

Chapter-V
Taxes on Vehicles, Goods and Passengers

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5.1 Tax administration

The overall charge of the Transport Department vests with the State Transport Commissioner (STC), Punjab, Chandigarh. There are 22 districts each headed by a District Transport Officer (DTO) who monitors due observance of the Punjab Motor Vehicles Taxation Act, 1924 and the Rules made thereunder and maintains the records of receipt of motor vehicles taxes and various fees. Besides, there are four Regional Transport Authorities (RTAs) for regulating the transport vehicles in the State in conformity with the Act and collection of motor vehicles taxes in respect of buses of other States.

5.2 Results of audit

Test check of the records of 28 units relating to taxes on vehicles during 2013-14 showed irregularities involving ₹ 142.95 crore in 4,524 cases, which broadly fall under the following categories as mentioned in **Table 5.1**:

Table 5.1

Sl. No.	Categories	(₹ in crore)	
		No. of cases	Amount
1.	<i>Performance audit on 'Levy and Collection of Motor Vehicle Tax'</i>	1	85.13
2.	Short/Non recovery of MVT	3,051	35.94
3.	Short/Non deposit of Government receipt	8	0.64
4.	Other irregularities	1,464	21.24
	Total	4,524	142.95

In 2013-14, the Department informed audit that they have accepted, by issuing demand notices in cases of short/non recovery, short/non deposit of Government receipt and other deficiencies, ₹ 2.16 crore involved in 475 cases, out of which ₹ 38.95 lakh involved in 48 cases were pointed out in 2013-14 and rest in the earlier years. The Department further informed that they had recovered ₹ 128.46 lakh in 185 cases, out of which ₹ 32.11 lakh involved in 27 cases related to the year 2013-14 and rest for the earlier years.

Performance audit on 'Levy and Collection of Motor Vehicle Tax' involving ₹ 85.13 crore is discussed in the succeeding paragraphs.

5.3 Performance Audit on “LEVY AND COLLECTION OF MOTOR VEHICLE TAX”

Highlights

Motor Vehicle Tax amounting to ₹ 7.18 crore pertaining to mini buses, educational institution buses, goods vehicles and All India Tourist Buses/Maxi cabs was neither paid by the vehicle owners nor demanded by the concerned transport authorities.

(Paragraphs 5.3.7 (i-vi))

Short realization of MVT of ₹ 17.64 lakh on account of plying buses of other States in excess of permitted distance against reciprocal agreement.

(Paragraph 5.3.9)

The transport authorities did not ascertain the actual number of vehicles sold by dealers against which trade certificates were issued and recover the correct amount of trade fee which resulted in non-realisation of revenue of ₹ 6.05 crore.

(Paragraph 5.3.12)

The internal control mechanism in the Department was weak as evidenced from lack of reliable centralized database, improper maintenance of registers and weak internal audit

(Paragraph 5.3.13)

In STC office, the stock registers of receipt books, challans books and daily cash registers were not maintained properly and no physical verification was conducted in the last five years period.

(Paragraph 5.3.13.1)

5.3.1 Introduction

The functioning of the Transport Department and the levy and collection of taxes and fees in the State are governed by the Central Motor Vehicles Act, 1988 (CMV Act), the Central Motor Vehicles Rules, 1989 (CMVR), the Punjab Motor Vehicles Taxation Act, 1924 (PMVT Act) and the Punjab Motor Vehicles Rules, 1989 (PMVR). The main source of revenue in the Department comprises tax on the motor vehicles and fee for registration, grant of driving licences, issue of fitness certificates, road permits *etc.*, apart from fines and penalties for default.

5.3.2 Organisational Set-up

At the apex level, the State Transport Commissioner (STC), Punjab is the Head of the Department and is responsible for the administration of the Acts. The State has been divided into four regions and 22 districts which are controlled by the Secretaries of the Regional Transport Authorities (RTAs) and the District Transport Officers (DTOs) respectively. They are assisted by the Motor Vehicles Inspectors (MVIs) in discharging their duties.

5.3.3 Audit Objectives

The performance audit was conducted with a view to ascertain whether:

- the budget estimates prepared by Department were realistic ;
- the motor vehicle tax (MVT), fees and fines except receipts from outsourced activities were properly assessed, collected as per prescribed rates and deposited into treasury;
- the provisions of the CMV Act, PMVT Act and Rules made there under were being adhered to;
- an internal control mechanism existed within the Department and was adequate and effective to check leakage of revenue.

5.3.4 Scope and Methodology of Audit

The performance audit (PA) was conducted through test check of the records from May 2013 to January 2014 and information gathered subsequently from the office of the STC, Punjab, two¹ out of four RTAs and 10² out of 22 DTOs for the period 2008-09 to 2012-13 by selecting the units based on simple stratified sampling method. PA also contains cases of similar nature which came to notice during compliance audit for period 2008-09 to 2012-13.

An entry conference was held (May 2013) with Principal Secretary to the Government of Punjab, Department of Transport and STC in which the scope and methodology of audit was discussed.

The Performance Audit was forwarded to the Department/Government in July 2014. The exit conference was not held by the Department despite several reminders. However, replies to the Audit Paras as furnished by the Department have been incorporated in the Performance Audit. Replies of the Government were awaited (November 2014).

5.3.5 Audit Criteria

The audit findings were benchmarked against the criteria derived from the following sources:

- Central Motor Vehicles Act, 1988, Central Motor Vehicles Rules, 1989;
- Punjab Motor Vehicles Taxation Act 1924, Punjab Motor Vehicles Rules, 1989;
- Punjab Motor Transport Vehicles (Toll) Act, 1992 and Rules made thereunder; and
- Administrative instructions, Department notifications and circulars issued regarding levy and collection of MVT.

¹ Jalandhar and Patiala.

² Amritsar, Gurdaspur, Jalandhar, Ludhiana, Mansa, Moga, Mohali, Sri Muktsar Sahib, Patiala and Ropar.

5.3.6 Trend of Revenue

As per provisions of the Punjab Budget Manual, estimates of revenue receipts are required to be prepared by each field office keeping in view the amount expected to be realized in a year including any arrears due for the past years and probability of their realization during the year. The estimates so obtained from field offices are required to be analysed, compiled and consolidated at the head office and then sent to the Finance Department for further action.

5.3.6.1 The budget estimates and actual realisation there against during 2008-09 to 2012-13 are exhibited in **Table-1**:

Table-1

(₹ in crores)

Year	Budget estimates	Actual Receipts	Variation excess (+)/ Shortfall (-)	Percentage of Variation
2008-09	576.00	524.09	(-)51.91	(-)9.01
2009-10	610.56	554.74	(-)55.82	(-)9.14
2010-11	645.00	653.91 ³	(+)08.91	(+)1.38
2011-12	800.00	850.06	(+)50.06	(+)6.26
2012-13	864.00	994.72 ⁴	(+)130.72	(+)15.13
2013-14	1,350.00	1,145.69	(-)204.31	(-)15.13

(Source: Annual financial statements of the Government of Punjab and Finance Accounts)

It was seen from the above table that there was variation between the budget estimates and actual receipts which indicated that preparation of budget estimates were not realistic, reasons for which were not furnished by the Transport Department. However, no budget estimates regarding revenue receipts were being sent to Finance Department on yearly basis. This indicates that the budgets estimates were being prepared on presumptive basis at the level of Finance Department itself.

5.3.6.2 Late deposit of receipt into treasury

Rule 2.4 of Punjab Financial Rules Volume-I provides that receipt collected during the day shall be deposited into the Government account on the same day or the very next day. Further, STC authorised (March 2012) RTAs and DTOs to deposit the amount collected under receipt head “0041-taxes on vehicles” in account of Punjab State Transport Society (PSTS) and then transfer the same immediately on-line in the relevant receipt head.

In six⁵ DTOs and one RTA, audit noticed that revenue receipt of ₹ 5.55 crore was collected between May 2011 and March 2013 and the same was deposited

³ Rates of MVT and fee were enhanced under various categories in August 2010.

⁴ Rates of MVT and fee were enhanced under various categories in August and October 2012.

⁵ Amritsar, Gurdaspur, Ludhiana, Patiala, Jalandhar and Muktsar, RTA Jalandhar.

late into Government account with delay ranging between 10 and 186 days in contravention of rules *ibid*.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that the delay was due to non-availability of net-banking facility with the PSTS accounts earlier. The reply of the Department is not acceptable as internet facility was available with the Department from the commencement of on-line fee deposit system i.e. July-August 2012.

5.3.6.3 Non reconciliation with treasury

The Rule 2.2(v) of Punjab Financial Rules, Volume-I provides that each Head of the office is required to prepare a list of amounts remitted into treasury every month and reconcile these amounts of remittances with the records of treasury office.

In STC, two⁶ RTAs and nine⁷ DTOs, the remittances amounting to ₹ 689.57 crore were collected and deposited into treasury during the period April 2008 and March 2013 but the same were not reconciled with the treasury.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that Integrated Financial Management System (IFMS) has been implemented. Each DDO can check/verify all the receipts and payments through on-line system. Hence, now onwards there is no need to manually verify the receipts and payments from treasuries.

The reply of the Department has to be viewed in the light of the fact that IFMS was implemented during 2012-13, but no reconciliation of deposits had been done by the Department even for the period prior to 2012-13.

5.3.7 Non/short realisation of Motor Vehicle Tax

(i) Stage Carriage Buses

As per the Section 3 of PMVT Act, as amended from time to time, there shall be levied and paid to Government, Motor Vehicle Tax (MVT) on stage carriages at the rate per kilometre/per day as may be specified by Government from time to time by the end of every month on the entire distance permitted to be covered. Further, as per Section 11-A, failure to pay tax within the prescribed period attracts simple interest at the rate of one and half *per cent* per month following the due date, till the default continues and also penalty not exceeding ₹ 5,000 but not less than ₹ 1,000 per default.

Audit noticed from the records relating to MVT registers and lists of permitted kilometers of nine⁸ DTOs and information received from the Director, State

⁶ Jalandhar and Patiala.

⁷ Amritsar, Gurdaspur, Ludhiana, Jalandhar, Mansa, Moga, Sri Muktsar Sahib, Patiala and Ropar.

⁸ Barnala, Bathinda, Faridkot, Jalandhar, Ludhiana, Mansa, Moga, Muktsar and Patiala.

Transport, that MVT of ₹ 25.34 crore was collected against ₹ 65.98 crore worked out on the basis of permitted kilometers operated by the Pepsu Road Transport Corporation (PRTC), six⁹ depots of Punjab Roadways and 27 private transport companies during the period 2008-09 to 2012-13. Thus, there was non/short realisation of MVT of ₹ 40.64 crore besides interest of ₹ 23.66 crore and minimum penalty of ₹ 6.31 lakh was also leviable as detailed in **Table 2:**

Table-2

(₹ in lakh)

Name of transporter	Period	MVT due	MVT paid	MVT short paid	Interest (upto 31 March 2013)	Penalty	Total short
PRTC	2011-12 & 2012-13	4,330.02	1,454.39	2,875.62	2,347.87	0.24	5,223.73
Punjab Roadways	2008-09 to 2012-13	2,070.06	979.34	1,090.72	0	2.52	1,093.24
Private Transport companies	-do-	197.63	99.98	97.65	18.09	3.55	119.29
Total		6,597.71	2,533.71	4,063.99	2,365.96	6.31	6,436.26

On this being reported (March/July 2014) to the Government/Department, the Department replied (September 2014) that an amount of ₹ 10.50 crore has been recovered from PRTC and in case of Punjab Roadways buses, figures are being reconciled and the remaining MVT would be recovered. Further, MVT amounting to ₹ 34.01 lakh has also been recovered from private transport companies and remaining amount would be recovered in due course of time. However, the recovered amount in respect of PRTC could not be verified in audit as no supporting document/details were supplied by the Department. Further, in case of private companies, only ₹ 4.36 lakh could be verified as part payment of one company.

(ii) Mini Bus Operators

Under the provisions of the PMVT Act, for mini buses¹⁰, plying on hire and used for transporting passengers, MVT is leviable on lump sum basis per annum and payable quarterly or annually in advance.

In eight¹¹ DTOs, Audit noticed that 301 mini bus operators did not pay or short paid MVT of ₹ 1.67 crore for the period 2008-09 to 2012-13. This resulted in non/short realisation of MVT of ₹ 1.67 crore, besides minimum penalty of ₹ 21.56 lakh was also leviable.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that an amount of ₹ 0.65 lakh in

⁹ Amritsar-I, Chandigarh, Jagraon, Jalandhar-I, Moga and Muktsar.

¹⁰ having seating capacity of not more than 30 passengers including driver and conductor.

¹¹ Amritsar, Gurdaspur, Jalandhar, Ludhiana, Mansa, Moga, Muktsar and Ropar.

six cases has been recovered and further stated that most of the vehicles have been transferred to other districts/educational institutes.

The reply is not acceptable as the Department neither furnished details of vehicles which were transferred to other district/educational institutes nor any details regarding transfer were found on record.

(iii) Educational Institutions

As per PMVT Act, MVT is leviable on school, college/other educational institute buses running upto 50 Kms from the place of registration, at the rates prescribed by Government from time to time. MVT is payable quarterly or annually in advance.

In nine¹² DTOs, audit noticed that 499 buses of educational institutes did not pay or short paid MVT amounting to ₹ 2.58 crore for the period 2008-09 to 2012-13. This resulted in non/short realisation of MVT of ₹ 2.58 crore, besides minimum penalty of ₹ 47.19 lakh was also leviable.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that an amount of ₹ 5.66 lakh in eight cases have been recovered and remaining amount would be recovered in due course of time. Recovery in remaining cases is awaited.

(iv) Goods Vehicles

Under Section 3 of PMVT Act, the Government specified MVT on gross vehicle weight (GVW) in respect of goods vehicles registered in the State of Punjab. MVT is payable quarterly or annually in advance.

In eight¹³ DTOs, audit noticed that 788 goods vehicles did not pay MVT of ₹ 1.62 crore including penalty of ₹ 73.10 lakhs for the period 2008-09 to 2012-13.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that an amount of ₹ 0.88 lakh in 27 cases has been recovered and remaining amount would be recovered in due course of time. Recovery in remaining cases is awaited.

(v) All India tourist buses and maxi cabs

As per the PMVT Act, there shall be levied and paid to the State Government MVT on tourist buses and maxi cabs at the rates prescribed by Government from time to time. The MVT is to be collected by the STC, monthly, quarterly or annually in advance.

In STC office, audit noticed that four transport companies having 11 All India tourist buses and 53 tourist maxi cabs registered in the State of Punjab with valid permits up to 31 March 2013 did not pay or paid short MVT

¹² Amritsar, Gurdaspur, Ludhiana, Jalandhar, Patiala, Mansa, Mohali, Muktsar and Ropar.

¹³ Amritsar, Gurdaspur, Jalandhar, Mansa, Moga, Mohali, Muktsar and Ropar.

amounting to ₹ 19.63 lakh including minimum penalty of ₹ 1.59 lakh during the period 2008-09 to 2012-13.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that an amount of ₹ 1.54 lakh in five¹⁴ cases has been recovered and remaining amount would be recovered in due course of time.

(vi) Private Service Vehicles

MVT is leviable on lump sum basis per annum and payable quarterly or annually in advance on private service vehicle used for trade and business. Further, the State Government revised (August 2010) the rates of MVT on the basis of seating capacity.

In STC office and four¹⁵ DTOs, audit noticed that MVT amounting to ₹ 47 lakh including minimum penalty of ₹ 0.91 lakh was not realized/short realized in respect of 38 vehicles used for trade and business during the period 2008-09 to 2012-13.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that an amount of ₹ 0.26 lakh in two cases has been recovered and remaining amount would be recovered in due course of time.

5.3.8 Non deposit of MVT by closed companies

As per Section 81 of the Motor Vehicles Act, 1988, the permit is granted for a period of five years at a time and thereafter its renewal is required from time to time. Further, Rule 80 (3) of the PMV Rules provides that a holder of the permit shall deliver the permit to the State Transport Authority by which it was issued within fourteen days of the expiry of the permit by efflux (passage) of time and the transport authority which granted a permit may cancel or suspend the permit for such period as it thinks fit if the holder of the permit ceases to own the vehicles covered by the permit.

In three¹⁶ DTOs, Audit noticed that 53 permits granted to 33 private transport companies to cover 12,565 kms per day in the State had expired but existed in the RTA list. Out of this, only six transport companies holding 15 permits were regularly paying MVT during 2008-09 to 2012-13 despite expiry of their permits but no MVT was paid by remaining 27 transport companies holding 38 permits. No action was taken by the DTOs to realize the MVT or cancel the permits as exhibited from the records of DTOs.

The chances of buses being plied by the other private companies on these routes/timings could not be ruled out.

¹⁴ part payment of tourist buses.

¹⁵ Amritsar, Ludhiana, Mohali and Patiala.

¹⁶ Amritsar, Gurdaspur and Mansa.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that an amount of ₹ 9.22 lakh in one case has been recovered by DTO Amritsar and remaining amount would be reconciled/recovered in due course of time.

5.3.9 Short realisation of MVT on account of plying buses in excess of permitted kilometers against reciprocal agreement

The Government vide notification (October 2012) revised the rates of MVT for stage carriage buses of other States plying in State of Punjab having permits which were countersigned under reciprocal agreement and the permits which were not countersigned under reciprocal agreements.

In RTA, Jalandhar, Audit noticed from reciprocal agreement and MVT payments records that six¹⁷ Depots of Himachal Roadways Transport Corporation (HRTC) had plied 14,685 kilometres in excess of permitted kilometers under the reciprocal agreements between September 2012 and March 2013 and had not paid MVT as per rate mentioned in the notification *ibid*. This resulted in short realisation of MVT of ₹ 17.64 lakh including interest and penalty.

5.3.10 Non-application of revised rates

The Government vide notification (October 2012) revised the rates of MVT leviable on mini buses, stage carriage buses plying within State of Punjab and buses coming from other States.

In RTA, Jalandhar and two¹⁸ DTOs, Audit noticed that 11¹⁹ depots of HRTC, one depot each of Punjab Roadways and PUNBUS and 14 mini bus transport companies did not pay the MVT on the revised rates between the period October 2012 and March 2013. This resulted in short deposit of MVT of ₹ 34.34 lakh including interest and penalty as detailed in **Table 3:**

Table-3

(₹ in lakh)

Sl. No.	Name of RTA/DTO	Name of Transport Company	Short paid
1.	RTA, Jalandhar	HRTC	27.89
2.	DTO, Ludhiana	Punjab Roadways and PUNBUS, Ludhiana Depot	2.84
3.	DTO, Jalandhar	Punjab Roadways and PUNBUS, Jalandhar Depot	2.86
		Mini Buses	0.75
	Total		34.34

¹⁷ Bilaspur, Dehra, Dharamshala, Mandi, Nalagarh and Una.

¹⁸ Jalandhar and Ludhiana.

¹⁹ Beserha, Chamba, Dehra, Hamirpur, Keylong, Nahan, Nalagarh, Palampur, Rampur Mandi, Sarkaghat, Sunder Nagar and Una.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that an amount of ₹ 6.98 lakh²⁰ has been recovered and remaining amount would be recovered in due course of time.

5.3.11 Challaned cases not sent to court

Section 200 of CMV Act provides that any offence punishable under Chapter XIII may either before or after the institution of the prosecution, be compounded by such officers or authorities and for such amount as may be specified by the State Government on this behalf. Further, according to Section 468 of the Criminal Procedure Code, 1973, the Court will not take cognizance of the offences, which are punishable with fine only, after expiry of six months from the date of commencement of the offence.

In RTA, Jalandhar and seven²¹ DTOs, Audit noticed that 379 cases of offences where compounding fees were not affected were not sent to the Court within the specified period during 2012-13 and still pending with the concerned transport authorities. This resulted in loss of revenue in the shape of compounding fee leviable under the Act.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that all the DTOs had been directed to send the challaned cases to concerned Courts without further loss of time.

The reply is not acceptable as the Court will not take cognizance of the offences, after expiry of six months from the date of commencement of the offence.

5.3.12 Non realisation of trade fee

Rule 34 of the CMVR, 1989 provides that an application for the grant or renewal of a trade certificate shall be made by the dealer in Form 16 and shall be accompanied by the appropriate fee²² as specified in Rule 81. The fee is chargeable for each vehicle sold by the dealer.

In three²³ districts, audit noticed from the information furnished by the DTOs and STC that 7,16,410²⁴ vehicles were registered under different categories between April 2008 and March 2013. However, the dealers had not deposited the requisite trade fee or deposited less trade fee than that prescribed. The transport authorities did not ascertain the actual number of vehicles sold by each dealer against which trade certificates were issued and recover the correct amount of trade fee. This resulted in non-realisation of revenue of ₹ 6.05²⁵ crore.

²⁰ ₹ 6.53 lakh in respect of HRTC (RTA Jalandhar), ₹ 0.45 lakh in 18 cases of mini buses in respect of DTO Jalandhar.

²¹ Gurdaspur, Ludhiana, Mansa, Mohali, Muktsar, Patiala and Ropar.

²² ₹ 50 for two wheeler and ₹ 200 for four wheeler.

²³ Ludhiana, Patiala and Ropar.

²⁴ 528736 (two wheeler), 187674 (four wheeler).

²⁵ ₹ 6.40 crore (Due) – ₹ 0.35 crore (paid) = ₹ 6.05 crore.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that trade certificate was the requirement of the dealer who sold vehicles and necessary for purchaser of vehicle.

The reply does not address the issue of non-recovery of trade fee prescribed under the CMVR, 1989.

5.3.13 Internal Control Mechanism

Internal controls are intended to provide reasonable assurance of orderly, efficient and effective operations, safeguarding resources against the irregularities, adhering to laws, regulations and management directives and developing and maintaining reliable data. The following deficiencies were noticed in the internal control mechanism:

5.3.13.1 Improper maintenance of Registers

The Financial Rules²⁶ provide that stores and stock accounts should be kept in good and efficient condition. All the quantities received in or issued are entered in stock register in order of occurrence on the dates of transactions taking place. Rules further provide that a physical verification should be made once in every year.

In STC and two²⁷ DTOs, it was noticed that the stock registers of receipt books, challan books and daily cash register were not maintained properly. Further, no physical verification was conducted between April 2008 and March 2013.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that in future stock register would be maintained in prescribed form.

5.3.13.2 Non-maintaining of centralised database

(i) In STC office, audit noticed that the Department did not maintain any centralized database in respect of field offices which were under the Control of STC and in the absence of centralized database, information desired for any conclusion could not be derived from the records. The STC office did not provide any information²⁸ in respect of field offices except registration of vehicle and stated that no such information was being compiled at head office level and these could be got from the concerned field office.

(ii) Further, cross verification of the statements furnished by the STC with the statements furnished by three²⁹ DTOs in respect of vehicles registered during the year 2008-09 to 2012-13 disclosed that 45,491 vehicles registered were shown less in DTO Patiala and 43,748 vehicles registered were shown

²⁶ Rule 15.7 and Rule 15.6 of Punjab Financial Rules, Volume-I

²⁷ Jalandhar and Mansa.

²⁸ Permit issued/expired/cancelled, mechanical fitness certificate due/issued/shortfall, Collection of revenue, renewal of registration certificates etc.

²⁹ Ludhiana, Patiala and Ropar

excess in DTO Ludhiana and Ropar as per statement furnished by the STC office.

The above discrepancies also indicated lack of monitoring to ensure that reliable data/information was available to the higher authorities.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that the Transport Department established its own data centre in 2012 and all the records of vehicles and licences are consolidated at the data centre. Further, stated that since then there were no discrepancies of records in the field offices and STC office.

The reply is not acceptable as the Department did not furnish any other centralised data except registration of vehicles to audit and there were differences in each year in the information provided by the STC office and field offices.

5.3.13.3 Absence of departmental manual

In order to ensure proper functioning of the various wings of the Department, it is essential that a Departmental manual is prepared outlining the process required to be followed by different levels of staff.

It was, however, noticed in audit that there was no such manual in the Department. In the absence of a manual in the Department, the controls which were required to be exercised and its efficacy could not be exercised by the higher authorities.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that the working of Transport Department is based on CMV Act, CMVR and PMVT Act.

Although the working of Department is based on Acts/Rules, Audit is of the view that there is still a need for Departmental manual for effective implementation of these Acts/Rules.

5.3.13.4 Non-renewal of fitness certificates

Section 56 of the CMV Act provides that a transport vehicle³⁰ shall not be deemed to be validly registered unless it carries a certificate of fitness. As per Rule 62 of the CMVR, fitness certificate granted under the Act in respect of a newly registered transport vehicle is valid for two years and thereafter required to be renewed every year after payment of prescribed fee. Further, the Punjab State falls in the high accidental (road accident) prone area as per report issued by the National Crime Records Bureau, Ministry of Home Affairs on Accidental Deaths and Suicides in India 2012.

³⁰ "Transport vehicle" means a public service vehicle, a goods carriage, an educational institution bus or a private service vehicle.

As per the information supplied by the five³¹ DTOs, audit noticed that 5,14,016 transport vehicles were due for mechanical inspection during the period 2008-09 to 2012-13, against which only 2,81,528 fitness certificates were issued. Non-inspection of remaining motor vehicles had not only resulted in huge number of vehicles plying without valid fitness certificates but also deprived government revenue on account of inspection fee of ₹ 6.97 crore in respect of 2,32,488 un-inspected vehicles as calculated at the average rate of ₹ 300³² per inspection per vehicle.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that though every transport vehicle is required to get fitness certificate at regular intervals, yet some vehicles did not get it in time. Moreover, there is no such other mechanism to trap vehicle owners who are not presenting their vehicles for fitness test and during routine checking such vehicles are challaned and impounded. The fact remains that there is no system to ensure that the vehicles are plying with the fitness certificates.

5.3.13.5 Internal Audit

Internal audit is one of the most vital tools of the internal control mechanism. In STC office, internal audit wing headed by Deputy Controller of Finance and Accounts was set up in 1992. In each DTO, there was one section officer who applied audit checks with reference to financial rules and Departmental instructions. However, no section officer was posted in the offices of RTAs.

With a view to plug the various loopholes leading to leakage of revenue and to tone up the quality of assessment and collection of major revenue earning Departments in Punjab, an Internal Audit Organization (IAO) under the Finance Department, Government of Punjab was set up in October 1981. The audit of two³³ RTAs and eight³⁴ DTOs was not conducted by the IAO during the period 2008-13.

This indicated that the Department had no means of ascertaining the areas of malfunctioning of system and avail the opportunity of taking appropriate remedial action.

On this being reported (July 2014) to the Government/Department, the Department replied (September 2014) that no internal audit wing was in existence in the Department. Internal Audit is being conducted by the IAO since 2004-05 on regular basis.

³¹ Amritsar, Gurdaspur, Jalandhar, Ludhiana and Ropar.

³² ₹ 200 inspection fee + ₹ 100 fitness certificate renewal fee.

³³ Jalandhar and Patiala.

³⁴ Amritsar, Gurdaspur, Ludhiana, Jalandhar, Mansa, Moga, Sri Muktsar Sahib and Ropar.

The reply is not acceptable as no audit report of IAO was supplied to Audit. Moreover, all RTAs/DTOs pointed out in the para also stated that IAO did not conduct the audit during the period 2008-09 to 2012-13.

5.3.14 Conclusion

There were cases of non/short realisation of MVT from operators of stage carriages buses, mini buses, educational institution buses, goods vehicles, All India Tourist buses/taxis, vehicles used for trade and business. The transport authorities did not ascertain the actual number of vehicles sold against which trade certificates were issued. The Department also did not have a Manual for a more effective delivery of its mandate. The internal control mechanism in the Department was weak as evidenced from lack of reliable centralized database, improper maintenance of registers and weak internal audit.

5.3.15 Recommendations

The State Government may consider to:

- (i) devise a mechanism to monitor and recover the huge outstanding amount against the defaulters;
- (ii) strengthen enforcement wing to ensure timely realisation of revenue by adopting special modes of recovery e.g. impounding vehicles of the tax defaulters, cancelling permits of defaulters etc.
- (iii) prescribe a periodical return to be furnished by the dealers indicating sale of vehicles and trade fee payable thereon which may be cross checked with the records of registration of vehicles;
- (iv) strengthen internal control mechanism such as maintenance of registers, reliable centralized database, internal audit etc.