

EXECUTIVE SUMMARY

Substantial increase in tax collection	In 2011-12, the collection of taxes from motor vehicles increased by 62.17 <i>per cent</i> over the previous year which was due to increase in registration of vehicles, increase in the enforcement activities and arrear collection.
Internal audit not conducted	Audit of Motor Vehicles Department has never been conducted by the Examiner of Local Accounts. This resultantly had its impact in terms of the weak internal controls in the Department leading to substantial leakage of revenue. It also led to the lapses on the part of the Department remaining undetected till we conducted our audit.
Very low recovery by the Department on observations pointed out by us in 2011-12	During the period 2007-08 to 2011-12, we have pointed out non/short realisation of tax, fees, fines with revenue impact of ₹ 1048.47 crore in 28 cases. Of these, the Department/Government accepted audit observations in seven cases involving ₹ 528.05 crore but failed to make any recovery.
Result of audit conducted by us in 2011-12	In 2011-12, we test checked the record of five units relating to taxes on motor vehicles and found non/short realisation/levy of tax, fee, fines <i>etc.</i> involving ₹ 189.95 crore in 29 cases. The Department accepted non/short realisation/levy of tax and other deficiencies of ₹ 1.10 crore in seven cases. No recovery was intimated.
What we have highlighted in this Chapter	In this Chapter, we present illustrative cases of ₹ 120.19 crore selected from observations noticed during our test check of records relating to assessment and collection of motor vehicle tax in the office of the Commissioner of Transport, State Transport Authority and District

Transport Offices were we found that the provisions of the Act/Rules were not observed.

It is a matter of concern that similar omissions have been pointed out by us repeatedly in the Audit Reports for the past several years, but the Department has not taken corrective action despite switching over to an IT-enabled system in all the District Transport offices. We are also concerned that though these omissions were apparent from the records which were made available to us, the District Transport Officers were unable to detect these mistakes.

Our conclusion

The Department needs to improve the internal control system including strengthening of internal audit so that weakness of the system are addressed and omissions of the nature detected by us are avoided in future.

It also needs to initiate immediate action to recover the non-realisation of tax, fees penalties *etc.* pointed out by us, more so in those cases where it has accepted our contention.

CHAPTER-IV: MOTOR VEHICLE RECEIPTS

4.1 Tax administration

The Secretary, Transport Department is the head of the Department at the Government level. At the Department level, the Commissioner of Transport (CT) is the administrative in-charge and is responsible for overseeing the functioning of various wings of the Department. The Deputy Commissioner of Transport, who is also the ex-officio secretary, State Transport Authority (STA), assists him. At the district level, the District Transport Officer (DTO), who is also the secretary, Regional Transport Authority (RTA) is responsible for collection of receipts under the provisions of the various acts and rules. The administration of the Department and collection of receipts are regulated by the Motor Vehicles (MV) Act, 1988 and the Assam Motor Vehicles Taxation (AMVT) Act, 1936 (as adopted by the Government of Meghalaya) and various rules made thereunder. In addition, the Department has an Enforcement Branch (EB) headed by a DTO, for enforcement of the rules in force.

4.2 Trend of receipts

Actual receipts of the Transport Department during the years 2007-08 to 2011-12 along with the total tax receipts during the same period is exhibited in the following table and graph.

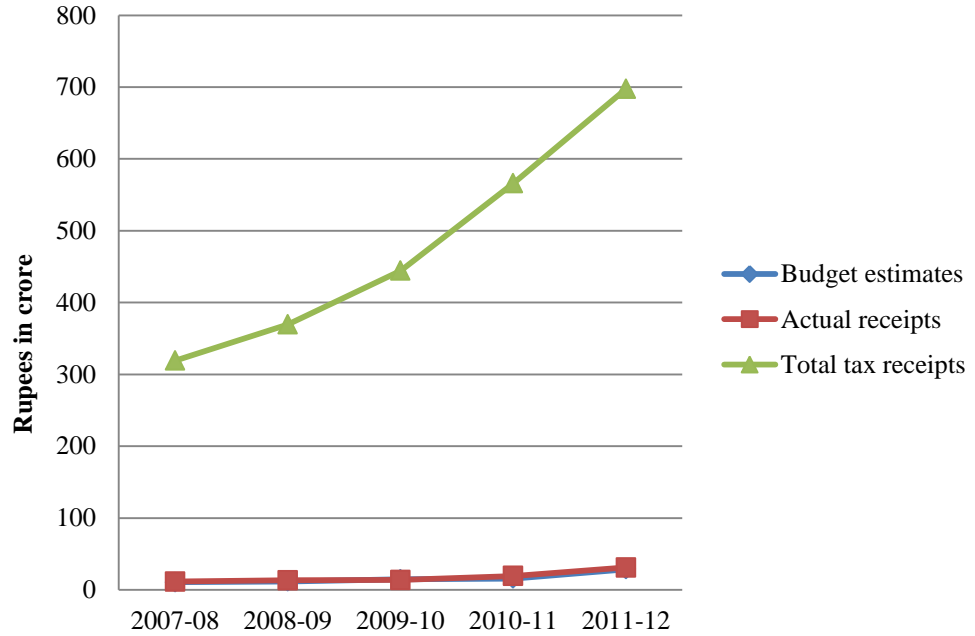
(₹ in crore)

Year	Budget estimates	Actual receipts	Variation excess (+)/ shortfall (-)	Percentage of variation	Total tax receipts of the State	Percentage of actual receipts vis-à-vis total tax receipts
2007-08	10.56	11.35	(+) 0.79	7	319.10	4
2008-09	11.62	13.21	(+) 1.59	14	369.44	4
2009-10	14.48	13.61	(-) 0.87	6	444.29	3
2010-11	15.64	19.19	(+) 3.55	23	566.07	3
2011-12	28.59	31.12	(+) 2.53	9	697.54	4

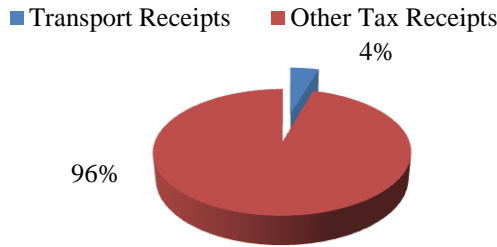
The percentage variation which was 7 per cent in 2007-08 increased to the level of 14 per cent in 2008-09. After that it abruptly went down to (-) six per cent in 2009-10 and again jumped to 23 per cent in 2010-11.

Motor vehicles receipts formed about 3-4 per cent of the total tax receipts of the State during the period 2007-08 to 2011-12.

A line graph of budget estimates, vis-à-vis the actual receipts and total tax receipts of the State may be seen below:



Also a pie chart showing the position of actual transport receipts *vis-à-vis* the total tax receipts during the year 2011-12 may be seen below:



4.3 Cost of collection

The cost of collection (expenditure incurred on collection) of the Transport Department during the year and the preceding two years is shown below:

Year	Actual revenue (₹ in crore)	Cost of collection (₹ in crore)	Percentage of expenditure on collection	All India average percentage of preceding year
2009-10	13.61	2.80	20.57	2.93
2010-11	19.19	3.55 ¹	18.50	3.07
2011-12	31.12	5.83	18.73	3.71

Thus, the cost of collection during all the three years remained well above the all India average percentage. The Government needs to take appropriate measures to bring down the cost of collection.

¹ Department figures

4.4 Impact of audit reports

During the last five years (including the current year's report), we have pointed out non/short levy, non/short realisation of taxes, fees and fines, loss of revenue *etc.*, with revenue implication of ₹ 1048.47 crore in 28 paragraphs. Of these, the Department/Government had accepted audit observations in seven paragraphs involving ₹ 528.05 crore. The details are shown in the following table:

(₹ in crore)

Year of Audit Report	Paragraphs included		Paragraphs accepted		Amount recovered	
	No.	Amount	No.	Amount	No.	Amount
2007-08	3	255.67	2	255.51	-	--
2008-09	7	272.69	3	272.33	-	--
2009-10	8	397.97	1	0.21	-	--
2010-11	6	1.95	1	0	-	-
2011-12	4	120.19	-	0	-	-
Total	28	1048.47	7	528.05	-	-

However, against the accepted cases involving ₹ 528.05 crore, the Department/ Government failed to make any recovery which is a matter of concern.

We recommend that the department needs to revamp its revenue recovery mechanism to ensure that they could recover at least the amount involved in the accepted cases.

4.5 Results of audit

Test check of the combined registers and other records of five units relating to the Transport Department during the year 2011-12 revealed non-realisation of taxes, fees and fines *etc.*, amounting to ₹ 189.95 crore in 29 cases, which can be categorised as under:

(₹ in crore)

Sl. No.	Category	Number of cases	Amount
1.	Non-levy of penalty	7	179.86
2.	Non-realisation of fees/duties <i>etc.</i>	11	1.59
3.	Loss of revenue	9	1.61
4.	Other irregularities	2	6.89
Total		29	189.95

During the course of the year, the Department accepted seven cases amounting to ₹ 1.10 crore. No recovery in respect of any of the cases was intimated.

A few illustrative audit observations involving ₹ 120.19 crore are mentioned in the succeeding paragraphs.

4.6 Non-compliance of the provisions of the Acts/Rules

The provision of the MV Act, 1988, AMVT Act, 1936 and Rules made thereunder require levy and payment of:

- Penalty for non-renewal of permits.
- Payment of composite fee to the STA.
- Prompt deposit of Government revenue into treasury.
- Non-revision of lumpsum payable by the lessees of weighbridges.

Non-compliance of the provision of the Act/Rules in some cases mentioned in paragraph 4.8 to 4.12 resulted in non/short realisation of ₹ 120.19 crore.

4.7 Loss of revenue due to non-renewal of licences

The leases of three weighbridge lease were not renewed by the State Government resulting in revenue loss of ₹ 1.10 crore.

During test check of records (May/June 2012) of the Commissioner of Transport (CT), GOM it was noticed that the GOM in a meeting held on 02 June 2010 which was chaired by the Chief Minister decided to set up an integrated checkgate at the exit point of National Highway (NH) 62² and in view of this, all existing weighbridges on NH 62 were to be allowed to

In Meghalaya, private parties are allowed to operate weighbridges on behalf of the Transport Department (TD) on payment of a lump sum annual amount to the GOM as agreed upon. There were nine private parties in the State who were granted licences to operate nine weighbridges for a period of two to three years from 2007-08 to 2009-10 on payment of annual leases ranging between ₹ 2,00,000 and ₹ 75,00,000.

operate till the term of their current leases and thereafter, no further extension was to be given. Out of the nine weighbridges, only one³ was located on NH 62.

The leases of all the nine weighbridges expired on various dates between 2009-10 and 2011-12. Of the nine lessees

- two lessees⁴ did not apply for renewal;
- one⁵ continued to operate the weighbridge on the strength of a High Court order although his application for renewal had been rejected by the TD;
- two⁶ applications for renewal were pending since November and December 2011 with the TD while one⁷ incomplete application

² National Highway from Dalu (West Garo Hills district in Meghalaya) to Damra (Goalpara district in Assam).

³ Dobu Weighbridge.

⁴ For Athiabari and Shallang weighbridges located on PWD Road, West Khasi Hills district.

⁵ For Umling weighbridge located on NH 44, Ri-Bhoi district.

⁶ For Mawpun and Borsora weighbridges on PWD Road, West Khasi Hills.

⁷ For Dobu weighbridge on NH 62, East Garo Hills.

had been returned back in January 2011 to the lessee for rectification; and

- the TD declined to renew the remaining three⁸ applications citing the decision taken in the meeting on 02 June 2010.

Audit observed that none of the last three weighbridges were situated on NH 62. The TD by its irrational decision not to renew the leases of these three weighbridges thus caused a revenue loss of ₹ 1.10 crore⁹ which could have accrued to the State exchequer had the leases of these three weighbridges been renewed. Further, as of June 2012, it was observed that the integrated checkgate on NH 62 was also yet to be set up.

The case was reported to the TD, GOM in June 2012; reply was awaited (March 2013).

4.8 Failure of check posts to detect overloading and short levy of fine on overloading

Three departmental check posts failed to detect overloading to the extent of 6,59,099 MT leading to non-imposition of fine and additional fine amounting to ₹ 118.50 crore.

Section 194(i) of the Motor Vehicles (MV) Act, 1988 Act states that loads carried in excess of the permissible limit is punishable with a minimum fine of ₹ 2000 plus an additional fine of ₹ 1000 per MT of excess load together with the liability to pay charges for off-loading of the excess load. In Meghalaya, the maximum legal permissible load for commercial trucks is 9 MT per truck effective from 09 November 2005.

4.8.1 It has been repeatedly brought out in past Audit Reports (AR)¹⁰ about the inability of the TD check posts to detect and penalise trucks carrying coal in excess of 9 MT per truck. The last three cases reported in the ARs are given in the following table:

⁸ Jaintia Hills, National Highway 40 (2 nos) and South Garo Hills, PWD Road.

Location	Licence period	Date of renewal	Lease amount (₹)	Period for which loss worked out	Amount per year (₹)	Total (₹)
Thangskai	20.12.07 to 19.12.10	20.12.10	30,00,000	2 years 6 months 14 days	30,00,000	7115068
7 th Mile (Pasyih)	25.01.09 to 24.01.12	25.01.12	75,00,000	5 months 6 days	75,00,000	3248288
Gasuapara	12.03.09 to 11.03.11	12.03.11	3,00,000	1 year 3 months	3,00,000	652397
						11015753

¹⁰ beginning with the Audit Report for the year ended 31 March 2002

AR for the year ended	Para No.	Amount (₹ in crore)
31 st March 2007	6.3.12.1	707.40
31 st March 2009	5.4	271.80
31 st March 2010	5.7	395.09
Total		1374.29

The TD has check posts at Umkiang (Jaintia Hills district), Athiabari and Dainadubi (both in East Garo Hills district) whose primary responsibility is check, detect and penalise vehicles carrying loads in excess of the legal permissible limit. The Directorate of Mineral Resources (DMR) also has check posts at these three places whose responsibility is to levy and collect royalty/additional royalty on coal being transported through these check posts.

A check of the records of the DMR check posts at Umkiang, Athiabari and Dainadubi for the period April 2009 to March 2011 showed that 2,62,954 trucks carrying a total of 30,25,685 MT of coal had passed through the check posts. Since the maximum permissible load was 9 MT per truck, this implied that 6,59,099 MT¹¹ of coal was carried in excess of the permissible limit by these trucks. The TD check posts at Umkiang, Athiabari and Dainadubi however, failed to detect or apprehend these overloaded trucks as a consequence of which fine and additional fine leviable under Section 194(i) of the MV Act amounting to ₹ 118.50 crore¹² was not collected.

The fact that the State of Meghalaya has, over the years, been deprived of a huge amount of revenues owing to the chronic inability of the TD check posts to detect overloading suggests that there are serious systemic and other issues which the TD inexplicably, was yet to identify and address.

The matter was reported to TD, GOM in April 2011 and June 2012; reply was awaited (March 2013).

The Enforcement Branch of the Department failed to levy additional fines of atleast ₹ 12.59 lakh on 1,259 trucks carrying loads in excess of the permissible limit.

4.8.2 A test check of the receipt books carried out in May/June 2012 of the Enforcement Branch (EB) of the CT, Meghalaya revealed that the EB had intercepted 1,259 trucks throughout the State during the period April 2010 to March 2012 carrying loads in excess of the maximum legal permissible load of 9 MT per truck and on whom the EB levied fines totaling ₹ 25.18 lakh at ₹ 2000 per truck. The EB however, neither recorded the quantity of excess load carried by each truck nor levied the additional fine of ₹ 1000 per MT per truck as prescribed under Section 194(i) of the MV Act. This resulted in a minimum short levy of additional fine of ₹ 12.59 lakh calculated at the rate of 01 MT of excess load per truck. The actual non-realisation of the additional fine would be higher if the exact quanta of excess load carried by these trucks could be established.

¹¹ 30,25,685 MT – (2,62,954 trucks X 9 MT per truck) = 6,59,099 MT

¹² (262954 trucks X ₹ 2000) + (659099 MT X ₹ 1000) = ₹ 1185007000

Since section 194(i) of the MV Act unambiguously stipulates the levy of an additional fine of ₹ 1000 per MT of excess load carried per truck (in addition to the minimum fine of ₹ 2000 per truck), the failure of the EB to levy the additional fine was inexcusable. It is recommended that the TD initiate disciplinary action against the concerned officials of the EB for dereliction of duty and causing a loss to the state exchequer on this account.

The case was reported to the TD, GOM in June 2012; reply was awaited (March 2013).

4.9 Non-receipt of bank drafts sent for revalidation

Failure to take follow up action to get 182 time-barred bank drafts re-validated resulted in non-realisation of revenue of ₹ 11.32 lakh.

Section 88 of the Motor Vehicles (MV) Act, 1988 stipulates that a permit granted in any one State shall not be valid in another State unless the permit is countersigned by the State Transport Authority (STA) of the latter State on payment of a Composite Fee (CF) fixed by the former State. The CF is payable by bank draft and remitted to the STA, Meghalaya when vehicles which have been issued permits by other States are authorised to ply in Meghalaya. The STA is required to maintain a 'Register of Valuables' (ROV) to watch the receipt of bank drafts from other States and ensure prompt credit of the amount into Government account.

Scrutiny of records of the STA, Meghalaya in May/June 2012 revealed that it did not maintain a ROV and further, bank drafts received from other States were not being deposited into government account in time. As a result, 182 bank drafts amounting to ₹ 11.32 lakh pertaining to the period from January 2008 to September

2011 had become time-barred. The STA, Meghalaya returned these bank drafts on various dates between March 2011 and March 2012 to the concerned STAs for revalidation. None of these were received back and neither did the STA, Meghalaya initiate any follow up action to get back the revalidated bank drafts thereby resulting in non-realisation of revenue of ₹ 11.32 lakh.

The case was reported to the TD, GOM in June 2011; reply was awaited (March 2013).