

**CHAPTER IV**  
**REVENUE RECEIPTS**

## CHAPTER IV

### REVENUE RECEIPTS

#### 4.1 Trend of revenue receipts

4.1.1 The tax and non-tax revenue raised by the Government of the Union Territory of Puducherry and the grants-in-aid received from the Government of India during the year 2013-14 and the corresponding figures for the preceding four years are mentioned in Table 4.1.1.

**Table: 4.1.1 - Trend of revenue receipts**

(₹ in crore)						
Sl. No.	Category	2009-10	2010-11	2011-12	2012-13	2013-14
I	<b>Revenue raised by the Government</b>					
	(a) Tax revenue	867.74	1,074.47	1,329.43	1,917.22	1,904.51
	(b) Non-tax revenue	642.93	742.78	153.31	118.15	1,192.59
	<b>Total (I)</b>	<b>1,510.67</b>	<b>1,817.25</b>	<b>1,482.74</b>	<b>2,035.37</b>	<b>3,097.10</b>
II	Receipts from the Government of India – Grants-in-aid	1,330.66	1,382.78	1,288.68	1,110.77	1,210.51
III	<b>Total receipts of the Government (I + II)</b>	<b>2,841.33</b>	<b>3,200.03</b>	<b>2,771.42</b>	<b>3,146.14</b>	<b>4,307.61</b>
IV	<b>Percentage of I to III</b>	<b>53</b>	<b>57</b>	<b>54</b>	<b>65</b>	<b>72</b>

(Source: Finance Accounts of the respective years)

The above table indicates that during the year 2013-14, the revenue raised (₹ 3,097.10 crore) by the Union Territory Government was 72 per cent of the total revenue receipts (₹ 4,307.61 crore) as against 65 per cent in the preceding year. The balance (₹ 1,210.51 crore) 28 per cent of the receipts during 2013-14 were obtained from the Government of India.

4.1.2 The details of tax revenue raised during the period from 2009-10 to 2013-14 are given in the following table.

**Table: 4.1.2 - Details of Tax Revenue raised**

(₹ in crore)												
Sl. No.	Heads of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+)/ decrease (-) in 2013-14 over 2012-13
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Taxes on Sales, Trade, etc.	500.00	453.11	680.78	595.00	1,481.83	750.15	1,395.61	1,287.10	1,505.00	1,256.71	(-) 2.36
2	State Excise	300.00	329.06	475.00	378.55	778.00	447.27	688.49	503.98	620.00	511.72	(+ ) 1.54
3	Stamp Duty and Registration fees	60.00	50.15	102.00	51.93	113.96	77.43	121.29	72.67	98.00	82.79	(+ ) 13.93
4	Taxes on vehicles	45.00	34.75	58.00	48.27	89.86	53.55	87.66	52.64	66.00	51.95	(-) 1.31
5	Land Revenue	0.79	0.54	1.15	0.62	1.42	0.80	1.35	0.55	0.80	1.14	(+ ) 107.27
6	Others	0.21	0.13	0.22	0.10	0.93	0.23	0.29	0.28	0.20	0.20	(-) 28.57
	<b>Total</b>	<b>906.00</b>	<b>867.74</b>	<b>1,317.15</b>	<b>1,074.47</b>	<b>2,466.00</b>	<b>1,329.43</b>	<b>2,294.69</b>	<b>1,917.22</b>	<b>2,290.00</b>	<b>1,904.51</b>	

(Source : Finance Accounts of the respective years)

Reasons for variation in receipts in 2013-14 over 2012-13, as furnished by the Departments concerned, are mentioned below:

**Stamp Duty and Registration Fees:** The increase (13.93 per cent) was mainly due to increased sale of Stamps.

**Land Revenue:** The increase (107.27 per cent) was mainly due to increased collection of cesses.

**4.1.3** The details of non-tax revenue raised during the period from 2009-10 to 2013-14 are given in the following table.

**Table: 4.1.3 - Details of Non-tax revenue raised**

Sl. No.	Heads of revenue	2009-10		2010-11		2011-12		2012-13		2013-14		Percentage of increase (+) / decrease (-) in 2013-14 over 2012-13
		Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	Budget	Actuals	
1	Power	945.15	549.39	889.61	662.71	Nil	58.73	Nil	29.58	1,200.00	1,055.15	(+) 3,467.11
2	Interest receipts, Dividends and Profits	31.43	56.98	53.44	42.15	71.91	38.72	39.87	35.64	36.29	68.44	(+) 92.03
3	Medical and Public Health	6.30	6.58	7.49	10.77	10.04	8.46	16.43	13.94	14.50	9.46	(-) 32.14
4	Education, Sports, Art and Culture	0.73	0.45	0.89	0.61	1.19	0.84	0.30	0.73	0.26	0.91	(+) 24.66
5	Crop Husbandry	0.42	0.39	0.36	0.41	0.48	0.48	0.52	0.51	0.46	0.38	(-) 25.49
6	Other receipts	23.12	29.14	34.47	26.13	46.38	46.08	63.88	37.75	58.49	58.25	(+) 54.30
	<b>Total</b>	<b>1,007.15</b>	<b>642.93</b>	<b>986.26</b>	<b>742.78</b>	<b>130.00</b>	<b>153.31</b>	<b>121.00</b>	<b>118.15</b>	<b>1,310.00</b>	<b>1,192.59</b>	

(Source : Finance Accounts of the respective years)

Reasons for variation in actual receipts in 2013-14 over 2012-13, as furnished by the Departments concerned, are mentioned below:

**Power:** The increase (3,467.11 per cent) was mainly due to revision of accounting procedure and revision of tariff.

**Interest receipts, Dividends and Profits:** The increase (92.03 per cent) was due to increase in receipt of interest.

**Medical and Public Health:** The decrease (32.14 per cent) was due to less receipts under Employees Insurance Scheme and other receipts.

**Crop Husbandry:** The decrease (25.49 per cent) was due to less receipts under other receipts.

## 4.2 Analysis of arrears of revenue

The arrears of revenue as on 31 March 2014 under the principal heads of revenue amounted to ₹ 501.22 crore, of which, ₹ 167.96 crore was outstanding for more than five years, as detailed in Table 4.2.

Table: 4.2- Arrears of revenue

(₹ in crore)

Sl. No.	Departments	Total arrears	Arrears outstanding for more than five years	Remarks
(1)	(2)	(3)	(4)	(5)
1	Commercial Taxes	213.65	80.73	Arrears related to collection of tax under PGST/CST and VAT Acts and major portion was covered under court cases.
2	Electricity	233.86	71.34	Arrears were due to non-payment of electricity charges by Government departments/ institutions/ private companies.
3	State Excise	33.94	9.65	Arrears were mainly due to non payment of <i>kist</i> by the lessees of arrack and toddy shops.
4	Public Works	12.63	4.25	Arrears related to water charges due from consumers.
5	Government Automobile Workshop	3.99	Nil	Arrears were due from Government departments towards sale of petrol, oil and lubricants and work bills.
6	Port	0.59	0.57	Arrears were mainly due from Container Corporation of India Limited, Government of India undertaking, towards land rent.
7	Stationery and Printing	0.27	0.02	Arrears related to non recovery of printing charges from Government departments.
8	Town and Country Planning	0.12	0.12	Arrears related to final cost of plots due from the allottees of various housing schemes.
9	Tourism	0.15	0.06	Arrears were mainly due from guests/ other Government Officials towards room rent.
10	Co-operation	0.09	0.03	Arrears related to audit fees and other receipts due.
11	Judicial	0.05	0.03	In some cases, the accused were undergoing imprisonment and in some cases, appeals were pending in courts, etc.

(1)	(2)	(3)	(4)	(5)
12	Industries and Commerce	0.04	0.03	Arrears related to rent due from defunct industrial units.
13	Transport	0.43	0.36	Arrears were due to non-recovery of motor vehicles tax.
14	Agriculture	0.32	0.16	Arrears due from PASIC and local bodies towards rent, cost of seeds and other services.
15	Information and Publicity	0.12	0.11	Arrears of rent to be collected from PRTC.
16	Hindu Religious Institutions and Wakf Board	0.58	0.29	Arrears were due to shortfall in collection of temple audit fees.
17	Accounts and Treasuries	0.37	0.20	Arrears were due to non-remittance of audit fee by religious institutions at stipulated time.
18	Fisheries and Fishermen Welfare	0.02	0.01	Arrears of lease amount on diffused fish farm at Coringa river, Yanam.
	<b>Total</b>	<b>501.22</b>	<b>167.96</b>	

Other Departments did not furnish (December 2014) the details of arrears of revenue, if any.

### 4.3 Arrears in assessments

The details of cases pending at the beginning of the year, cases becoming due for assessment, cases disposed of during the year and number of cases pending for finalisation at the end of the year, as furnished by the Commercial Taxes Department (CTD), in respect of Value Added Tax, are shown below in Table: 4.3.

**Table: 4.3 - Arrears in assessments**

Head of revenue	Opening balance	New cases due for assessment during 2013-14	Total assessments due	Cases disposed of during 2013-14	Balance at the end of the year	Percentage of disposal (col. 5 to 4)
1	2	3	4	5	6	7
VAT Scrutiny Assessments	9,197	1,977	11,174	2,721	8,453	24.35

The above table indicates that adequate measures need to be taken for speedy finalisation of cases which were selected for detailed scrutiny.

#### 4.4 Evasion of tax detected by the Department

The details of cases of evasion of tax detected by the Commercial Taxes Department, cases finalised and the demands for additional tax raised as reported by the Department are given in Table: 4.4.

Table: 4.4 - Evasion of Tax

(₹ in crore)

Head of revenue	Cases pending as on 31 March 2013	Cases detected during 2013-14	Total	Number of cases in which assessment/ investigation completed and additional demand with penalty etc., raised		Number of cases pending for finalisation on 31 March 2014
				Number of cases	Amount of demand	
Sales Tax/VAT	168	102	270	50	1.38	220

It would be seen from the above table that the number of cases pending at the end of the year had increased compared to the number pending at the beginning of the year. The Department may institute measures for finalisation of pending cases, so as to ensure early realisation of revenue.

#### 4.5 Pendency of Refund Cases

The number of refund cases pending at the beginning of the year 2013-14, claims received during the year, refunds allowed during the year and the cases pending at the close of the year 2013-14 as reported by the Transport Department is given in Table: 4.5.

Table: 4.5 - Details of pendency of refund cases

Sl.No.	Particulars	Taxes on vehicles	
		Number of cases	Amount (in ₹)
1	Claims outstanding at the beginning of the year	Nil	Nil
2	Claims received during the year	1	2,880
3	Refunds made during the year	1	2,880
4	Balance outstanding at the end of the year	Nil	Nil

## 4.6 Response of the Departments/Government towards audit

Accountant General (Economic and Revenue Sector Audit), Tamil Nadu arranges periodical inspection of the Government Departments to test check the transactions and verify the maintenance of important accounts and other records as per the prescribed rules and procedures. These inspections are followed up with Inspection Reports (IRs). Important irregularities are included in the IRs, issued to the heads of offices inspected with copies to the next higher authorities, for taking corrective action. The heads of offices/Government are required to comply with the observations contained in the IRs, rectify the defects and omissions promptly and report compliance to the office of the Accountant General within one month from the date of issue of the IRs. Serious irregularities are also brought to the notice of the heads of Departments by the office of the Accountant General.

IRs issued upto 31 December 2013 disclosed that 678 paragraphs involving ₹ 290.26 crore relating to 180 IRs remained outstanding at the end of June 2014 as mentioned below alongwith the corresponding figures for the preceding two years in Table: 4.6.

**Table: 4.6 - Details of pending IRs**

	June 2012	June 2013	June 2014
Number of outstanding IRs	158	173	180
Number of outstanding audit observations	558	576	678
<b>Amount involved (₹ in crore)</b>	<b>236.48</b>	<b>209.63</b>	<b>290.26</b>

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

**4.6.1** Department-wise details of the IRs and audit observations outstanding as on 30 June 2014 and the amounts involved are mentioned in Table: 4.6.1.

**Table: 4.6.1 - Department-wise details of IRs**

(₹ in crore)

Sl. No.	Tax Heads	Outstanding		Amount
		Inspection Reports	Audit Observations	
1	Sales Tax	56	332	146.73
2	Stamp Duty and Registration fees	61	150	2.47
3	Taxes on vehicles	34	135	4.21
4	State Excise	29	61	136.85
	<b>Total</b>	<b>180</b>	<b>678</b>	<b>290.26</b>

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

### 4.6.2 Non-production of records to audit for scrutiny

The programme of local audit of commercial tax offices is prepared sufficiently in advance and intimated to the Department one month before the commencement of local audit to enable them to keep relevant records

ready for audit scrutiny. During 2013-14, 130 sales tax assessment records relating to four offices were not made available for audit.

The delay in production of records for audit would render audit scrutiny ineffective, as rectification of underassessments, if any, might become barred by limitation, by the time these files are produced to audit.

The matter regarding non-production of records in each office and arrears in assessment is brought to the notice of the Department through the local audit reports of the respective offices.

#### **4.6.3 Response of the Departments to draft Audit Paragraphs**

Three draft paragraphs (clubbed into two paragraphs) proposed for inclusion in the Report of the Comptroller and Auditor General of India for the year ended March 2014 were forwarded to the Secretaries of the respective Departments during September-November 2014 through demi-official letters. The Secretaries of the Departments did not send replies to these paragraphs (December 2014). These paragraphs have been included in the Report without the response of the Secretaries of the Departments concerned.

#### **4.6.4 Follow-up on Audit Reports**

The internal working system of the Public Accounts Committee, laid down that after the presentation of the Report of the Comptroller and Auditor General of India in the Legislative Assembly, the Departments shall initiate action on the audit paragraphs and the action taken explanatory notes thereon should be submitted by the Government within three months of tabling the Report, for consideration of the Committee. In spite of these provisions, the explanatory notes on audit paragraphs of the Reports were being delayed inordinately. Nineteen paragraphs (including performance audit) included in the Reports of the Comptroller and Auditor General of India on the Revenue Sector of the Government of Union Territory of Puducherry for the years ended 31 March 2008, 2009, 2010, 2011 and 2012 were placed before the Legislative Assembly of UT between 2009 and 2013. The action taken explanatory notes from the concerned Departments on these paragraphs were received late with average delay of more than 16 months in respect of these Audit Reports.

The PAC discussed nine selected paragraphs pertaining to the Audit Reports for the years from 2007-08 and 2008-09 and its recommendations on two paragraphs relating to Audit Report 2008-09 were incorporated in their 2012-13 Report. However, ATNs have not been received in respect of eight recommendations of the PAC from the Revenue (Excise) Department.



## 4.7 Analysis of the mechanism for dealing with the issues raised by Audit

To analyse the system of addressing the issues highlighted in the IRs/ Audit Reports by the Departments / Government, the action taken on the paragraphs and Performance Audits included in the Audit Reports of the last 10 years for one Department is evaluated and included in this Audit Report.

The succeeding paragraphs 4.7.1 and 4.7.2 discuss the performance of the Transport Department under revenue head '0041' and cases detected in the course of local audit during the last 10 years and also the cases included in the Audit Reports for the years 2003-04 to 2012-13.

### 4.7.1 Position of Inspection Reports

The summarised position of the IRs issued during the last 10 years, paragraphs included in these reports and their status as on 31 March 2014 are tabulated in Table: 4.7.1.

Table: 4.7.1 - Position of Inspection Reports

(₹ in lakh)

Year	Opening balance			Additions during the year			Clearance during the year			Closing balance		
	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value	IRs	Paras	Money value
2004-05	23	145	222.88	1	10	39.18	0	4	2.27	24	151	259.79
2005-06	24	151	259.79	3	10	94.44	0	9	0.07	27	152	354.16
2006-07	27	152	354.16	1	7	12.65	0	0	0.00	28	159	366.81
2007-08	28	159	366.81	1	6	1.90	0	0	0.00	29	165	368.71
2008-09	29	165	368.71	3	18	74.16	3	13	32.22	29	170	410.65
2009-10	29	170	410.65	1	2	0.00	1	1	0.06	29	171	410.59
2010-11	29	171	410.59	2	7	4.54	0	10	0.65	31	168	414.48
2011-12	31	168	414.48	2	4	5.13	1	41	1.15	32	131	418.46
2012-13	32	131	418.46	1	4	1.67	0	0	0.00	33	135	420.13
2013-14	33	135	420.13	4	17	8.17	0	0	0.00	37	152	428.30

(Source: As per data maintained in the office of the AG (E&RSA), Tamil Nadu)

As would be evident from the above table, as against 23 IRs involving 145 paragraphs which were pending at the beginning of 2004-05, the number at the end of 2013-14 had increased to 37 IRs involving 152 paragraphs.

### 4.7.2 Recovery of accepted cases

Two draft paragraphs involving ₹ 6.14 lakh were included in the Report of the Comptroller and Auditor General of India for the year ended March 2012, Revenue Receipts, Government of Puducherry. The Department accepted the audit observation involving ₹ 1.68 lakh and recovered ₹ 0.42 lakh.

## 4.8 Audit planning

The unit offices under various Departments are categorised into high, medium and low risk units according to their revenue position, past trends of audit observations, nature/volume of transactions, etc. The annual audit plan is prepared on the basis of risk analysis which, *inter-alia*, includes statistical analysis of the revenue earnings during the past five years, features of the tax administration, audit coverage and its impact during the past five years, etc.

During the year 2013-14, the audit universe comprised 33 auditable units. 22 units were planned for audit and 21 units were audited during the year 2013-14, i.e. 63.63 *per cent* of the total auditable units.

## 4.9 Results of audit

Test check of the records of sales tax, state excise, stamp duty and registration fees and taxes on vehicles conducted during the year 2013-14 revealed underassessment/short levy/loss of revenue amounting to ₹ 35.09 crore in 105 audit observations. During the course of the year, the Commercial Taxes Department accepted and recovered ₹ 6.78 lakh in 17 audit observations, of which, ₹ 3.20 lakh pertaining to seven cases were pointed out during the year and the rest in earlier years.

This Chapter contains a paragraph on Audit of “Functioning of Transport Department” and one on “State Excise” involving money value of ₹ 50.92 lakh.

### *TRANSPORT DEPARTMENT*

## 4.10 Audit of functioning of Transport Department

### 4.10.1 Introduction

The Audit of Transport Department of Union Territory of Puducherry was undertaken to study the effectiveness of the functioning of the Transport Department in terms of working of check posts, levy of tax and compliance with the various provisions of the Acts/Rules. The tax revenue of the Transport Department of the Union Territory of Puducherry accounts for two to five *per cent* of the total tax receipts.

The monitoring and control at the Government level is exercised by the Secretary to Government, Transport Department. The Transport Commissioner is the Head of the Department. He is assisted by two Regional Transport Officers (RTOs) at Puducherry and Karaikal. The RTOs are responsible for issue of permits, collection of taxes, issue of licences and enforcement activities. There are two Unit offices at Mahe and Yanam. The Unit offices are headed by a Motor Vehicle Inspector, who is responsible for collection of taxes and issue of licences. Permits are issued only in the Regional Transport Office, Puducherry. The functions also include issue of registration certificates, driving licences, permits, fitness certificates of vehicles, collection of taxes, fees and fines, issue of check reports and enforcement of various provisions of Motor Vehicles Acts and Rules. A check post was established in June 2001 at Gorimedu in Puducherry, to monitor the movement of the vehicles entering into the Union Territory and to collect the taxes. The computerisation of the Department commenced from the year 1998 (*Fox pro*). NIC had developed *Vahan* software (November 2005) based on the user requirement of the Department.

The audit was conducted between May and October 2014 covering the five year period from 2008-09 to 2012-13. The records relating to collection of taxes, fees, fines, permits in the two RTOs, the two Unit offices and one check post were scrutinised. The details in the “*Vahan*” dump data of the Department, made available to audit, were also analysed. The aspects of improving road safety, control of emissions from vehicles and fitness of the vehicles were also studied.

#### 4.10.2 Trend of revenue

The receipts and expenditure of the Transport Department of Union Territory of Puducherry in the last five years were as follows:

(₹ in crore)

Year	Budget estimates	Actual Receipts	Expenditure	Percentage of expenditure on collection	All India average percentage cost for the previous year
2008-09	34.00	32.46	2.35	7.24	2.09
2009-10	36.00	34.75	2.77	7.97	2.93
2010-11	52.50	48.27	2.96	6.13	3.07
2011-12	58.00	53.55	2.86	5.34	3.71
2012-13	54.00	52.64	2.99	5.68	2.96

(Source: Figures furnished by Department and Finance Accounts of UT of Puducherry)

The above table indicates that the actual receipt was around 90 *per cent* of the budget estimates in all the years. The percentage of expenditure on collection in all the years was higher than the All India average cost of collection.

#### **4.10.3 Audit findings**

##### **4.10.3.1 Non / Short collection of tax in respect of transport vehicles**

As per the provisions of Section 6A of the Puducherry Motor Vehicle Taxation Act, tax in respect of a transport vehicle has to be paid within 30 days of the commencement of the respective quarter. Further, as per Section 9 of Puducherry Motor Vehicle Taxation Act, 1967, if the tax due under sub-section 1 of Section 4 of the Act in respect of Motor Vehicle has not been paid within the period specified in sub-section 1 of Section 6, the registered owner or person having control or possession thereof is liable to pay penalty varying from 25 *per cent* to 100 *per cent* on the amount of tax, depending on the period of delay.

Audit observed from *Vahan software* in the Office of the Transport Commissioner, Puducherry that owners of 37 transport vehicles did not pay tax of ₹ 5.46 lakh tax within due dates, the period of delay ranging from two years to three and half years. The authorities also did not initiate action and this resulted in non-collection of tax of ₹ 5.46 lakh. Besides, penalty amounting to ₹ 5.46 lakh was also leviable.

Audit pointed this out to the Department (May 2014). Reply was awaited (November 2014).

##### **4.10.3.2 Non-renewal of Certificate of Fitness of transport vehicles**

Section 56 of Motor Vehicles Act, 1988 (MV Act) provides that a transport vehicle shall not be deemed to be validly registered under the Act, unless it carries a certificate of fitness (FC) issued by the prescribed authority. Government of Puducherry issued orders<sup>1</sup> in May 2004 for levy of compounding fee of ₹ 500 for Auto/Light Motor Vehicle and ₹ 2,000 for other vehicles for use without fitness certificate. Under Section 190(2) of MV Act, any person who drives or causes or allows to be driven in any public place, a motor vehicle, which violates the standards prescribed in relation to road safety, control or noise and air pollution shall be punishable for the first offence with a fine of ₹ 1,000 and for any second or subsequent offence with a fine of ₹ 2,000.

Audit noticed from the *Vahan Software* maintained in the Office of the Transport Commissioner, Puducherry that in respect of 3,508 transport vehicles, relating to the period 2008-09 to 2012-13, details of renewal of

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<sup>1</sup> Order No.05/TD/RTO-PA/2004, dated 18<sup>th</sup> May 2004

fitness was not available in the above software, though vehicle owners paid taxes regularly.

While accepting tax, the authorities failed to verify the fitness of the vehicles. This led to plying of vehicles without FC, thereby endangering public safety. Besides, fine for non-renewal of FC, as stipulated in the Act, was also leviable.

After Audit pointed this out, the Department replied (December 2014) that ₹ 1.23 lakh was collected as compounding fee in respect of 265 light motor vehicles / auto-rickshaws. The Department further stated that the details were entered manually in a separate register from November 2012 onwards. However, no documents in support of collection of fee were furnished to audit for verification. Further, reply in respect of the remaining cases was awaited (November 2014).

#### **4.10.3.3      *Inadequate number of Pollution testing centres***

According to sub-rule 7 of Rule 115 of Central Motor Vehicle Rules, 1989, after the expiry of one year from the date on which the motor vehicle was first registered, every such vehicle shall carry a valid “Pollution under control” certificate issued by an agency authorised for this purpose by the State Government. The validity of the certificate shall be for six months and the certificate shall always be carried in the vehicle and produced on demand by the officers referred to in sub-rule (1) of Rule 116.

During the period between 2008-09 and 2011-12, a total of 2,70,659 vehicles were registered and these vehicles were required to obtain “Pollution under control” certificates during the period from 2009-10 to 2012-13 (one year after the date of registration). Scrutiny of records revealed that there were only two authorised Pollution testing centres in Puducherry. Audit observed that only 37,200 authorisations were issued by the Transport Department to these centres for the period from 2009-10 to 2012-13, revealing that the exhaust emission check of vehicles had not been strictly enforced.

As per Annual Environment Status Report (2011-12) of Puducherry Pollution Committee, 75 per cent of urban air pollutant originated from vehicular emission. Thus, non-enforcement of exhaust emission check of vehicles had led to risk of further deterioration of air quality.

After Audit pointed this out (September 2014), the Department replied (October 2014) that action would be taken to increase the number of Pollution testing centres.

#### **4.10.3.4      *Working of check posts***

As per the Order issued in the year 2001, six check posts were proposed to be established in the Union Territory of Puducherry. However, only one

Transport check post was established in June 2001 at Gorimedu in Puducherry. The functions of a Motor Vehicle Inspector at the check post *inter alia* included checking of motor vehicles for ensuring compliance of the provisions of the Act and Rules and to initiate action for irregularities, if any, noticed.

Audit noticed from scrutiny of check reports that no enforcement activities were carried out at the check post and the check post functioned only as a counter for issue of temporary/special permits. After Audit pointed this out (May 2014), it was replied (May 2014) that no enforcement activities were carried out due to shortage of manpower. Thus, the purpose of establishment of check post was not achieved.

#### **4.10.3.5 Maintenance of data in dual system**

According to Section 66 of the MV Act, no transport vehicle should operate on public roads without obtaining valid permit and payment of tax. Further, as per section 4 of the MV Act, road tax is levied based on the class of the vehicle as per permit.

Scrutiny of database of *Vahan software* in the Office of the Transport Commissioner, Puducherry revealed that the Department collected tax in respect of 460 vehicles; the permits of which were expired as per *Vahan software*. However, further scrutiny of manual records revealed that the permits of these vehicles were renewed periodically. The Department maintained details regarding issue/renewal of permit in the old *Fox Pro software* and collection of tax in *Vahan software*. This indicates that data maintained in manual system was not being migrated to *Vahan*. Thus, the details regarding issue/renewal of permit were not reflected in the *Vahan Software*.

After Audit pointed this out, it was replied (October 2014) that the Department was in the process of migrating to *Vahan software* from the existing *Fox Pro software*. The Department also stated that the permits were being renewed through *Fox Pro software* and the details were being gradually updated in the *Vahan software*.

Thus, usage of multiple systems resulting in data not being available in a centralised manner had led to the Department's inability to verify the validity of permits and fitness certificate (as observed in para 4.10.3.2) of the vehicles during tax collection.

#### **4.10.3.6 Internal Audit**

Internal audit is an important part of internal control mechanism for ensuring proper and effective functioning of a system and also for detection and prevention of control weaknesses. Internal audit is intended to examine and evaluate the level of compliance with the Rule and procedure so as to provide reasonable assurances on the adequacy of the

internal control. Effective internal audit system, both in the manual as well as computerised environment are prerequisite for the efficient functioning of any department.

Audit noticed that there was no separate internal audit wing in the Department and that no internal audit had been conducted so far. After Audit pointed out the above (May 2014), it was replied (December 2014) that no internal audit was conducted from 2008-09 to 2012-13, since the internal audit wing was constituted only in September 2013 under the head of Senior Accounts officer of Transport department with supporting staff of one Superintendent, one Assistant and one store-keeper. The Department also stated that an audit on the accounts of Transport Unit, Karaikal had been conducted in March 2014.

#### **4.10.3.7 Road Safety activities**

A Road Safety Council for the Transport Department was constituted in March 2008, to advise the Government on all matters pertaining to planning and co-ordination of policies, practices and standards of safety in the Road Transport Sector. The Council was also assigned the function of formulation and recommendation of road safety programmes to the Government for implementation. The Council was ordinarily required to meet once in six months.

Further, the Road Safety Council was entrusted with the function to generally oversee and monitor, the Road Safety measures undertaken by the Road Safety Organisation/Agencies, through the Road Safety Cell.

Audit, however, observed that no Road Safety Council meetings were convened during the period from 2008-09 to 2013-14 and the Council was re-constituted in November 2014. Audit observed that ₹ 51.66 lakh (constituting 96.8 *per cent* of the expenditure) was spent by the Road Safety Cell towards payment of salary of staff and ₹ 1.72 lakh alone (constituting 3.2 *per cent*) was spent towards observation of road safety week and other miscellaneous activities like marking of roads, advertisement, etc. The number of accidents which was 1,047 during 2008-09 had increased to 1,495 during 2012-13.

#### **4.10.4 Conclusion**

The non-implementation of basic function of enforcement of check posts resulted in possibility of unauthorised operation of vehicles within the State and violations of other provisions of the MVT Act. The usage of dual software in running the day-to-day functions of the Department resulted in improper projection of data with consequent effect of Department not being able to determine the validity of permits or fitness of the transport vehicles during collection of tax. The number of authorised Pollution testing centres was meagre in comparison to the number of vehicles being registered. The functioning of Road Safety Council, as well

as the Road Safety Cell in implementing and monitoring road safety activities needs to be strengthened as the number of accidents had shown an increasing trend. The absence of an internal audit wing, during the period of audit, indicates poor internal control mechanism to ensure effective functioning of the department.

## **HEALTH DEPARTMENT**

### **STATE EXCISE**

#### **4.11 Short collection of excise duty and additional excise duty**

**4.11.1** According to Section 21(2) of the Puducherry Excise Act, 1970, the Government may levy countervailing duty on any excisable article manufactured or produced elsewhere in India and imported into the Union Territory under a license or permit granted under this Act. Government of Puducherry had revised<sup>2</sup> the Excise Duty (ED) and Additional Excise Duty (AED) payable on Indian Made Foreign Liquor (IMFL) and Beer with effect from 2 January 2012.

Audit noticed (March 2013) from import permit register and connected records in the office of the Deputy Commissioner (Excise), Mahe that six licensees had imported IMFL between 2 January 2012 and 18 January 2012 after the dates of revision of ED and AED, under permits issued prior to such revision. Similarly, Audit noticed from the Beer transport permit register that a licensee imported Beer into the Union Territory on 12 January 2012. The ED and AED of ₹ 61.48 lakh was levied and collected at old rates against ₹ 89.56 lakh which was required to be collected. This resulted in short collection of ED and AED of ₹ 28.08 lakh.

After Audit pointed this out to the Department (April 2014), the Deputy Commissioner (Excise), Mahe replied (July 2014) that a sum of ₹ 16.59 lakh had since been collected. Further report was awaited (November 2014).

Audit reported the matter to the Government (July 2014). Reply was awaited (November 2014).

**4.11.2** According to Section 21(1) of the Puducherry Excise Act, 1970, the Government may levy countervailing duty on any excisable article manufactured or produced in the Union Territory under any license or

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<sup>2</sup> Notification No. 4764/DCE/SI/2011(1) dated 02.01.2012, issued by the Department of Revenue and Disaster Management, Government of Puducherry



permit granted under this Act at such rates as may be specified in the Notification. Government of Puducherry had revised<sup>3</sup> rates of Excise Duty (ED) and Additional Excise Duty (AED), payable on Indian Made Foreign Liquor (IMFL), with effect from 2 January 2012.

Audit noticed (April 2013 and February 2014) from the records relating to permit issued for transport of intoxicants in two offices of the Excise Supervisory Officer/Excise Superintendent of two distilleries in Puducherry that 6,560 cases of IMFL were despatched through 12 transport passes issued between 02 January 2012 and 05 January 2012 i.e. on or after the dates of revision of ED and AED under permits issued prior to such revision. ED and AED of ₹ 42.60 lakh was levied and collected at old rates against ₹ 54.52 lakh, which was required to be collected. This resulted in short collection of ED and AED of ₹ 11.92 lakh.

After Audit pointed this out to the Department (April 2013 and February 2014), the Excise Supervisory Officer, Puducherry stated that action would be taken to collect the differential duty after verification of facts. Reply in respect of the other case was awaited (November 2014).

Audit reported the matter to the Government during June and September 2014. Reply was awaited (November 2014).

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<sup>3</sup> Notification No. 4764/DCE/SI/2011(1) dt. 02.01.2012, issued by the Department of Revenue and Disaster Management, Government of Puducherry

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