Part - II

Chapter – IV
Performance Audit relating to other than Power Sector Undertakings

Chapter-IV

Audit other than Power sector

Performance Audit

Punjab State Bus Stand Management Company Limited

4.1 Working of Punjab State Bus Stand Management Company Limited

Highlights

A performance audit of the Punjab State Bus Stand Management Company Limited for the period 2013-18 brought out, *inter alia*, the following important audit findings:

The proportion of over-age ordinary buses had increased from 29.40 to 62.60 *per cent*. 1.93 to 11.77 *per cent* of scheduled kilometers were missed. Due to major delay in repair and due to non-availability of spares, the Company suffered contribution loss of ₹ 3.62 crore. The Company paid extra Special Road Tax (SRT) of ₹ 2.64 crore on missed kilometers. The mileage achieved by the buses was less than the target fixed by the Company resulting in excess use of diesel amounting to ₹ 8.19 crore.

(Paragraph 4.1.9, 4.1.9.7, 4.1.9.10 and 4.1.9.11)

The Company short claimed ₹ 44.36 crore on account of free travelling students passes due to under estimating number of students and distance travelled.

(Paragraph 4.1.12.1)

Shops at Ludhiana and Jalandhar Bus Stands were not let out due to which the Company lost the opportunity to earn rental income of ₹ 0.41 crore and ₹ 0.93 crore respectively.

(Paragraph 4.1.13.1 and 4.1.13.3)

The Company purchased diesel without inviting competitive rates and resultantly suffered a loss of ₹ 1.77 crore during April 2013 to June 2014.

(Paragraph 4.1.11.1)

The Company failed to avail the opportunity of earning revenue amounting to ₹ 0.70 crore (₹ 0.31 crore + ₹ 0.39 crore) due to not using buses for advertising.

(Paragraph 4.1.13.4)

Delay in implementation of centrally assisted projects viz., Integrated Depot Management system, Real Time Passenger Information system and Electronic Ticketing Machines resulted in non achievement of intended benefits.

(Paragraph 4.1.12.2 to 4.1.12.5)

Introduction

4.1.1 The Punjab Roadways (PR) a Government Department, Punjab State Bus Stand Management Company Limited (PUNBUS) and PEPSU Road Transport Corporation (PRTC) (both Punjab State public sector undertakings) provide public transport in the State of Punjab.

Punjab State Bus Stand Management Company Limited (Company) was incorporated (March 1995) to manage, control and supervise the bus stands in the State and to establish new bus stands with adequate amenities. Subsequently, by amending (2004) its object clause, the Company also started business of running and operation of commercial vehicles to augment the fleet of state transport buses. Staff of PR was to be used by the Company on assignment basis without any additional remuneration or deputation allowance and PR would continue to bear the salaries of their staff. For these services, the Company was to pay[1] Punjab Government operational charges which shall not exceed 95 *per cent* of the taxable profits (before charging operational charges) as computed under Income Tax Act, 1961.

As of March 2018, the Company had 20 bus stands functioning under its 18 depots from where it was operating its fleet of 1255 buses[2] including 109 buses hired under kilometre scheme (KM scheme). Under the KM scheme, the Company had hired 75 buses for a period of five years in 2014-15 and 34 buses in 2015-16 from private operators. The owners of these leased buses are paid a fixed amount of ₹ 6.81 per kilometre (including service tax) and fuel for the buses is provided by the Company. The drivers of these leased buses are provided by their owners and the conductors are provided by Company.

The buses of the Company covered 6746.79 lakh kilometres including 567.24 lakh kilometres covered by buses operated under KM scheme during the period 2013-14 to 2017-18. The buses carried from 1.74 lakh to 6.49 lakh passengers on an average per day during the period 2013-14 to 2017-18.

Organisation Structure

4.1.2 The Company is a wholly owned Punjab Government company and all Directors on the Board and shareholders are Government nominees. The Board of Directors (BOD) comprising of the Chairman, the Managing Director and four directors are nominated by the State Government. The day-to-day operations are carried out by the Managing Director with five Executive Directors (Operations, Technical, Information Technology, Finance & Accounts and Administration) and other officers and Depot Managers.

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1 Order of the Secretary to the Government of Punjab, Department of Transport dated 1 March 2011.

2 Ordinary: 1000, KM Scheme (Hired buses): 109, Village (Pendu) buses: 80, Heating ventilation and air conditioning (HVAC): 30 and Super integral coach (Volvo/Benz): 36 buses.

Scope and methodology of audit

4.1.3 The operations of the Company for the period 2004-09 were reviewed and a Performance Audit in respect of State Transport Undertakings was featured in the Report of the Comptroller and Auditor General of India (Commercial) Government of Punjab for the year ended 31 March 2009. The Committee on Public Undertakings (COPU) of the Vidhan Sabha discussed the performance audit and in its 105th Report (March 2014) gave 14 recommendations which have been taken into account while conducting the audit.

The present performance audit conducted during October 2017 to May 2018 assessed the performance of the Company for the period 2013-18. The audit examination involved scrutiny of records in the head office and five[3] out of 18 depots, selected using stratified random sampling technique using IDEA[4] software on the basis of aggregate revenue earned in the last five years. This accounted for 35.13 *per cent* of the total revenue of Company.

An entry conference for the performance audit was held in January 2018 in which the scope and objectives of the performance audit were explained to the Management. An exit conference for the performance audit to discuss the audit findings was held in August 2018 which was attended by the Managing Director and other senior functionaries.

Audit objectives

4.1.4 The objectives of the performance audit were to ascertain whether:

- Operation of buses and repair workshops was managed in an economical and efficient manner;
- The engagement and deployment of staff was optimal and to its financial benefit;
- Purchase of fuel, lubricants and spare parts was done in a transparent, economical and efficient manner;
- Operation and maintenance of the bus stands of the Company was conducted in an efficient, economical and effective manner; and
- Internal control and audit system was adequate and effective.

Audit Criteria

4.1.5 The audit findings were evaluated against criteria sourced from:

- Performance parameters of other State's Transport Undertakings.
- Instructions of the Government of India (GoI) and State Government.
- Rules, regulations and procedures laid down by the Company.
- Physical and financial targets and norms fixed by the Company.
- Agreement entered into for outsourcing the operation and maintenance of bus stands.

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3 Amritsar-I, Chandigarh, Hoshiarpur, Jalandhar-I and Ludhiana.
4 Interactive Data Extraction and Analysis software.

Financial position and working results

4.1.6. The financial statements of a company 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) read with Section 129 (2) of the Companies Act, 2013. However, the Company has not finalised (October 2018) its financial statements from the year 2013-14 onwards. The provisional financial position and working results of the Company for the period 2013-18 is given in ***Annexure 11***. The key working results of the Company are as follows:

Table no. 4.1: Financial results of the Company during 2013-18

(₹ in crore)

Sr. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
(1)	Revenue	376.66	427.41	435.64	494.74	504.42
(2)	*Less*: Expenditure (Other than operational charges paid to Government)	324.47	366.23	365.69	389.04	421.26
(3)= (1)-(2)	Profit/Loss (before adjustment of operational charges paid to Government)	52.19	61.18	69.95	105.70	83.16
(4)	Less: operational charges paid to Government	54.42	59.75	65.29	101.46	80.43
(5)= (3)-(4)	Profit/Loss	(-) 2.23	1.43	4.66	4.24	2.73

Source: Provisional financial statements provided by the Company.

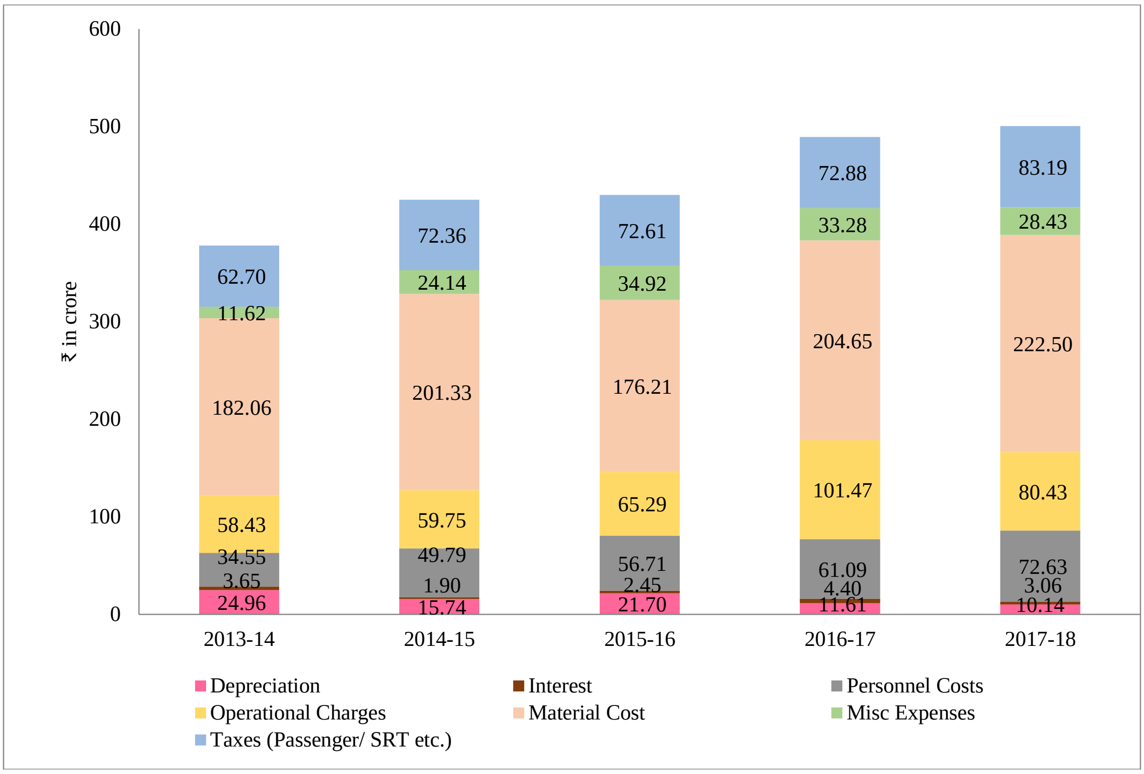
The profit (before adjustment of operational charges paid to Government) of the Company was reduced by 22.54 crore from 2016-17 to 2017-18. The major reason for decline in profit was attributed to rise in cost of fuel/lubricants and taxes by 15.30 *per cent* and 14.10 *per cent* respectively from 2016-17 to 2017-18. Further, non-operating revenue was also reduced by 16.78 *per cent* from 2016-17 to 2017-18.

Though the Company earned profits before adjustment of operational charges payable to Government ranging between ₹ 52.19 crore to ₹ 105.70 crore during the years 2013-14 to 2017-18 but due to the Company paying 95 *per cent* of its net profits to Government of Punjab on account of operational charges, the profits of the Company reduced considerably. The net profits of the Company ranged between ₹ (-) 2.23 crore to ₹ 4.66 crore after payment of operational charges during the same period.

4.1.7 Elements of cost and revenue

Material cost, personnel cost, operational charges and taxes constitute the major elements of costs of the Company. The break-up of costs for the years 2013-14 to 2017-18 is given below:

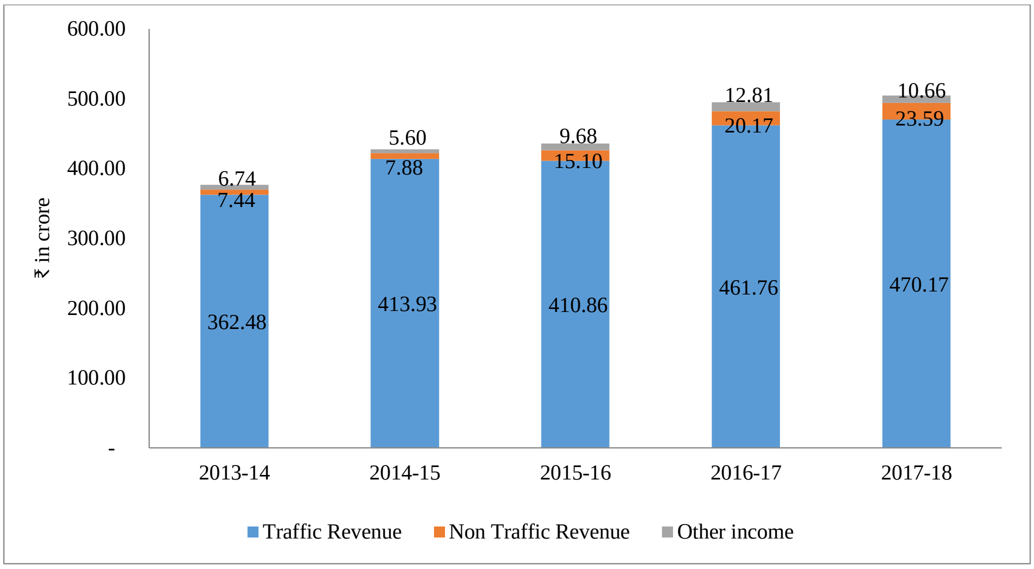
Chart 4.1: Elements of cost of the Company



Source : Information provided by the Company

The Company accounts its revenue under three categories - Traffic revenue[5], non-traffic revenue[6] and other income[7]. The break-up of elements of revenue for the years 2013-14 to 2017-18 is given below:

Chart 4.2 : Segments of revenue of the Company



Source : Information provided by the Company

5 Route receipts, concessional travel receipts.

6 Adda fees, operation & maintenance receipts from bus stand, rental income from bus stands.

7 Sale of scrap, interest on fixed deposit, etc.

Of the major components of costs of the Company, Material cost had increased by 22.20 *per cent*, Operational charges by 37.70 *per cent*, Taxes (passenger/ SRT) by 32.70 *per cent* while Personnel costs increased by 110.20 *per cent* during 2013-18. These increases resulted in cost of the Company going up by 32.40 *per cent* during 2013-18. In comparison traffic revenue of the Company increased by 29.70 *per cent* in the same period while the total revenue of the Company increased by 33.90 *per cent*. The Company saw a growth in its profits during 2013-17.

Audit findings

4.1.8 The performance of Company was evaluated against various operational parameters discussed below. Audit also tried to assess the satisfaction level of travelling public of the State from the services provided. The audit findings show that there is tremendous scope for improvement in the services rendered by the Company. The instances of losses in operations pointed out in the subsequent paras are controllable which also affected the financial position adversely.

Operational performance

Fleet strength and age profile of buses

> The percentage of overaged ordinary buses increased from 29.40 to 62.60 *per cent* during 2013-18 while 100 *per cent* of HVAC had become overaged.

4.1.9 The State Government fixed (January 1985) the operating life of ordinary buses as seven years or 5.25 lakh kilometers whichever is later and for the heating, ventilation and air conditioning (HVAC) buses it was fixed (January 2015) as five years or 5.25 lakh kilometers, whichever is later. Further, fitness certificate[8] is issued to every transport vehicle under Section 56 of Motor Vehicle Act 1988 and route permits are issued by the State Government. Based on these, the buses are allowed to ply.

Table no. 4.2: Age-wise position of vehicles owned by the Company during 2013-18

Particulars	Ordinary Bus			HVAC		
	Average No. of buses	Overaged buses	Percentage of overaged buses to total buses	Average No. of buses	Overaged buses	Percentage of overaged buses to total buses
2013-14	1058	311	29.40	135	24	17.78
2014-15	1028	420	40.86	122	17	13.93
2015-16	1024	472	46.09	102	51	50.00
2016-17	1003	565	56.33	47	37	78.72
2017-18	1000	626	62.60	30	30	100.00

Source: Information provided by the Company.

The increasing percentage of overaged buses indicates that the Company was not making adequate investments to replace its fleet with new buses at regular intervals.

[8] valid for two years for a new transport vehicle and renewed annually thereafter.

4.1.9.1 Operational performance

The operational performance of the Company for the last five years ending March 2018 is given in ***Annexure 12***. A few selected performance indicators are given below:

Table no. 4.3: Operational working of the Company during 2013-18

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1	Total no. of buses available	1212	1242	1258	1281	1255
2	Vehicle Productivity (kilometers/bus/day)	285	297	306	284	323
3	Occupancy Ratio (in *per cent*)	87.60	91.06	94.67	Not Available	Not Available
4	No. of serious Accidents	41	35	37	41	40
5	Fuel Efficiency (kilometer/litre)	4.32	4.37	4.46	4.54	4.67

Source: Information provided by the Company and Website of Ministry of Road Transport and Highways.

The increasing trends in the vehicle productivity, occupancy ratio and fuel efficiency indicates that the Company managed to perform better during 2013-14 to 2017-18.

4.1.9.2 Vehicle Productivity

Vehicle productivity refers to the average kilometers run by each bus per day in a year.

Vehicle productivity of Company's own buses and hired buses are as follows:

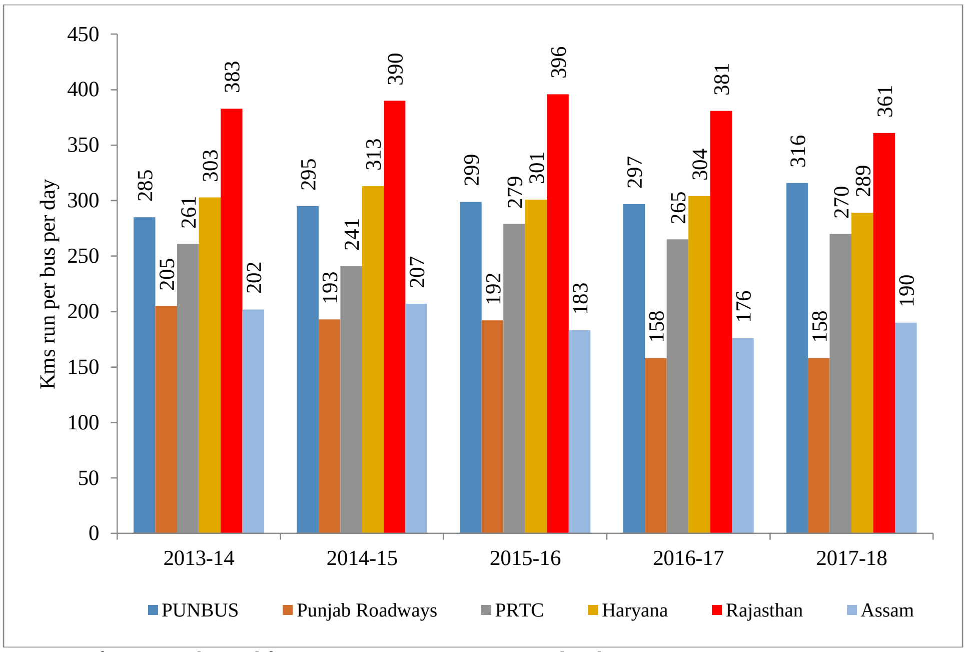
Table no. 4.4: Vehicle productivity of Company's own buses vis-a-vis hired buses

Year	2014-15		2015-16		2016-17		2017-18	
	Own	Hired	Own	Hired	Own	Hired	Own	Hired
Vehicle Productivity (Km per bus per day)	295	390	299	396	297	391	316	390

Vehicle productivity of hired buses was consistently better than Company's own buses.

The vehicle productivity of the Company (excluding hired buses) vis-à-vis the vehicle productivity of other two STUs (Punjab Roadways and PRTC) and of owned buses of other States of Assam, Rajasthan and Haryana for the five years ending 2017-18 is shown in the chart below:

Chart 4.3 : Vehicle productivity of PUNBUS and other STUs



Source : Information obtained from respective State transport undertakings.

The vehicle productivity of the Company gradually increased from 285 in 2013-14 to 316 in 2017-18. The vehicle productivity of the Company was higher when compared to that of PR, PRTC and Assam but was lower than Rajasthan and Haryana (except in 2017-18).

4.1.9.3 Fleet utilisation

Fleet utilisation represents the ratio of buses on road to buses held by the undertaking.

Fleet utilization of the Company's hired buses was better than its own buses in all years except 2015-16.

Table no. 4.5: Fleet utilisation of Company's own buses vis-a-vis hired buses

Year	2014-15		2015-16		2016-17		2017-18	
	Own	Hired	Own	Hired	Own	Hired	Own	Hired
Fleet utilisation (in *percent*)	88.40	101.40	93.90	91.70	90.90	101.90	94.20	98.00

A comparison of the fleet utilisation of the buses owned by the Company with owned buses of other STUs of Punjab and other States is as under:

Table no. 4.6: Fleet Utilisation of owned buses of PUNBUS and other STUs of Punjab and other States

(Figures in *per cent*)

STU	2013-14	2014-15	2015-16	2016-17	2017-18
PUNBUS	**85.30**	**88.40**	**93.90**	**90.90**	**94.20**
Haryana	89.00	91.00	90.00	91.00	89.00
Punjab Roadways	73.60	75.70	86.80	89.40	87.30
PRTC	94.00	94.00	95.00	95.00	96.00
Rajasthan	90.00	92.00	89.00	87.00	77.00
Assam	63.23	55.18	53.35	47.01	48.99

Source : Information obtained from State transport undertakings.

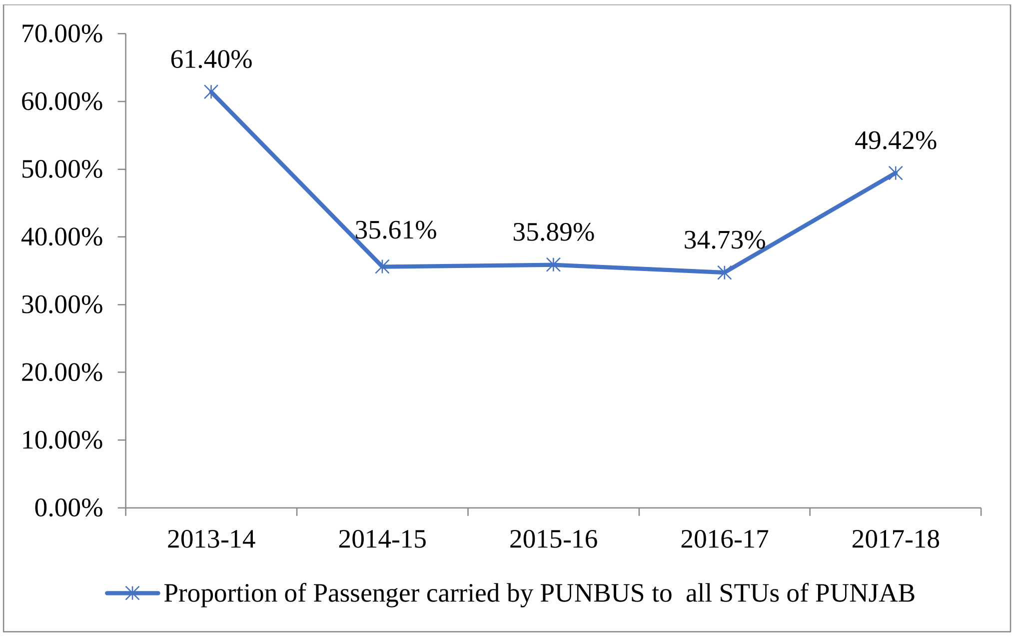
The fleet utilisation of the owned buses of the Company remained better than that of the owned buses of Assam, Rajasthan (except 2013-14 and 2014-15) and Punjab Roadways. It was lower than PEPSU Road Transport Corporation and Haryana (except 2015-16 and 2017-18).

4.1.9.4 Share of the Company in public transport of the State

As per Government of Punjab's new transport policy notified (December 2011), all future stage carriage permits for operation on interstate routes as per reciprocal agreements was to be granted exclusively in favour of State transport undertakings with the exception of luxury buses. In case of intra state routes, the proportion of permits between STUs and private operators varied depending on the routes operated.

The position of percentage share of the Company, PRTC and PR buses in the total number of buses in the State and percentage of average passengers carried per day to the total population of the State by the Company, PRTC and PR buses during the five years ending March 2018 is as under:

Chart 4.4: Proportion of Passengers carried by the Company to all STUs of Punjab



The table below depicts the position of public transport in the State:

Table no. 4.7: Public Transport in Punjab

Sl. No.	Year	2013-14	2014-15	2015-16	2016-17	2017-18
1.	PUNBUS (Number of buses)	1212	1242	1258	1281	1255
2.	PRTC (Number of buses)	989	931	1025	1067	1120
3.	Punjab Roadways (Number of buses)	439	376	484	612	602
4.	Total (Number of buses) of all STUs in Punjab	2640	2549	2767	2960	2977
5.	Private stage carriages	27520	27567	39160	39160	39160
6.	Total buses for public transport (4+5)	30160	30113	41927	42120	42137
7.	Percentage share of private operators	91.25	91.54	93.40	92.97	92.93
8.	Percentage share of PUNBUS	4.02	4.11	3.00	3.04	2.98
9.	Percentage share of PRTC	3.28	3.09	2.44	2.53	2.66
10.	Percentage share of Punjab Roadways	1.46	1.25	1.15	1.45	1.43
11.	Estimated State population (in crore)	2.87	2.91	2.96	3.00	3.05
12.	Public transport vehicle density (per one lakh population)	105.09	103.49	141.65	140.40	138.25

Source: Information provided by State Transport Commissioner Punjab and PUNBUS. Information at Sl.No.5 for the year 2013-16 was obtained from the website of Ministry of Road Transport and Highways. No new permits were issued/cancelled during the 2016-18, hence, the figure of 2015-16 was taken for the year 2016-17 and 2017-18.

The Company has not been able to maintain its share of the population travelling in public transport. Its percentage share in total buses of the State reduced from 4.02 to 2.98 during 2013-18.

The accumulated profits/ losses of three STUs of Punjab during the period 2013-18 were as under:

1. PR: The proforma Accounts were finalized only up to 2003-04. Hence the figure of accumulated profits/losses up to March 2018 was not available;

2. PRTC: The accumulated losses of the company were ₹ 33.87 crore; and

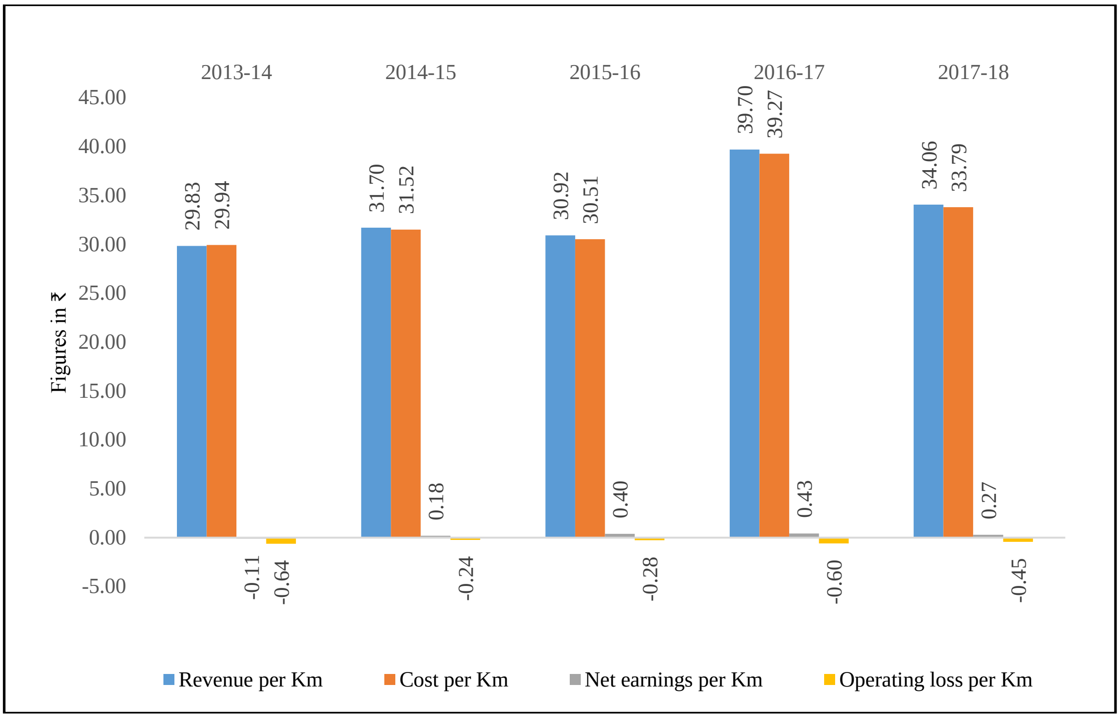
3. PUNBUS: The accumulated profits of the company were ₹ 18.10 crore out of which the Company paid 95 *per cent* of its net profits to Government of Punjab on account of operational charges for the services of Punjab Roadways staff. The net profits of the Company ranged between ₹ (-) 2.23 crore to ₹ 4.66 crore after payment of operational charges during the same period.

The estimated population of the State of Punjab was 3.05 crore as on 31st March 2018. The share of the State STUs to cater the population was on lower side which ranged from 6.55 *per cent* to 8.76 *per cent* during the period 2013-18. This needs justification in Audit. All the three STUs have separate administrative expenditure, duplicity in operations and competition among themselves. During January 2018, in a meeting of three STUs heads with Principal Secretary Finance, the decision of merger of three STUs and phasing out of one of the STU (PR) in next two years was agreed upon. However, final decision is awaited (June 2019).

4.1.9.5 Recovery of cost of operations

The Company was not able to recover its cost of operations during the years 2013-14 to 2017-18. The net revenue showed a varying trend as given the graph[9] below:

Chart 4.5: Per kilometers cost and revenue from operations of PUNBUS



Source: Information obtained from Company.

Although the net earnings of the Company (except in the year 2013-14) remained positive yet the Company suffered operational loss ranging between ₹ 0.24 per Km to ₹ 0.64 per Km during 2013-18 due to Company paying 95 *per cent* of its net profit to Government on account of operational charges. As a consequence, the Company despite being a profitable entity had to book operational losses in all the years under review.

4.1.9.6 Route Planning

Appropriate route planning helps to tap demand and achieve higher load factor. The Company had 505 operative routes as on March 2018 out of which there were two monopoly routes viz. Jalandhar-Amritsar and Fazilka-Ferozepur for operation of STUs exclusively. The position in regard to the profitable routes/ routes not meeting variable/ fixed costs of the Company is tabulated below:

9 Cost *per* Km represents total expenditure divided by effective Kms operated.
Revenue *per* Km is arrived at by dividing total revenue with effective Km operated.
Net Revenue *per* Km is revenue *per* Km reduced by cost *per* Km.
Operating loss *per* Km is operating expenditure *per* Km reduced by operating income *per* Km.

Table 4.8: Profitable routes/routes not meeting variable/ fixed costs

Year	2013-14	2014-15	2015-16	2016-17	2017-18
Total Routes[10]	503	524	502	507	505
No. of routes making profit	363 (72)	366 (70)	353 (70)	353 (70)	351 (70)
No. of routes meeting variable cost but not meeting fixed cost	112 (22)	128 (24)	121 (24)	117 (23)	113 (22)
No. of routes not meeting variable cost	28 (6)	30 (6)	28 (6)	37 (7)	41 (8)

Note: The percentage of routes to the total routes under the above heads has been given in brackets for each year.

The percentage of profit-making routes reduced from 72 *per cent* to 70 *per cent* the percentage of routes not even meeting the variable cost showed an increase from 6 *per cent* to 8 *per cent* during 2013-18.

To examine whether profits are earned only on monopoly routes operated by the Company, Audit analysed three routes viz. Monopoly route buses, Delhi route buses and one ordinary route of Chandigarh to Amritsar of the Company based on the data collected from the respective depots of the Company. The analysis revealed that in case of monopoly routes, all the depots of the Company were earning profits whereas in case of Delhi route, 88.89 *per cent* of depots earned profits. On Chandigarh-Amritsar route, only 66.67 *per cent* of depots of the Company earned profits.

4.1.9.7 Missing of scheduled kilometres and effect

Company operates its buses on designated routes on the basis of permits issued by the Transport Authority, Government of Punjab. The total kilometers operable by Company’s buses on the allotted routes as per permits are known as scheduled kilometers while the distance actually covered by Company's buses to earn revenue is known as 'Effective kilometers'. The Company at times is not able to operate the full number of routes and trips as per permit. The distance of such trips not operated is known as 'Missed Kilometers'.

It was observed that the scheduled kilometers were not fully operated by Company buses at the five selected depots.

[10] Out of the consolidated information of Punjab Roadways and PUNBUS provided by the Company, PUNBUS share was calculated proportionately based on the actual number of buses of PUNBUS.

Table no.4.9: Kilometers not operated at selected depots during 2013-18

(Figures in lakh kilometres and value in ₹)

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18	Total
1.	Scheduled Kilometers	443.62	450.12	466.69	431.53	432.88	2224.84
2.	Effective kilometers	391.39	421.82	450.19	411.65	424.52	2099.57
3.	Missed kilometers (Net of Excess kilometers)	52.23	28.30	16.50	19.88	8.36	125.27
4.	Percentage of missed kilometers to scheduled kilometers (3/1 x 100)	11.77	6.29	3.54	4.61	1.93	5.63
5.	Average contribution[11] per km (in ₹)	2.71	3.41	6.81	7.26	7.85	-
6.	Total contribution (2 x 5) (₹ in crore)	10.61	14.38	30.66	29.89	33.32	118.86
7.	Additional contribution not collected (3 x 5) (₹ in crore)	1.41	0.96	1.12	1.44	0.66	5.59

Source: Information provided by the Company.

The increase in Effective kilometers in all categories of buses except HVAC during 2013-18 and increase in revenues per km[12] in ordinary buses from 2013-14 to 2014-15 coupled with reduction in variable costs due to replacement (2015-16) of old buses with new buses contributed towards rise in contribution of the Company.

Company could not operate 125.27 lakh kilometers during 2013-18 due to prolonged detention of buses in the workshops for want of repairs. As a result, it lost out on additional contribution of ₹ 5.59 crore in the five selected depots and made associated avoidable payment of special road tax of ₹ 2.64 crore.

Due to non-operation of 125.27 lakh scheduled kilometers, the Company lost out on contribution of ₹ 5.59 crore in the five selected depots during 2013-18. Missed kilometers were on account of the prolonged detention of buses in the workshops.

COPU in their Report (May 2014) had recommended that spare parts should be made available timely so as to minimise detention of buses in workshops. The Company has neither prescribed any time limit for repairing buses at its workshops nor fixed minimum inventory level of spare parts to be maintained in the workshops as a follow up to the recommendation. In selected depots, in 112 instances, where buses were detained due to accidents, body works etc. repairs were undertaken with delays ranging between 32 days to 1219 days (calculated after allowing one-month[13] time for repair).

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11 Contribution is sales revenue reduced by variable cost or fixed cost + profit. The elements of fixed costs considered for calculation are depreciation, interest on capital, Special Road Tax (SRT), permit and passing fee and Miscellaneous expenditure etc. Average contribution has been calculated as the weighted average of contribution of sample selected depots for each year weighted by the effective kilometers of the respective depots.

12 The fare per km per passenger for ordinary buses increased from 79 paise per km on 1 April 2013 to 104 paise per km on 31 March 2018. The fare for ordinary (HVAC) bus increased from 94.8 paise per km to 124.80 paise per km, for Integral coach 142.20 paise per km to 187.20 paise per km and super integral from 158 paise per km to 208 per km during the same period.

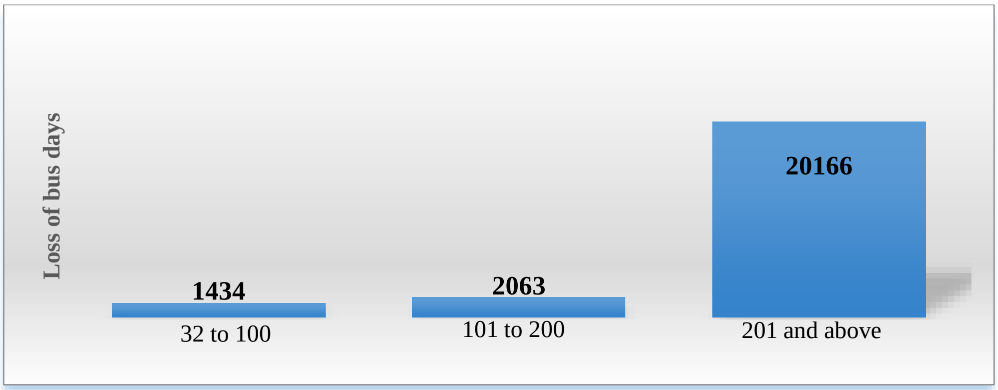
13 Maximum time frame for repair of accidental buses as observed by the COPU.

Table no. 4.10: Analysis of instances of detention of buses at workshops forrepairs

Range (in no. of days) for repairs of bus	2013-14		2014-15		2015-16		2016-17		2017-18		Total	
	No.	Bus Days	No.	Bus Days	No.	Bus Days	No.	Bus Days	No.	Bus Days	No.	Bus Days
32 to 100	17	282	19	520	5	80	10	204	8	348	59	1434
101 to 200	6	795	7	760	2	235	2	185	1	88	18	2063
201 and above	8	2026	2	2370	13	10751	12	5019	0	0	35	20166
	31	**3103**	**28**	**3650**	**20**	**11066**	**24**	**5408**	**9**	**436**	**112**	**23663**

Source: Company records at selected depots.

Chart 4.6: Chart showing loss of bus days



The Company as a result lost 23663 bus days[14] and could not collect additional contribution of ₹ 3.62 crore (part of ₹ 5.59 crore) during the period 2013-18. The reasons for these instances of delays in repairs were not provided by the Company. In another 317 instances, the repairs were undertaken with delays ranging from 10 to 175 days due to non availability of spare parts at the depots of the Company (calculated after allowing five[15] days' minimum time for undertaking repairs) as shown below.

Table no. 4.11: Detention of buses due to non-availability of spare-parts at all the depots

Range of detention of buses (in no. of days)	2013-14		2014-15		2015-16		2016-17		2017-18	
	No. of instances	Detention in Bus Days	No. of instances	Detention in Bus Days	No. of instances	Detention in Bus Days	No. of instances	Detention in Bus Days	No. of instances	Detention in Bus Days
10 to 30	60	729	70	856	51	583	40	517	41	531
31 to 60	17	653	11	387	4	144	5	207	6	230
61 to 90	1	76	3	210	2	149	1	56	2	121
91 to 120	0	0	0	0	1	87	0	0	0	0
121 and above	1	140	0	0	0	0	0	0	1	175
Total	79	1598	84	1453	58	963	46	780	50	1057

The number of instances and detention of buses (in bus days) has decreased from 79 to 50 (37 *per cent*) and 1598 to 1057 (34 *per cent*) respectively during 2013-14 to 2017-18. However, detention of buses increased by 35.51 *per cent*

14 Number of days a bus operates in a year.
15 As per norms of PRTC (another State STU).

in 2017-18 as compared to the previous year. However, the company has not fixed the minimum inventory level of spare parts at the workshops as a follow up to COPU recommendation**.**

The Company may prescribe time limit for repairing buses at its workshops and also fix minimum inventory level of spare parts to be maintained in the workshops to avoid delay in repair of buses.

4.1.9.8 Preventive maintenance

Preventive maintenance is essential to keep the buses in good running condition and to reduce breakdowns/other mechanical failures. The Company had Tata, Ashok Leyland and Eicher make buses, for which the following schedule of maintenance has been prescribed by the Original Equipment Manufacturers (OEMs) and the Company:

Table 4.12: Table showing schedule of maintenance prescribed by OEMs and the Company

Type of service	Make of Buses	Schedule of maintenance prescribed by OEMs and PUNBUS (in Kms)
A[16] Service	Tata	Every 18000 Kms
	Ashok Leyland BS-I BS-II BS-III BS-IV	Every 18000 Kms Every 36000 Kms Every 80000 Kms Every 80000 Kms
	Eicher	Every 40000 Kms
B[17] Service	Tata	Every 18000 Kms
	Ashok Leyland BS-I BS-II BS-III BS-IV	Every 18000 Kms Every 18000 Kms Every 48000 Kms Every 48000 Kms
	Eicher	Every 80000 Kms

The data in respect of number of preventive maintenance services due (based on maintenance schedule and actual KMs run by the buses) and services actually carried out by all eighteen depots of the Company is tabulated below:

16 A service: In this service, the filters and engine oil etc. is changed.
17 B service: In this service, brake inspection, greasing of ball bearings etc. is done.

Table 4.13: Table showing services actually carried by the Company

Year	Services due		Services actually done	
	No. of A services	No. of B services	No. of A services	No. of B services
2013-14	4353	5557	4172 (95.84)	5338 (96.06)
2014-15	4983	5927	4803 (96.30)	5687 (95.95)
2015-16	4235	5110	4037 (95.32)	4852 (94.95)
2016-17	3681	4538	3508 (95.30)	4294 (94.62)
2017-18	3784	4740	3405 (89.98)	4211 (88.84)

Note: Figures in brackets represent the percentage of services done to the service due.

There was decline in services actually done than services due from 2013-14 to 2017-18. It was noticed that seven out of eighteen depots failed to adhere to scheduled preventive maintenance services. The Management stated that the reasons for decreasing trend of actual services done was mainly due to non availability of buses due to achieving the daily route receipt target, non availability of spare parts and workshop staff**.**

4.1.9.9 Repair and Maintenance

A summarised position of fleet holding of over-aged buses repairs and maintenance expenditure of the Company for the last five years up to 2017-18 is given below:

Table 4.14: Table showing over-aged buses and expenditure on repair and maintenance

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	Total buses (No.)	1212	1242	1258	1281	1255
2.	Over-aged buses	335	437	523	602	656
3.	Percentage of over-age buses (in *per cent)*	28	35	42	47	52
4.	Repair & maintenance expenses (₹ in crore)	21.72	21.63	20.30	25.95	17.41
5.	Repair & maintenance expenses per bus (₹ in lakh) (4 / 1)	1.79	1.74	1.61	2.03	1.39

The above table shows that the repair & maintenance expenses of the Company increased from ₹ 1.79 lakh per bus in 2013-14 to ₹ 2.03 lakh per bus in 2016-17 and the Company was able to check these expenses upto ₹ 1.39 lakh per bus in 2017-18. It was noticed that the reduction in repair & maintenance expenses was attributed to addition of new buses in the fleet of the Company during 2015-16 (249 ordinary buses) and 2016-17 (80 Pendu buses).

4.1.9.10 Payment of special road tax

Special Road Tax (SRT) is levied on stage carriage buses registered in the State. SRT is calculated based on scheduled kilometers to be operated by such vehicles as may be specified by the Government.

The Depot Managers are responsible for notifying scheduled kilometers, which are based on the permits allotted to each Depot. The Company is required to make payment in advance on monthly basis of Special Road Tax (SRT) based on scheduled kilometers. As the Company did not fully operate its scheduled kilometers due to prolonged detention of buses, it had to make avoidable payment of SRT of ₹ 2.64 crore on 125.27 lakh missed kilometers.

The Company needs to increase their effective kilometres to avoid payment of SRT on missed kilometres.

4.1.9.11 Fuel efficiency and targets

Fuel efficiency is defined as the average kilometers run by a vehicle per litre of fuel used.

Fuel efficiency of the hired buses was consistently better than that of its own buses.

Table 4.15: Fuel efficiency of Company's own buses vis-a-vis hired buses

Year	2014-15		2015-16		2016-17		2017-18	
	Own	Hired	Own	Hired	Own	Hired	Own	Hired
Fuel efficiency (in Km/Ltr)	4.33	4.81	4.45	4.71	4.53	4.48	4.64	4.67

The table below indicates fuel efficiency achieved by owned buses of all STUs of Punjab and of other states:

Table 4.16: Table showing fuel efficiency achieved by owned buses of all STUs of Punjab and other states

(In Kilometer per litre)

STU	2013-14	2014-15	2015-16	2016-17	2017-18
PUNBUS	4.32	4.33	4.45	4.53	4.64
Haryana	4.63	4.67	4.66	4.68	4.66
Punjab Roadways	4.43	4.52	4.50	4.54	4.57
PRTC	3.69	3.72	3.75	4.22	4.62
Rajasthan	4.93	5.01	5.00	5.05	5.08
Assam	3.70	3.80	3.79	3.71	3.70

The fuel efficiency of the owned buses of the Company is higher than PRTC and Assam. It was lower than Haryana, Rajasthan and Punjab Roadways (except 2017-18).

The Company buses both over/under achieved fuel consumption norms fixed during 2013-17. The revised fuel consumption norms for 2017-18 were not monitorable as the Company was not maintaining basic data.

The Company fixed (November 2012) depot-wise and segment wise (ordinary, HVAC etc.) norms of fuel mileage for effective kilometers as follows:

Table no. 4.17: Bus-type wise fuel consumption norms fixed for the years 2013-14 to 2016-17

SI. No.	Bus Type	Fuel Mileage Norms (in KMPL)
1.	Ordinary	4.60 to 4.75
2.	HVAC	3.40
3.	Super Integral (Volvo/Benz)	3.25

In the selected depots the following fuel consumption pattern was seen:

Table no. 4.18: Statement showing consumption of diesel at selected depots

Name of Depot	Unfavourable			Favourable		
	No. of Segments[18]	Excess Diesel Consumed (lakh litre)	Amount (₹ in lakh)	No. of Segments	Diesel consumed less than norms (litres)	Amount (₹ in lakh)
Ludhiana	18	5.75	291.94	0	0.00	0.00
Jalandhar I	13	0.84	41.64	9	2.22	114.80
Hoshiarpur	8	3.42	167.37	4	0.44	21.91
Chandigarh	16	3.90	190.40	6	1.43	70.40
Amritsar - I	11	2.47	127.67	5	0.32	17.02
Total	**66**	**16.38**	**819.02**	**24**	**4.41**	**224.13**

Source: Calculations based on the information provided by the Company.

The non-achievement of targets of fuel consumption in 66 segments (ranging between 0.01 kmpl to 0.66 kmpl) resulted in excess use of 16.38 lakh litre high speed diesel (diesel) valuing ₹ 8.19 crore during the period 2013-17 whereas during the same period, in 24 segments the Company could save ₹ 2.24 crore by consuming diesel lower than norms.

In Feb 2017, the Company revised fuel mileage norms specific to bus make (TATA, Ashok Leyland etc.) and route on which the bus was operated (highways, hills etc.) as follows:

Table no. 4.19: Revised Bus-make wise and route wise fuel consumption norms

SI. No.	Bus Make (Segments)	Fuel Mileage Norms (in KMPL)			
		Delhi Route	Other Route	Routes covering less than 100 kilometers	Hilly area routes
1.	Ashok Leyland (New)	5.30	5.10	5.00	3.80
2.	Ashok Leyland (other buses)	5.00	4.80	4.70	3.50
3.	TATA	5.00	4.70	4.60	3.50
4.	HVAC	3.50	3.40	-	-
5.	Super Integral (Volvo)	4.00	3.90	-	-
6.	Super Integral (Benz)	3.50	3.40	-	-
7.	Pendu	7.25			

[18] Segregation of buses into different segments on the basis of make of buses (Eicher, Tata and Ashok Leyland), Type of buses (Ordinary, HVAC and Volvo) and year of purchase of buses.

However, none of the selected depots of the Company was maintaining mileage data of buses as per revised norms. Thus, due to non-maintenance of basic data, Audit could not assess Company's buses mileage performance for the year 2017-18.

The Company needs to collect basic data in prescribed format to monitor fuel consumption as per revised fuel efficiency norms.

4.1.9.12 Comparison of operational parameters and Cost-benefit analysis of owned ordinary buses/ hired buses

The comparative analysis of operational parameters of ordinary buses and buses under Kilometers Scheme was as under:

Table no. 4.20: Comparison of operational parameters between the owned ordinary buses and Hired (KMS) buses of the Company.

Sr. No.	Operational Parameters of Ordinary Buses	2013-14		2014-15		2015-16		2016-17		2017-18	
		Own buses	KMS buses	Own buses	KMS buses	Own buses	KMS buses	Own buses	KMS buses	Own buses	KMS buses
1.	Fleet utilisation (*per cent*)	85.6	NA	89.3	101.4	85.4	91.7	93.2	101.9	97.4	98
2.	Fuel Efficiency (KMPL)	4.5	NA	4.51	4.81	4.64	4.71	4.65	4.48	4.67	4.67
3.	Vehicle Productivity (Kms run per bus per day)	284	NA	285	390	300	396	303	391	323	390
4.	Effective KMs (in lakh)	1096.63	NA	1087.28	107.45	1124.80	158.15	1007.49	145.21	1186.06	156.43

The fleet utilisation of hired buses under KMS was higher than ordinary owned buses during the years 2014-15 to 2017-18 and ranged between 0.60 *per cent* to 12.10 *per cent*. The fuel efficiency of hired buses under KMS was higher than ordinary buses during the years 2014-15 and 2015-16 and reduced during the year 2016-17 whereas it was same during the year 2017-18. The vehicle productivity of hired buses remained higher than ordinary buses and ranged between 20.74 *per cent* to 36.84 *per cent* during the period 2014-15 to 2017-18.

Break-even load factor (BELF) is the minimum percentage of seats to be occupied to recover the operating cost. The Cost-benefit analysis of ordinary buses of the company vis-à-vis the hired (KM Scheme) in terms of BELF is given hereunder:

Table no. 4.21: Comparison of BELF of Company owned Ordinary buses and Hired (KMS) buses.

a) Company owned Ordinary buses

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	No. of buses	1058	1028	1024	1003	1000
2.	Effective Kms (in lakhs)	1096.63	1087.28	1124.80	1007.49	1186.06
3.	Traffic Revenue including free / concessional facilities (₹ in lakhs)	30350.34	27350.73	32549.67	37740.89	41965.43
4.	Traffic Revenue per effective Km (in ₹) (3/2)	27.68	25.16	28.94	37.46	35.38
5.	Total Cost (₹ in lakhs)	29206.98	29886.09	28757.28	29556.38	33542.41
6.	Cost per effective Km (in ₹) (5/2)	26.63	27.49	25.57	29.34	28.28
7.	Net Revenue (₹ in lakhs)	1143.36	-2535.36	3792.39	8184.51	8423.02
8.	Net Revenue per effective Km (in ₹) (7/2)	1.04	-2.33	3.37	8.12	7.10
9.	Fare per Km (in paise)	86.76	88.30	88.73	96.25	104.82
10.	Break-even load factor (in percentage) (6/9*100/52 – no. of seats in a bus)	59	60	55	59	52

b) Hired ordinary buses under KM Scheme

Sl. No.	Particulars	2013-14	2014-15	2015-16	2016-17	2017-18
1.	No. of buses	0	75	109	109	109
2.	Effective Kms (in lakhs)	0.00	107.45	158.15	145.21	156.43
3.	Traffic Revenue including free / concessional facilities (₹ in lakhs)	0.00	3450.39	4757.40	5324.97	5163.45
4.	Traffic Revenue per effective Km (in ₹) (3/2)	NA	32.11	30.08	36.67	33.01
5.	Total Cost (₹ in lakhs)	0.00	2640.53	3470.92	3638.32	3827.73
6.	Cost per effective Km (in ₹) (5/2)	NA	24.57	21.95	25.06	24.47
7.	Net Revenue (₹ in lakhs)	0.00	809.86	1286.48	1686.65	1335.72
8.	Net Revenue per effective Km (in ₹) (7/2)	NA	7.54	8.13	11.62	8.54
9.	Fare per Km (in paise)	86.76	88.30	88.73	96.25	104.82
10.	Break-even load factor (in percentage) (6/9*100/52)	NA	54	48	50	45

Source : Information obtained from Company

The above table shows that during the period under review, the Company brought down the BELF of its ordinary buses from 59 *per cent* in 2013-14 to 52 *per cent* in 2017-18. However, the same was still higher than BELF of hired (KM Scheme) buses which reduced from 54 *per cent* to 45 *per cent* during the period from 2014-15 to 2017-18.

This substantiates that running hired buses were more profitable than the own fleet of the Company.

The company may explore the possibility to adopt this model further by adding more buses on hired (KM scheme) basis and thereby reducing its cost of operations.

Operation staff of buses and workshops

4.1.10.1 Deployment of staff

Punjab Roadways (PR) has its own permanent staff i.e drivers, conductors, workshop and establishment staff for administration, operation and maintenance of its fleet of buses while the Company has no permanent staff. The Company has appointed operation and maintenance staff through manpower service providers and through its own contract and is also utilizing PR staff as per its requirement and vice-versa. The administration of the Company is being managed by the establishment staff of PR at both Headquarters and depots.

As per orders of the Secretary, Transport, Government of Punjab, the staff of Punjab Roadways was to be used by the Company on assignment basis without any additional remuneration or deputation allowance.

A test check of two months period in five selected depots showed that the Company utilised 4337 mandays of operational staff[19] of Punjab Roadways and lent 7242 mandays of its operational staff to Punjab Roadways (PR). Further, the operational staff of PR decreased from 2703 to 1775 whereas operational staff of PUNBUS increased from 2674 to 3368 during 2013-18.

Operational staff of Punjab Roadways is not entitled to any overtime wages as per decision of the State Government (January 2008). The Company however pays overtime allowance to its staff for operating its buses on routes where overtime allowance is admissible, from its own resources. It was seen that at two (Hoshiarpur and Ludhiana) out of the five selected depots, the Company deployed Punjab Roadways staff for operating such bus routes which permit payment of overtime allowance (their duty hours being in excess of eight hours per day). This staff was paid ₹ 1.27 crore (April 2013 to November 2017) by the Company. PR staff was drawing higher pay than that of Company employees. Hence, overtime allowances payable to Punjab Roadways staff is concomitantly higher. Had such routes been operated by the Company by engaging its own staff, there would have been an outgo of only ₹ 0.40 crore as detailed under:

> As per State Government decision PR operational staff was not entitled to overtime allowance. However, the operational staff of Company was entitled to OTA from its own resources. At two depots of the Company PR staff was deployed and was paid ₹ 1.27 crore as OTA. Had the Company deployed its own staff on such routes there would have been outgo of only ₹ 0.40 crore.

[19] Drivers and conductors.

Table no. 4.22: Extra expenditure on operation of overtime routes by deployment of Punjab Roadways staff

(₹ in lakhs)

Year	Expenditure incurred on operation of overtime routes through Punjab Roadways staff	Expenditure to be incurred if the overtime routes were run by Company's staff	Extra expenditure
2013-14	22.98	6.82	16.16
2014-15	29.40	8.92	20.48
2015-16	33.99	10.77	23.22
2016-17	22.09	7.32	14.77
2017-18	18.10	5.92	12.18
Total	**126.56**	**39.75**	**86.81**

Source: Information compiled from the records of the Company.

The Company needs to deploy its own operational staff to avoid payment of overtime at higher rates.

4.1.10.2 Deposit of employees' statutory dues

For the operating staff taken on contract from the service providers, the Company was paying, besides the minimum wages as notified by the Labour Department, Government of Punjab, employers share of EPF and ESI contributions as laid down in Employees Provident Funds Scheme, 1952 and Employee State Insurance Act, 1948 (ESI Act). However, the Company while entering into agreements with service providers for obtaining operational staff passed on the responsibility of depositing these statutory dues to the service providers.

Company paid employer's share of ₹ 4.97 crore of EPF and ESI contribution in respect of the staff posted at the selected depots to the service providers for onward remission to the authorities but did not ensure their deposit with them before release of next month's payments as per terms of agreement. Depot wise payments by the service providers with the EPF and ESI authorities could not be reconciled and depots too expressed their inability to confirm remission of all contributions.

The Company, during October 2013 to March 2018, paid employer's share of ₹ 4.97 crore (EPF: ₹ 3.33 crore and ESI: ₹ 1.64 crore) in respect of the staff posted at the selected depots to the service providers for onward remission to the authorities. The selected depots were to ensure their deposit by the service providers before release of next month's payment as per terms of agreements. However, the service providers deposited consolidated amounts of several depots to the authorities. Depot wise payments therefore could not be reconciled. The Depots also expressed (April 2018) their inability to reconcile and confirm whether all contributions given towards EPF and ESI of contractual staff were duly remitted by the service provider. The Company had not made efforts to resolve this issue.

The Company needs to devise a mechanism to ensure that the service provider is remitting the contributions of EPF and ESI of contractual staff with statutory authorities.

Purchase of fuel and spare parts

4.1.11.1 Purchase of high speed diesel

The Government of India announced (January 2013) deregulation of diesel sales to direct/bulk consumers buying directly from oil companies. These bulk consumers of diesel included defence forces, heavy industry, transport corporations, power generators etc. Upto January 2013, the Company was purchasing high speed diesel (diesel) directly as a bulk consumer from oil companies and dispensing it through pumps located inside its depots.

The Company, on deregulation of diesel sales to bulk users, procured fuel through non competitive process. Purchase department recommended for appointment of suppliers by following competitive route to avail discounts. On eventual appointment of fuel suppliers selected through competitive bidding, Company was able to obtain discount but the delay cost the Company an avoidable extra expenditure of ₹ 1.77 crore during April 2013 to June 2014.

Due to withdrawal (January 2013) of subsidy by Government of India, the price of diesel increased by about ₹ 10 per litre for the Company.

The Company proposed purchase of diesel through retail outlets which was approved (January 2013) by the State Government. The Company selected (January 2013) retail outlets in different cities for purchasing diesel on the basis of non-competitive quotations collected by respective depots. The purchase department, considering the high volume of diesel consumption, recommended (February 2013) invitation of competitive bids and to frame a policy in this regard so that discounts can be availed, in line with the policy followed by another state transport undertaking namely PEPSU Road Transport Corporation (PRTC). However, action for inviting competitive bids for purchase of diesel was taken only in June 2014, i.e. after a delay of 16 months of recommendation by the purchase committee and 18 retail outlets were selected (July/August 2014). These 18 outlets now offered higher discounts ranging between 5 paise to 75 paise per litre. The dealer offered this discount out of its commission received from oil companies which varies with the location of pumps i.e. A[20] site and B[21] site. Had the Company invited competitive bids immediately after recommendation of the Purchase department, it could have avoided extra expenditure of ₹ 1.77 crore in purchase of 3.86 crore litre of diesel during April 2013 to June 2014.

[20] Outlet, where oil marketing companies (OMCs) take land on lease and install the infrastructure.

[21] Outlet, where the land and infrastructure are arranged by dealers and OMCs only provide for underground storage fuel tank, dispensing pumps and signages.

Further, the Company had issued (28 January 2013) standings instructions to the depots to check the quality of diesel being purchased from the retail outlets and report discrepancy, if any, to the Head Office of the Company. However, it was observed that the depots did not take care of the quality of diesel purchased during these 16 months as the data regarding quality of diesel purchased from retail outlets was not prepared and submitted by them to the Head Office of the Company in contravention to the instructions of the Head Office.

The Company should have purchased diesel at competitive rates, to avoid losses.

4.1.11.2 Resoling of tyres

The Company has an in-house tyre resoling plant in Jalandhar. The plant has a rated capacity to resole 28 tyres per day which translates into 43,848 tyres during 2013-18. As against this capacity, the plant resoled 32,104 tyres out of 35461 tyres received during the period. The reasons for not achieving minimum capacity utilisation were stated to be breakdown of machinery, shortage of staff, power cuts and shortage of raw material. Due to non-availability of adequate resoled tyres, the Company had to use more new tyres for its buses worth ₹ 0.33 crore[22].

The Company needs to utilize the plant capacity at optimum level to make available the resoled tyres for the buses.

Financial Management

4.1.12.1 Claims of concessional free journey of students

The claims of concessional fee journey of students were not raised to the State Government as per its policy.

On the orders of the State Government, the Company provides free travel facility to the school students of up to 10th standard for travelling to and from their schools within a distance of five miles from their residence. The claims of reimbursement for this free travel facility, provided by the Company, are raised on the State Government on the basis of three *per cent* of the total student population of the State.

It was seen that:

- The claims were raised by calculating the distance travelled per child as 10 kilometers instead of the prescribed 10 miles (equivalent to 16.09 kilometers) during 2013-16. At the instance of Audit, this was partially

[22] Calculated on the basis of price difference of new tyres and cost of resoling used tyres. Price of new tyres has been proportionately reduced on the basis of average kilometers covered by resoled tyres.

rectified and the reimbursement claims of distance travelled per child for the year 2016-17 were raised for 16 kilometer (instead of 16.09 kilometers).

- The data available from U-DISE (Unified District Information System for Education)[23], should have been the basis for determining the eligible student population of the state for raising claims on Government for free travel extended to students. The Company however raised its claims on the basis of data obtained from State Education Department which was at variance with data obtained from U-DISE. The matter of variance in data of students was taken up with Director General School Education (DGSE), Punjab. The Deputy Manager, DGSE, Punjab in its reply stated (October 2018) that the reason for variance in data of students was because in one year data was provided as per enrolments in all Government recognized schools and in other three years it was as per enrolments in Government schools only.

Table no. 4.23: Statement showing number of students as reported by the education department, Punjab vis-à-vis number of students as per U-DISE

Year	Number of students reported by State Education Department for raising the claim	Number of students as per U-DISE	Difference
2013-14	26,19,810	48,58,760	22,38,950
2014-15	25,46,228	48,00,654	22,54,426
2015-16	45,65,983	46,11,276	45,293
2016-17	23,09,633	46,14,940	23,05,307

As a result of difference in number of students and distance travelled, the Company short claimed ₹ 44.36 crore ***(Annexure 13)*** from GoP during 2013-17. The Company informed that they have taken up (October 2018) the issue with State Government for claiming the differential amount.

The Company needs to recover the claims of re-imbursement of free travel facility for the year 2013-14 to 2016-17 at the earliest and also needs to reconcile the data of students from U-DISE before raising claim to State Government.

4.1.12.2 Non utilisation of Central Assistance

COPU had recommended (March 2014) introduction of an integrated depot management system in the Company to bring efficiency in operations and monitoring. The GoI sanctioned (March 2015) Central Assistance of ₹ 12.96[24] crore to the Company as its share for implementation of integrated depot management system[25] (IDMS), real time passenger information system

[23] A programme devised by National Institute of Educational Planning and Administration for education planning in the country. It is the primary information source for educational planning and assessing the progress under the education sector in India which *inter alia* collects information on enrolment of students, availability of infrastructure and teachers and other facilities available in all schools in the country.

[24] ₹ 10.63 crore for IDMS, ₹ 1.70 crore for RTPIS and ₹ 0.63 crore for ETM.

[25] IDMS envisaged computerization of information in respect of all the depots which includes: Ticketing Management System, Bus Stand Management System, Route and Crew scheduling system, Store and Purchase Management System, Tyre Management System, Accounting Management System, Concessional Travel Management System etc.

The Company made delay in implementation of IDMS and RTPIS projects sanctioned under central assistance for monitoring, operations and improving efficiency.

(RTPIS) and procurement of electronic ticket machines (ETM). The total project cost was ₹ 25.92 crore to be funded by the GOI and State Government on 50:50 sharing basis, to be completed within a period of one year from date of sanction (i.e. by March 2016). The first instalment of assistance of ₹ 6.48 crore was released in March 2015.

A Consultant for preparation of Request for Proposal (RFP) was appointed (September 2015). Since the work could not be completed on time, the Company requested (July 2016) the GoI for extension which was allowed upto March 2019 (IDMS).

However, tenders invited (August 2017) was cancelled since the lowest bid (L1) was higher than GoI sanctioned amount. After cancellation of previous tender by the Government, fresh tenders were again invited (January 2019) and L-1 firm M/s. 3i InfoTech Limited was selected for implementation of this project and the signing of the agreement is under process (June 2019).

The RTPIS envisaged introduction of geo positioning system (GPS) devices initially in 315 Company owned buses for monitoring speed, parking, route deviations, etc. The Company received the grant for implementation of RTPIS for 315 buses on 31 March 2015. The tender was initially floated on 04 August 2015 then extended up to 09 October 2015 but could not be finalised as only one bidder participated in the bidding process. The matter was forwarded to the 88th BOD meeting dated 02 November 2015 for consideration which decided that RTPIS was to be extended to the entire fleet of the Company. The request to extend the grant for implementation of RTPIS from 315 buses to 1400 buses was made to the GoI on 01 July 2016. The GoI allowed (09 May 2017) the extension of timeline of the project to March 2018 and increased the scope of RTPIS from 315 buses to 1400 buses at the cost of ₹ two crore. A tender was floated (07 March 2018) for implementation of RTPIS after approval of RFP (01 February 2018) and the financial bids were opened on 01 June 2018. However, the tender was not awarded since Punjab Government decided (02 June 2018) that the RTPIS should be implemented in PRTC and Punjab Roadways under the new transport policy which envisaged installation of GPS and radio frequency identification tag in all stage carriages in the State to enable monitoring of their movement. Accordingly, a new tender was floated (January 2019) for implementation of GPS/ RTPIS in buses of PUNBUS, PR and PRTC. M/s. Eon Infotech Limited, Mohali was L-1 firm and the signing of the agreement is under process (June 2019). The GoI has earlier extended the timeline of the project upto 31 March 2019. However, the Company took up (April 2019) extension of timelines of the projects components RTPIS and IDMS upto December 2019 and December 2020 respectively.

Out of ₹ 6.48 crore central funds, only an amount of ₹ 1.01 crore was spent (upto June 2019) on procurement of 1500 ETMs and for IDMS project**.** The delay in implementation led to the Company being rendered ineligible for receiving further Central Assistance from GoI under another scheme[26]. Thus, benefits envisaged from implementation of these monitoring tools were yet to be achieved.

The Company needs to expedite the implementation of projects so that benefits envisaged from the monitoring tools could be achieved.

4.1.12.3 Online Global Positioning System

The Company entered (February 2011) into an agreement with M/s Eon Infotech Limited (Contractor) for initially providing Online Global Positioning System (GPS) in 130 HVAC buses to be extended to more buses at same terms and conditions for a period of five years. The total project cost during the tenure of the contract was ₹ 96.51 lakh (GPS devices: ₹ 20.15 lakh, Passenger Information System (PIS) at 10 bus stops: ₹ 4.49 lakh, PIS inside 10 buses: ₹ 4.02 lakh and other recurring charges: ₹ 67.85 lakh). The scope of work included design, manufacture, supply, installation and commissioning of 130 nos. GPS devices and 10 nos. PIS on the bus stands and 10 nos. inside buses. The GPS system was to monitor buses, driver behavior, late/early departure of buses, accidents and breakdown etc. The PIS were to be installed at bus stands to display arrival and departure time of buses. The devices have been installed in 2011. The contractor was to ensure a minimum uptime of 98 *per cent* of GPS devices failing which the contract provided for imposition of penalty. A monitoring report of the uptime of the devices was to be generated at monthly intervals to ensure correct payments. But it was observed that such reports were not being generated for each device and payments were made on the basis of a consolidated report. The uptime as per the consolidation reports was less than 98 *per cent*. However, the Company did not levy penalty as per terms of the contract.

Test check of consolidated uptime reports generated from the portal showed that these were at variance with those generated by the Company at the time of making payments. The Company thus was making payments to the contractor without ensuring robustness of the system. The deficiencies were indicative of the fact that the data from the system was not reliable.

At the instance of Audit, Management recovered (August 2018) penalty of ₹ 1.64 lakh from the contractor for overall working status of GPS devices being less than 98 *per cent* during August 2014 to December 2016.

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[26] The new scheme was for strengthening intelligent transportation system (ITS) in Public Transport System. The scheme envisaged assistance for introduction of latest technologies such as GPS/GSM based vehicle tracking system, computerised reservation system/ticketing system, inter-modal fare integration, passenger information system etc for services covering inter-city and mofussil areas and also included financial assistance for preparation of total mobility plan for the entire State.

4.1.12.4 Online booking software

To enable online booking of tickets on buses of the Company and PR, the Company entered (February 2014) into an agreement with M/s Mantis Technology Private Limited (Operator) for online booking of tickets for Volvo/Benz buses. The Company admitted that the application software developed by the operator was not tested by the Company before its implementation (March 2014) in which the following weaknesses were noticed by Audit:

There was no provision in the software to ensure refund to the passengers in case of cancellation of tickets.

The Operator was required to deposit in advance an amount of ₹ five lakh with the Company as recharge amount and the amount was to be entered in the application. The fare of the tickets booked through the application, on being was credited to the bank account of the operator was to be automatically deducted from the recharge amount in the application. Once the balance of recharge amount in the software fell below ₹ one lakh, the booking was to stop. Bookings were to commence only after recharge amount was recouped to ₹ five lakh by the Operator. This feature was designed to protect financial interest of the Company and ensure regular cash flow.

However, it was observed that the application allowed bookings even when the balance of recharges amount was negative. Non deposit of recharge amount in advance as per the agreement impacted the cash flows of the Company and the deficit was owed by the Operator to the Company.

At the instance of Audit, the Management recovered (August 2018) a penalty of ₹ five lakh from the contractor on account of default by the operator in depositing advance booking amount. The operator was instructed to make necessary changes in the existing software.

4.1.12.5 Electronic ticketing machines

The Company purchased (June/October 2015)1500 electronic ticketing machines (ETMs) at a cost of ₹ 0.70 crore with 50 *per cent* share from Central Assistance Fund. Out of these 54 and 20 ETMs costing ₹ 5.92 lakh were lost and damaged respectively. Departmental inquiry conducted against the responsible staff was completed in 15 lost and one damaged ETM cases. The Company stated (August 2018) that the cost of lost/ damaged ETMs along with revenue of sold tickets of ₹ 8.93 lakh was recovered from the concerned staff and services of three conductors were terminated against lost ETMs. In remaining 39 cases of lost ETMs and 19 damaged ETMs, inquiry was yet to be initiated (March 2018). There were four other cases of embezzlement and theft of ETMs, of which vigilance inquiry was initiated only in two cases.

4.1.12.6 Transfer of buses to Punjab Roadways

The State Government agreed (January/ December 2015) to the Punjab Roadways proposal to transfer 305 loan free/over-aged ordinary buses of the Company to Punjab Roadways at their book value. The Company transferred 275 buses during 2015-16 at the book value of ₹ 0.49 crore. The Punjab Roadways, in an auction during 2015-16 sold these condemned buses at ₹ 1.40 lakh per bus. Had the Company itself sold these 275 old buses as scrap, then ₹ 3.84 crore could have been realised. Further, remaining 30 old buses having scrap value of ₹ 0.42 crore were also subsequently transferred but no claim for even book value was raised to Punjab Roadways. Thus, the financial interest of the Company was not taken care of and the Company suffered a loss of ₹ 3.77 crore in this transaction.

4.1.12.7 Non maintenance of Motor Transport Reserve fund

Insurance of all vehicles against third party risk is mandatory as per the Motor Vehicle Act (MV Act), 1988. However, the State Government has power to exempt Company vehicles from insurance, provided the Company establishes and maintains a fund for meeting liabilities arising out of the use of its vehicles towards third party. As per the Central Motor Vehicles Rules 1989, (MVR) the amount at the credit of the fund was required to be kept in a dedicated bank account and invested in government securities.

The Company established the Motor Transport Reserve Fund (Fund) and was contributing at the rate of ₹ 0.20 per kilometer (upto 2012-13) and ₹0.40 per kilometer from 2013-14 onwards as fixed by BoDs and was to utilize the same for making payment of claims awarded by Motor Accident Claims Tribunal (MACT) etc. The excess amount of liability for MACT claims, if any, was to be met out of Company's revenue after approval of the Board of Directors (BoDs) of the Company.

Table 4.24: MTRF funds position during 2013-17

(₹ in lakh)

Year	2013-14	2014-15	2015-16	2016-17	Total
Opening Balance	40.61	110.83	-	-	40.61
Add: Amount Transferred[27] to MTRF at the end of the year	491.13	524.85	442.65	594.75	2053.38
Claims (Motor Accident Claims Tribunal) paid during the Year (including interest for late payment)	420.92	829.40	925.93	594.75	2771.00
Closing Balance	110.83	-	-	-	-
Shortage of MTRF met out of revenues	-	193.72	483.29	-	677.01
Effective kilometers (in lakhs)	1262.55	1348.33	1408.74	1246.22	-
Amount to be contributed to MTRF @ 40 paise per kilometer	505.02	539.33	563.50	498.49	-
(Short) / Excess contribution to MTRF	(13.89)	(14.48)	(120.85)	96.26	-

Source: Information provided by the Company.

[27] A book entry regarding transfer to MTRF (which did not tally the prescribed rates i.e ₹ 0.20 and ₹ 0.40 per kilometer) was passed in the books at the end of each financial year.

The contribution of the Company to the Fund was inadequate to meet claims awarded. As against the available balance of ₹ 20.93 crore (₹ 0.41 crore + ₹ 20.53 crore) during 2013-17, the Company made payments of ₹ 27.71 crore. The outstanding claims on account of MACT was ₹ 1.31 crore (31 March 2017).

The Company had not deposited the amount of MTRF in a bank or invested in any government security. The Company during 2013-18 made payments of 260 claims with delay ranging between 6 to 1242 days (calculated after allowing a period of 45 days for administrative processing) resulting in avoidable interest payment of ₹ 0.76 crore[28] in respect 16 depots. The Company made payments from its revenues in excess of amount available in Fund, without the approval of the BoDs, which was a violation of its Accounting Manual.

The Management during Exit Conference (August 2018) assured that proceeds of the Fund would henceforth be deposited into a dedicated account and that amount of contribution to the Fund would be raised.

Operation and maintenance of bus stands

4.1.13.1 Delay in outsourcing operation and maintenance of bus stands

There are total 20 bus stands (operated by private agencies and by Company) under the Company. The revenue sources from the operations of the bus stands are - income from adda fees[29], revenue from the lease of shops, annual lease of parking areas and advertisement rights. Audit checked five bus stands under the jurisdiction of five selected Depots and noticed the following:

a) After the conclusion of the concession of agreement (January 2016) for the development of Ludhiana bus terminal on Build, Operate and Transfer (BOT). the Company awarded (January 2016) the operation & maintenance (O&M) outsourcing contract of this bus stand to M/s NSP & Company (Operator) at annual contract fee of ₹ 4.70 crore plus service tax payable on quarterly basis for five years. The Operator submitted (January 2016) two Bank Guarantees (BGs) of ₹ 1.20 crore and ₹ 0.30 crore as Performance Security. On verification (January 2016) of the authenticity of these BGs, the bank confirmed (January 2016) that the BG of ₹ 1.20 crore was forged. The Company issued (February 2016) a Notice of Termination of contract to the Operator due to submission of fake BG. However, the Company did not cancel the contract immediately and took eight months to cancel (October 2016) the contract. The Company took

> Delays in cancellation of contracts of operation and maintenance of bus stands at Ludhiana and Tarn taran and their reward led the Company to loss of potential revenue of ₹ 3.79 crore.

28 Interest is payable as per orders passed by MACT from the date of stacking claims by the claimant and the date of actual payment. Here interest has been worked out after allowing 45 days from the date of award.

29 Fee charged from buses carrying passengers is fixed by Deputy Magistrate/ Sub-Divisional Magistrate of the concerned district/tehsil.

24 months[30] to re-tender (March 2018) the O&M of Ludhiana Bus Stand to another party. During April 2016 to March 2018, the O&M of the bus stand was managed in-house by the Company.

Against the potential revenue (from shop rent, parking fee, adda fee and advertisements) of ₹ 8.23 crore from O&M outsourcing, the Company could generate revenue of ₹ 4.61 crore during the period from April 2016 to December 2017. Thus, delay in re-awarding of O&M contract resulted in loss of potential revenue of ₹ 3.62 crore. Further, 15 shops were not let out for periods ranging between 13 to 26 months which could have reduced this loss by ₹ 0.41 crore. Also, no efforts were made by the Company to generate revenues from advertisements.

b) Similarly, on verification (October 2016) of the authenticity of the two BGs of ₹ 8.00 lakh and ₹ 2.00 lakh submitted (August 2015) by the O&M operator of Taran Taran bus stand, the bank intimated (October 2016) that the BGs were forged and the Company terminated (December 2016) the agreement. The contract was re-awarded to another party in August 2017. During the period January 2017 to August 2017, the O&M of the bus stand was managed in-house by the Company. Against the potential revenue generation of ₹ 21.01 lakh through outsourcing, the Company could earn revenue of ₹ 4.51 lakh only and suffered a loss of potential revenue of ₹ 16.50 lakh.

The Management admitted (August 2018) the lapse for delay in cancellation and retendering of management contracts of Ludhiana and Tarn-Taran bus stands.

4.1.13.2 Property tax and recovery of contract fee

The Company entered (July 2015) into O&M outsourcing agreement in respect of its Hoshiarpur bus stand for a period of five years:

a) The agreement provided that property tax in respect of the bus stand was to be borne by the operator. The operator submitted a bank guarantee of ₹ 39.39 lakh as per the terms. The operator had not deposited Property Tax of ₹ 28.02 lakh pertaining to period 2015-18 and non-payment of the same would attract interest and penalty. Although the Company directed (March 2018) the operator to deposit the same, this was not complied with. However, no action was taken by the Company to invoke the bank guarantee.

b) The annual earnings of the contract was ₹ 1.58 crore + Service Tax for a period of five years which was to be deposited by the Operator in four equated quarterly instalments. In the event of delay in payment upto 30 days, the Operator was liable to pay interest at the rate of 18 *per cent* per annum for unpaid instalment and for delay beyond 30 days, operator was also liable to pay penalty of ₹ 0.50 lakh per quarterly payment. The Operator made the payments after a delay ranging between three to 109 days. However, the Company did not raise claim of ₹ 10.95 lakh (Interest: ₹ 7.95 lakh and penalty: ₹ 3.00 lakh).

[30] April 2016 to March 2018, after allowing three months (January 2016 March 2016) period for re-tendering.

The issue was not observed in other four test checked bus depots.

The Management admitted (August 2018) the lapse and stated that default notice for delayed receipt of contract fee and non-payment of property tax had been issued (August 2018) to the operator.

4.1.13.3 Letting out of shops

After the conclusion (January 2015) of Build, Operate and Transfer (BOT) period (Paragraph 3.7 of Report of C&AG of India for the year ended 31 March 2015), the concessionaire[31] of Jalandhar-1 bus depot did not give back possession of 39 shops and the matter was under litigation. On hearing (March 2017) of the litigation, the Sub-Divisional Magistrate suggested increase in the rent of the shops by 30 *per cent*. Though, the occupants agreed to the suggested rent hike, yet no decision was taken by the Company upto March 2018, which led to less receipt of potential revenue of ₹ 27.23 lakh from April 2017 to March 2018. Further, 16 shops under clear possession of the Company were not let out for a period ranging between 13 to 38 months up to March 2018 due to which the Company lost the opportunity to earn rental income of ₹ 0.93 crore[32].

The Management stated (August 2018) that rent of 39 shops was not increased since the shop area was under litigation and that the company after consideration of the matter decided to let out the bus stand as one unit on "as is where is" basis. They added that they did not let out the shops which were under their possession as they were already facing litigation from the existing tenants. The reply is not acceptable as Management did not explore the possibility of letting out the shops which were in their possession thereby loosing potential revenue.

4.1.13.4 Non-tariff revenue

The Company entered (November 2014) into an agreement with M/s Jegson Publicity (agency) for advertisement on buses (ordinary and HVAC) for a period of three years. Audit observed that:

- 249 new ordinary buses purchased during 2015-16 and received in Depots of the Company from June 2015 to January 2016 were not offered to the Agency for advertisement on the rear space of the buses due to which the Company lost an opportunity to earn revenue of ₹ 31.17 lakh.

- As per the agreement for operation of buses under KM Scheme (hired buses), the Company had the right to display advertisement on the interior and exterior of buses. However, 112 KM scheme buses were not offered for advertisement, due to which the Company lost the opportunity to earn revenue of ₹ 38.95 lakh during the period from November 2014 to November 2017.

- The Department of Public Relation (DPR) of the State Government requested (June 2016) the Company to provide buses to highlight the achievements of State Government for a period of six months. The Company provided 203 buses from August 2016 to January 2017 to DPR for

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[31] Paragraph 3.7 of Report of C&AG of India for the year ended 31 March 2015.

[32] Worked out taking reserve price as the basis for fixing monthly rent and number of months for which they were not let out.

advertisement. The payment of ₹ 56.53 lakh against the claim raised on DPR was still pending (March 2018).

- As per the terms and conditions of the tender for advertisement, the successful bidder was to furnish Bank Guarantee equal to six months revenue valid for 40 months. However, the advertisement agency furnished (November 2014) bank guarantee valid only for 12 months only which was also not renewed thereafter.

The Management stated (August 2018) that BOD of the Company decided in August 2014 that advertisement on the side of new and KM scheme buses affected the looks of the buses so they decided not to display on their buses. They also stated that the recovery of ₹ 37.68 lakh was made from DPR for the period August 2016 to November 2016. The Company further stated that a show cause notice had been issued to the advertising agency for non-submission of required bank guarantee covering the entire period of contract.

Reply is not acceptable as the Company had subsequently decided in November 2014 to display advertisements on all buses. This decision was reiterated in the meeting of BoD in July 2015 wherein it was decided that advertisement will be displayed on the rear space of new buses. Hence, the new buses which were procured during 2015-16 should also have been offered for advertisement.

The Company should utilise the services of the advertising agency as per the contract agreement.

Other issues

4.1.14.1 Disposal of HVAC buses

The Government of Punjab by their notification (November 2007), in exercise of powers vested in it by Punjab Motor Vehicle Rules 1989 laid down the specifications of Heating, Ventilation Air conditioned (HVAC) buses. In a meeting (17 September 2008), it was brought to the notice of the government that the buses available in the market do not match with the specifications notified by the GoP and in case the specifications of the GoP are to be matched then the rates will be increased substantially along with effect on the delivery schedule. Keeping in view the low fare of these buses and to make them economically viable, it was decided that these buses should be purchased with the specification of buses available in the market. The Company purchased 135 HVAC buses at the cost of ₹ 37.74 crore during 2008-13. After 2013, there was no further purchase of HVAC buses.

Table below indicates the operational performance of these buses:

Table no. 4.25: Operational performance of HVAC bus fleet during 2013-17

(Figures: in numbers and value in ₹)

Particulars	2013-14	2014-15	2015-16	2016-17
No. of buses	135	122	102	47
Scheduled kilometres (in lakh)	156.69	139.55	108.78	50.80
Effective kilometres (in lakh)	131.20	121.14	83.89	20.74
Missed kilometres (in lakh)	25.49	18.39	24.89	30.06
Percentage of missed kilometres to scheduled kilometres	16.27	13.19	22.88	59.17
Average vehicle productivity (kms per day)	266	272	225	121
Receipt (₹ in crore)	40.16	37.64	26.73	8.23
Expenditure (₹ in crore)	42.51	40.58	27.29	11.57
Profit (+) /Loss (-) (₹ in crore)	(-) 2.35	(-) 2.94	(-) 0.56	(-) 3.34
Total Profit (+) /Loss (-) (₹ in crore)				(-) 9.19

Source: Information provided by the Company.

The Company added 135 buses during 2008-13. After 2013, there was no addition of HVAC buses. The Company condemned 88 HVAC buses during 2013-17. The fuel efficiency (kmpl) of HVAC buses was showing a downward trend (2013-14: 3.40 kmpl, 2014-15: 3.38 kmpl, 2015-16: 3.35 kmpl, 2016-17: 3.34 kmpl). The other important parameter of operational performance of buses is as under:

Table no. 4.26: Statement showing comparison of missed kilometers and vehicle productivity of HVAC buses with Ordinary buses and overall fleet of the Company during 2013-17

Year	2013-14	2014-15	2015-16	2016-17	Increase/Decrease during 2013-14 to 2016-17 (in *per cent*)
Percentage of Missed Kilometers to Scheduled kilometers allotted					
HVAC	16.27	13.19	22.88	59.17	263.67
Ordinary	12.18	7.87	4.21	6.12	(-) 49.75
Company	12.36	7.50	5.33	7.04	(-) 43.04
Vehicle Productivity (Kms/bus/day)					
HVAC	266	272	225	121	(-) 54.51
Ordinary	284	285	300	303	6.69
Company	285	297	306	284	(-) 0.35

The percentage of missed kilometres to scheduled kilometres of HVAC buses was increased by 263.67 *per cent* whereas the same was decreased by 49.75 *per cent* and 43.04 *per cent* for ordinary buses and overall fleet of the company respectively. Further, the vehicle productivity of HVAC buses was decreased by 54.51 *per cent* whereas the same was increased by 6.69 *per cent* and decreased by 0.35 *per cent* for ordinary buses and overall fleet of the company respectively. This indicates that HVAC buses were not operating due to high detentions.

In the selected depots, 50 HVAC buses[33] which had outlived their life and had been declared condemned, were inoperative for period ranging between 8 to 42 months and were lying unsold. The Company had a total of 105 condemned buses as on February 2018. After being pointed out by Audit (February to May 2018), out of total 105 HVAC buses declared condemned, 86 HVAC buses were put to auction (April to May 2018). Of these 86 buses, 72 buses were sold for ₹ 1.54 crore. The remaining 33 buses were not sold due to their not fetching the minimum reserve price (15 buses) fixed by the company, vigilance cases (four buses) and court cases (14 buses).

The Company must ensure timely disposal of condemned buses to earn other revenue.

4.1.14.2 Plying of unauthorized buses in the State

During test check of records regarding plying of unauthorized buses in the State, audit noticed:

- 44 incidents of plying of buses without permit, 18 incidents of plying of buses without paying Motor Vehicle Tax and nine incidents of plying of buses without timetable, in the records of Regional Transport Authority, S.A.S. Nagar (Mohali), for the year 2017-18 which indicates that there are incidents of plying of buses without having valid permit;
- It was noticed that Director State Transport (DST) lodged complaint (April 2015) of unauthorised plying of 11 to 31 buses by the private bus operators (Libra Bus Company, Piar Bus Company, Baba Budha Bus Company, Parowal Bus and Taj Bus) at Amritsar. Similar exercise was done by the Company's staff at Amritsar Bus Stand during March 2016, August 2017, January 2018, May 2018 and June 2018 and noticed that the unauthorized buses of same private players were plying. In this regard, DST lodged complaints with the District Transport Officer/ Regional Transport Authority, Amritsar (DTO/RTA) and State Transport Commissioner, Government of Punjab. The Management stated (July 2019) that they have not received any communication from the office of DTO/RTA regarding action taken by them. The matter of unauthorized plying of buses at Amritsar was taken up (July 2019) by Audit with the Regional Transport Authority, Amritsar and its reply is awaited.

4.1.14.3 Passenger Fare Policy

Section 67 of the Motor Vehicles Act, 1988 provides that the State Government may, from time to time, by notification in the official gazette issue directions, *inter-alia*, fixing maximum and minimum fares of stage carriage. While conducting performance audit (Audit Report (Commercial) 2009) of the State Transport Undertakings, Audit pointed that the fare policy of the State Government had no scientific basis as it does not consider element of cost like manpower, spares, road taxes, cost of chassis, body building etc.

[33] Chandigarh: 16 buses, Hoshiarpur: 14 buses, Jalandhar-1:10 buses and Ludhiana: 10 buses. There was no case in Amritsar.

Accordingly, Government of Punjab notified (August 2013) formula for fixation of rate of fare and freights for stage carriages in the State. As per the formula, the fare will increase automatically by 3 *per cent* every year on Ist of April to cover the increase in price of bus chassis/spare parts/wear and tear/salary of employees. In addition to this, the fare will also increase/decrease by 0.40 *per cent* on quarterly basis for every percentage point increase/decrease in the price of diesel to cover the extra burden borne by the bus operator due to increase in price of diesel as well as increase in the rate of Motor Vehicle tax. The instructions are being followed.

4.1.14.4 Survey on Passenger satisfaction

We conducted (May 2019) a survey of 285 passengers in five selected depots of the company to elicit their opinion on the conditions of buses, sitting arrangements in the buses, frequency of buses, overcrowding in buses, break-downs during journey and basic amenities for the passengers. In response to the survey, we found that 86 *per cent* passengers were broadly satisfied, however, 25 *per cent* passengers found the condition of the buses as unsatisfactory, 26 *per cent* passengers suggested increase in frequency of trips, 60 *per cent* passengers opined that buses were overcrowded, 15 *per cent* passengers suffered breakdowns of buses during journey and 22 *per cent* passengers were not satisfied with the basic amenities at the bus stations. 15 *per cent* passengers desired more reliability and punctuality in services.

Internal Control and Internal Audit

4.1.15.1 Internal control mechanism

Internal control mechanisms are processes which provide reasonable assurance of economical, efficient and effective operations and ensure adequate safeguards for Company's resources.

The Company has entrusted the work of internal audit to firms of Chartered Accountants. Review of the internal audit procedure revealed the following deficiency:

- Depot wise targets for fleet utilisation, detention of buses, vehicle and manpower productivity were not fixed, in the absence of which, their performance could not be evaluated by the BoDs.
- Monthly operational statistics were not submitted to the BODs to identify the areas of weakness and for taking remedial action.
- The data regarding quality of diesel purchased from retail outlets was not prepared and submitted by the depots to the Head Office of the Company in contravention to the instructions (January 2013) of the Head Office.
- The Company has not finalised (October 2018) its financial statements from the year 2013-14 onwards.
- As per section 177 of Companies Act, 2013, four meetings of Audit Committee in a year were to be held. The Company held only nine meetings against 16 meetings required to be held during the period

2013-17. Audit Committee was dissolved on 29.09.2017 and was pending for reconstitution (October 2018).

4.1.15.2 Internal audit system

The internal Audit is a managerial control for evaluating the prevailing system, procedures and operations of the Company and for ensuring that the internal controls established by the company were adequate and effective. The audit of operational and financial matters was entrusted by the Company to a firm of Chartered Accountants who in their Reports reported:

- Excess holding of cash balance by the Depots.
- Idle bank balances in operation and collection accounts by the Depot.
- Depot incurred excess bank charges.
- Avoidable expenditure on overtime.
- TDS and Service tax etc.

The deficiencies pointed out in the internal audit reports were not submitted to the BoDs and corrective measures were yet to be taken by the Company. Management stated (August 2018) that internal audit is a matter under Audit committee. The independent directors of the Company who were members of the Audit Committee were removed (September 2017) by the Government and the Committee dissolved. It was further stated that the Committee would be reconstituted and the internal audit reports for 2016-17 laid before it.

Conclusion:

The Company had to forego contribution due to missing of scheduled kilometers and prolonged periods of detention of buses. The Company failed to achieve fuel mileage targets in some segments and was not maintaining data as per revised fuel mileage norms fixed by it. The Operation and maintenance of the bus stands was weak resulting in loss of revenue. The Company incurred excess expenditure on account of overtime allowances given to operational staff of Punjab Roadways. The Company also raised incorrect claims on account of concessional passes to students. It failed to tap non traffic streams of revenue generation to augment its resources.

Recommendations:

The Government and Company may consider:

- Fixing norms regarding maintenance of inventory of spare parts so as to reduce detention of buses and consequent loss of bus days on account of repairs.
- Expediting replacement of overaged buses through timely procurement;
- Finalisation and allotment of O&M contracts of bus stands to private operators without delay.

- Deploying its own staff for running buses on overtime routes instead of hiring Punjab Roadways staff.
- Timely invocation of bank guarantees of defaulting private service providers/ contractors for protecting the financial interest of the Company.
- Maintaining fuel mileage data as per the latest norms fixed.
- Making efforts to reconcile and confirm the statutory payments deposited by the service providers with EPF and ESI authorities.
- Ensuring time-bound completion of Integrated Depot Management System and Real Time Passenger Information System.; and
- Explore avenues for generation of revenue from non-traffic streams.

The matter was referred to the Government (July 2018); their replies were awaited (June 2019).