on outsourcing of the repair works to private firms. Thus, the purpose of setting up of CWS, Karsingsa with a technical staff of 33 to achieve economy in repair works remained unachieved in view of the increase in outsourcing of work to private firms.

5.2.9.7.2 Shortfall in resoling of tyres

The Tyre Retreading Plant (TRP) of APSTS has been set-up with a capacity to resole 2400 tyres *per annum* by utilising existing manpower of 12 employees (8 nos. of tyres per day).

The capacity utilisation of the TRP during the period 2011-12 to 2015-16 is given in the following table:

Table 5.2.15

Year	Opening Balance	No. of tyres received for resoling	Total no of resoling required	No. of tyres resoled	Shortfall	Average tyre resoled per day
2011-12	-	1434	1434	1283	151	4
2012-13	151	1513	1664	1188	476	3
2013-14	476	1407	1883	785	1098	2
2014-15	1098	890	1988	641	1347	2
2015-16	1347	166	1513	297	1216	1
Total		**5410**	**8482**	**4194**	**4288**	

(Source: Departmental records)

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	Itanagar	Pasighat	Aalo	Namsai	Bomdila	Expenditure (₹ in crore)
2011-12	112	7	71	9	62	2.73
2012-13	164	3	6	11	71	3.95
2013-14	132	4	15	14	87	5.38
2014-15	178	11	25	16	52	3.89
2015-16	240	5	31	14	98	8.66
						24.61

It can be seen from the table above that TRP did not operate to its full capacity of resoling the tyres in any of the five years from 2011-12 to 2015-16. Against the capacity of eight resoles per day, the TRP had been able to resole an average of only one to four tyres per day.

Thus, TRP, Karsingsa remained underutilised in the audit period which had also contributed to off road buses.

The Department replied that timely funds were not received for purchase of materials and steps are being taken to improve the working of CWS.

5.2.9.8 Non-availability of safety equipment

Safety equipment such as first aid kits, fire extinguishers and speed governors[23] are required to be provided in vehicles as preventive measures to ensure safety of passengers.

Audit observed that in 128 buses of the selected stations first aid boxes was found only in 6 buses (3 each in Namsai and Pasighat), fire extinguishers were provided only in six buses, whereas, speed governor were provided only in one bus.

Thus, safety requirement for buses were not complied with in almost all the buses in the selected five stations.

5.2.9 Monitoring and Evaluation

5.2.9.1 Inadequate inspection/line checking of buses

As a part of monitoring of its operations, the Senior Station Superintendents/Station Superintendents (SSs) and Assistant Station Superintendent (ASSs) were to conduct surprise checks of APSTS buses twice and thrice in a week so as to arrest revenue pilferage. State Government further instructed (October 2013) that each Station Superintendent was to undertake checking/inspection of buses at least thrice a week.

The number of inspection/checking of buses conducted by the SS of five stations (2011-12 to 2015-16) was negligible as shown in the following table:

Table 5.2.16

Station	No. of Routes	No. of Inspection as per norms[24]	No. of inspection carried out	Shortfall in inspection
Namsai	9	12960	8	12952
Pasighat	9	12960	36	12924
Itanagar	21	30240	280	29960
Bomdila	6	8640	34	8606
Aalo	13	18720	0	18720
Total	**58**	**83520**	**358**	**83162**

(Source: Departmental records)

23 A speed governor is a device that sets and limits top speed of the vehicle.

24 Weekly Checking as per norms = 3 times, i.e, in a month= 3 x 4 weeks= 12 times.
For 1 month= 12 x no. of routes x 2(onward and return journey) = No. of checkings in a month for all routes (onward and return journey).

It can be seen that as against the required number of 83,520 inspections, only 358 inspections were conducted. Thus, the Department had conducted only negligible inspections against the requirement.

During inspections a penalty[25] of ₹ 6.03 lakh (Itanagar Station- ₹ 5.85 lakh and Pasighat Station- ₹ 0.18 lakh) had been imposed during the period 2011-12 to 2015-16 on the erring conductors which had not been recovered so far.

This indicated a weak enforcement mechanism within APSTS.

In reply, the Department stated (December 2016) that necessary inspections are undertaken by officers/inspecting officers. The issue of non recovery of imposed penalty would be taken care of.

The reply is not acceptable as the inspections carried were abysmally low at 358 (0.4 *per cent*) during the five years period which was in contravention of the Government orders. Further, the details regarding recovery of penalty are still awaited.

5.2.9.2 Monitoring and Evaluation by management

APSTS did not have any manual for operations, accounts, administration, internal control and monitoring. Thus APSTS did not have an effective monitoring and evaluation mechanism in place as was also evident from the following instances pointed out in this Performance Audit Report; (i) purchases beyond delegation and splitting of purchase orders to avoid sanction of competent authority *(Paragraph No. 5.2.8.3.1);* (ii) APSTS did not spend full amount of allocated funds and purchased spare parts on credit *(Paragraph No. 5.2.8.1 & 5.2.8.2);* (iii) repair works were outsourced to private parties without referring to Central Workshop *(Paragraph No. 5.2.9.7.1);* (iv) daily remittances of revenue were delayed upto period of 135 days *(Paragraph No. 5.2.8.5)*; (v) fuel consumption was in excess of the average requirement *(Paragraph No. 5.2.9.5)* and (vi) spare parts were lying idle for period ranging between two and five years *(Paragraph No. 5.2.9.6).*

Further, it was also observed that APSTS had not fixed target and norms for various operational parameters such as fleet utilisation, vehicle productivity, load factor, cost per kilometre, etc. No norms were fixed for average consumption of fuel, operational life of tyres/ engines and resoling of tyre per day according to its capacity.

5.2.10 Conclusion

APSTS has not formulated State Transport Policy for systematic growth of public transport system in the State to take care of growing demand for public transport in rural and urban areas of the State. 729 villages out of 1414 villages in five selected stations were left outside the public transport system.

Delegation of financial powers was not adhered to and purchase orders were split into several bills to avoid obtaining concurrence of Finance Department of GoAP. APSTS

[25] Penalty for carrying passengers without ticket or partial payment of actual bus fare ₹ 50 @ ₹ 200, carrying passengers without ticket/partial payment of actual bus fare from ₹ 51 to ₹ 200 @ ₹ 600 and for carrying passengers without ticket/partial payment of actual bus fare from ₹ 201 to ₹ 500 @ ₹ 1000 and for conductor tampering of ticket/amount to be treated as misappropriation case.

resorted to credit purchases in excess of allotment of funds ranging between ₹ 6.16 crore and ₹ 25.08 crore and incurred heavy liabilities without approval of competent authority.

APSTS did not revise fares at regular periods to enable sustained growth in public transport systems in the State. Substantial repair works were outsourced to private firms in five selected stations and CWS involving an average expenditure of ₹ 5.48 crore per year.

5.2.11 Recommendations

The recommendations are that the Department may:

- formulate a State Transport Policy to increase coverage of the state public transport system in a time bound manner.
- streamline the budgetary processes of APSTS so that realistic budget estimates are prepared.
- strengthen financial and expenditure control in the APSTS with a view to ensuring the adherence to rules on tendering and payment procedures.
- initiate steps for utilisation of its surplus land, and
- devise a system by which fares are revised periodically to enable APSTS optimize its operations with sustained growth of public transport system in the State.

Arunachal Pradesh Mineral Development & Trading Corporation Limited (APMDTCL)

5.3 Loss of Revenue

Failure of the Company to revise the coal price in accordance with rates revised by Coal India Limited, in time, resulted in loss of revenue amounting to ₹ 19.88 crore. Besides, an amount of ₹ 11.69 crore which was outstanding against the extraction contractor on account of revision of prices of coal had not been recovered till February 2017.

Arunachal Pradesh Mineral Development and Trading Corporation Limited (Company), entered (April 2007) into an agreement with M/s National Mining Company Limited (herein after called the extraction contractor), Tinsukia, for extraction and sale of coal in Namchik-Namphuk coal mines for a period of five years i.e up to 3/4/2012 (extended upto 4/7/2012). As per agreement, the extraction contractor was entitled to such price for extraction and sale of the coal as would be fixed by the Company on the basis of sales prices notified by Coal India Limited (CIL) from time to time.

Scrutiny of records of the Company (December 2015) revealed that CIL revised (31/1/2012) the sale price of coal from existing rates of ₹ 1050 and ₹ 950 Per MT for Grade B[26] and Grade C[27] to ₹ 2800 and ₹ 1960 per MT respectively with effect from 1/1/2012. However, the Company revised the above rates retrospectively (from 1/1/2012) vide Notification No. MDTC/FR/188/2012/416-17 on 11 January 2013 i.e. after a delay of more than 11 months.

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[26] Useful Heat Value exceeding 5600 but not exceeding 6200 is Grade B coal.
[27] Useful Heat Value exceeding 4940 but not exceeding 5600 is Grade C coal.

The Company accordingly requested (January 2013 and July 2014), the extraction contractor to recover from the buyers the differential sales value, on account of retrospective revision of sales price, of the coal amounting to ₹ 31.57 crore (**Appendix-5.3.1**) against the sale of 1,55,677 MT of coal during the period from 1/1/2012 to 19/5/2012. (₹ 19.88 crore against the sale of 1,01,036 MT of coal during the period 1/1/2012 to 31/3/2012 and ₹ 11.69 crore for sale of 54,640 MT of coal during the period from 4/4/2012 to 19/5/2012).

In response (February 2015), the extraction contractor stated that notification for revising the sale price was issued one year after the sales were made and it was not practicable to recover the differential sale value from numerous buyers. However, the extraction contractor agreed to pay the revised sale price with effect from 4 April 2012 pertaining to the extended three months having a differential sale value of ₹ 11.69 crore in respect of coal sold (54640 MT) during the period from 4/4/2012 to 19/5/2012. The extraction contractor also requested the Company to forgo the revised differential sales value of ₹ 19.88 crore pertaining to sale price with effect from 1/1/2012 to 3/4/2012. A five member committee constituted to reconcile the accounts with the extraction contractor recommended (February 2015) to accept the plea of the extraction contractors to forego the revised sales value of ₹ 19.88 crore for sales pertaining to 1/1/2012 to 31/3/2012 and recover only differential sale value of ₹ 11.69 crore for coal sold during the period from 4/4/2012 to 19/5/2012.

In this connection following observations are made:

- The Company delayed the issue of revised price notification inordinately by 11 months resulting in non-recovery ₹ 31.57 crore out of which the Company had accepted to forego ₹ 19.88 crore as the same could not be recovered from the buyers by extraction contractors. Thus, the Company had foregone a revenue of ₹ 19.88 crore due to its failure to issue notification for revision in coal prices in line with CIL rates in time.
- Although the extraction contractor had accepted payment of the balance amount of ₹ 11.69 crore representing the differential amount of sale of coal during the period from 4/4/2012 to 19/5/2012, the same had not been recovered from the extraction contractor so far. The Company had proposed (February 2015) that out of this, an amount of ₹ 8.90 crore[28] payable to the extraction contractor would be adjusted and only ₹ 2.79 crore would be actually recoverable from the extraction contractor. However, recovery/adjustment of the same was not intimated to audit.

In response, the Company accepted the Audit observation and stated that utmost effort was put to recover the revenue loss of ₹ 22.67 crore (₹ 19.88 crore + ₹ 2.79 crore) from the extraction contractor even at Government level (August 2016).

[28] Represents Company's liabilities to NMCL on account of advance deposited by various parties through NMCL but coal not lifted (₹ 3.63 crore), extraction charges on unsold coal stock (₹ 4.45 crore) and security deposit (₹ 0.60 crore) less bills pending against NMCL towards cost of explosive consumed (₹ 0.22 crore).

The GoAP also stated that the committee's recommendation to forgo the differential sales value had been submitted before the competent authority for a decision and the issue would be settled on receipt of the decision (September 2016).

The fact, however, remains that due to failure in issuing notification of revised sale price of coal in line with CIL rate notification in time, the Company has suffered revenue loss on account of differential sale value of ₹ 19.88 crore, and also failed to recover the agreed amount of ₹ 11.69 crore till February 2017.